

Worcester County, Maryland

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2017



Worcester County Government Center

Prepared by:

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WORCESTER COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2017
 TABLE OF CONTENTS

	Page(s)
INTRODUCTORY SECTION	
Letter of Transmittal	1 - 5
GFOA Certificate of Achievement	6
Organization Chart	7
List of Principal Officials and Directors	8
FINANCIAL SECTION	
Independent Auditors' Report	10 - 11
Management's Discussion and Analysis	12 - 26
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	28
Statement of Activities	30 - 31
Fund Financial Statements:	
Balance Sheet - Governmental Funds	32
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	33
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	35
Statement of Net Position - Business-type Activities	36 - 37
Statement of Revenues, Expenses and Changes in Fund Net Position - Business-type Activities	38
Statement of Cash Flows - Business-type Activities	39 - 40
Statement of Net Position - Fiduciary Funds	41
Statement of Changes in Net Position - Fiduciary Funds	42
Notes to Financial Statements	44 - 85
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	87 - 104
Schedule of the Proportionate Share of the Net Pension Liability - Maryland State Retirement and Pension Systems	105
Schedule of Contributions - Maryland State Retirement and Pension Systems	106
Actuarial Assumptions - Pension Plan - Maryland State Retirement and Pension Systems	107
Other Post-Employment Benefits Trust - Schedule of Funding Progress and Employer Contributions	108
Notes to Required Supplementary Information	109 - 110
Other Supplementary Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	112
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	113
Balance Sheet - Local Management Board - Nonmajor Governmental Fund	114
Schedule of Revenues, Expenditures and Changes in Fund Balance - Local Management Board - Nonmajor Governmental Fund	115

WORCESTER COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2017
 TABLE OF CONTENTS
 (CONTINUED)

	Page(s)
FINANCIAL SECTION (CONTINUED)	
Other Supplementary Information (continued):	
Combining Schedule of Fund Net Position - Operating Funds - Department of Water and Wastewater Services	116 - 117
Combining Schedule of Fund Net Position - Capital Projects Funds - Department of Water and Wastewater Services	118 - 119
Schedule of Revenues and Expenses - Budget and Actual - Operating Funds - Department of Water and Wastewater Services	120 - 125
Combining Schedule of Revenues, Expenses and Changes in Fund Net Position - Capital Projects Funds - Department of Water and Wastewater Services	126 - 127
Schedule of Revenues, Expenses and Changes in Fund Net Position by Operating Fund - Budget and Actual - Department of Solid Waste	128 - 130
Schedule of Revenues, Expenses and Changes in Fund Net Position by Operating Store - Budget and Actual - Department of Liquor Control	131 - 133
Schedule of General Expenses - Budget and Actual - Department of Liquor Control	134
Schedule of Revenues and Expenses by Store - Department of Liquor Control	136 - 137
Combining Statement of Fiduciary Net Position - Agency Funds	138 - 139
Combining Statement of Changes in Assets and Liabilities - Agency Funds	140 - 145
Schedule of Assessable Base - General Fund	146
Schedule of Assessable Bases and Tax Levies - General Fund	147
Taxes Receivable - General Fund	148
Notes to Other Supplementary Information	149
 STATISTICAL SECTION (UNAUDITED)	
Net Position by Component, Last Ten Fiscal Years	151
Changes in Net Position, Last Ten Fiscal Years	152 - 153
Fund Balances, Governmental Funds, Last Ten Fiscal Years	154
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	155
Assessed Value of Taxable Property, Last Ten Fiscal Years	156
Direct and Overlapping Property Tax Rates, Last Ten Years	157
Principal Property Tax Accounts, Current Year and Nine Years Ago	158
Property Tax Levies and Collections, Last Ten Fiscal Years	159
Income Tax Rates, Last Ten Tax Years	160
Income Tax Filers Summary Information, Last Ten Tax Years	161
Income Tax Filers, Net Taxable Income, and Liability by Adjusted Gross Income Level, Last Year and Ten Years Ago	162
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	163
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	164
Direct and Overlapping Governmental Activities Debt	165
Debt Margin Information, Last Ten Fiscal Years	166
Demographic and Economic Statistics, Last Ten Fiscal Years	167
Principal Employers, Current Year and Nine Years Ago	168
Full-time Equivalent County Government Employees by Function, Last Ten Fiscal Years	169
Operating Indicators by Function, Last Ten Fiscal Years	170
Capital Asset Statistics by Function, Last Ten Fiscal Years	171

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATION CHART

LIST OF PRINCIPAL OFFICIALS AND DIRECTORS



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

OFFICE OF THE TREASURER
Worcester County
GOVERNMENT CENTER
ONE WEST MARKET STREET, ROOM 1105
P.O. Box 248
SNOW HILL, MARYLAND
21863

PHILLIP G. THOMPSON, CPA
FINANCE OFFICER

JENNIFER C. SWANTON, CPA
ASSISTANT FINANCE OFFICER

December 6, 2017

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

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for Worcester County, Maryland for the fiscal year ended June 30, 2017 as required by both local and state statutes. These statutes require that Worcester County, Maryland annually issue financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

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

The public accounting firm TGM Group LLC has audited Worcester County, Maryland's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of Worcester County, Maryland, for the fiscal year ended June 30, 2017, are free of material misstatement.

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

Citizens and Government Working Together

presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Worcester County, Maryland's financial statements for the fiscal year ended June 30, 2017 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

There are four incorporated municipalities in the County: Berlin, Ocean City, Pocomoke City and Snow Hill. Berlin, Pocomoke City and Snow Hill are well-established communities ranging in size from 2,100 to about 4,600 year-round residents. Each was originally built as a residential, economic and social center to serve its surrounding agricultural communities. The Town of Ocean City is the County's most developed and its major industry is tourism. According to recent estimates, summer populations average over 295,000 in July and August and peak at nearly 325,000 on the July 4th weekend. The Towns and County provide their residents and visitors with various government services, including police and fire protection, beach patrol, water and sewage disposal, public transportation, recreational facilities and emergency health care services.

Form of Government

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

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

Budget Process

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

In recent years, the County has taken a number of steps to control expenses and reduce the cost of providing needed services to its residents. The County's continued use and refinement of its Multi-Year Budget document has proven useful for both operational and capital planning as the County begins to grow and look to the future. Most County departments and agencies operating budgets were increased in fiscal year 2017 and included a step payroll adjustment and an additional mid-year make-up step for eligible employees. The effects of a State-mandated escalator provision related to school funding required the County to provide additional funding to the Board of Education. An intergovernmental transfer to provide Homeowner Convenience Centers and Recycling was also included in the budget. Finally, the County continues to include capital asset purchases, including vehicles and heavy equipment, into the operating budget in order to meet the operating needs of the departments.

Factors Affecting Financial Condition

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

Local Economy – Like state and local governments across the country, Worcester County’s local economic performance reflects the current national trends. The County is appropriately concerned about the housing market and the far reaching effects it has had on the overall economies of Maryland and the nation. Of significant concern are the impacts of potential reductions in state funding and additional costs which may be passed on to local governments. The County’s unemployment rates have recently experienced decreases which are in line with the national trends. The County has the second lowest property tax rate and the lowest income tax rate in the state, providing the County with financial flexibility for future years.

The County has a strong tourism industry, drawing visitors from all over the country to its pristine seashore and many historic sites. Room Tax revenue increased by 5.4% in the current fiscal year, which translates to an \$18.5 million increase in gross hotel, motel, and condominium rentals. In addition, Food Tax revenue increased by 9% in fiscal year 2017, indicating that our tourism market continues to perform well in the current economy. Additionally, in recent years, the County’s central location relative to the major mid-Atlantic metropolitan areas has made it a target destination for retirees who seek a better quality of life. Development is purposely controlled to protect the County’s beauty and the fragile environment of its shoreline and waters.

Long-Term Financial Planning – The Board adopts a multi-year capital budget plan, covering 5 years, that forecasts spending for all anticipated capital projects. The plan addresses both repair and replacement of existing infrastructure as well as the development of new facilities to accommodate future growth. It enables the County to identify needed capital projects and to coordinate facility financing and timing. The County has no plans to issue debt in fiscal year 2018, focusing instead on the completion of ongoing projects for which funding has already been secured. These projects include renovations and an addition to the existing Snow Hill High School, an Emergency Services radio system upgrade, and various Public Works projects including water and wastewater and landfill improvements within the Enterprise Funds.

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

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

Pension and Other Post-Employment Benefits – County employees are covered by either the Employees’ Retirement System or the Employees’ Pension System of the State of Maryland. These are multiple-employer public retirement systems sponsored and administered by the Maryland State Retirement and Pension System and created by the Maryland General Assembly. Additional State pension plan offerings include the Law Enforcement Officers’

Pension System (LEOPS) for our public safety personnel as well as a Correctional Officers' Retirement System (CORS) for employees of the County Jail. In addition to the State plan, the County assumed management of a plan that is administered by the Nationwide Life Insurance Company following the abolishment of the Worcester County Sanitary Commission in 1994. This plan provides coverage for the former employees of the Sanitary Commission, many of whom now work for the County Department of Public Works.

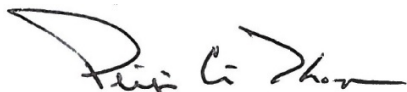
The County also provides other post-employment benefits (OPEB) for retirees and their dependents who meet the Maryland State Retirement System benefit qualifications. The County has created OPEB trusts for the benefit of the employees of the general government as well as the Worcester County Board of Education. This was done in accordance with Governmental Accounting Standards Board (GASB) Statements 43 and 45. The purpose of these Statements is to provide a more complete and reliable reporting of the financial obligations that governments incur when they provide post-employment benefits as part of the compensation for services rendered by their employees. The enactment of these standards by GASB and the adherence to them by the County should provide our constituents more accurate information about the total cost of the services that we provide.

Awards and Acknowledgements – The Government Finance Officers Association (GFOA) of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting to Worcester County, Maryland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

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

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

Respectfully submitted,



Phillip G. Thompson, CPA
Finance Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Worcester County
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morrill

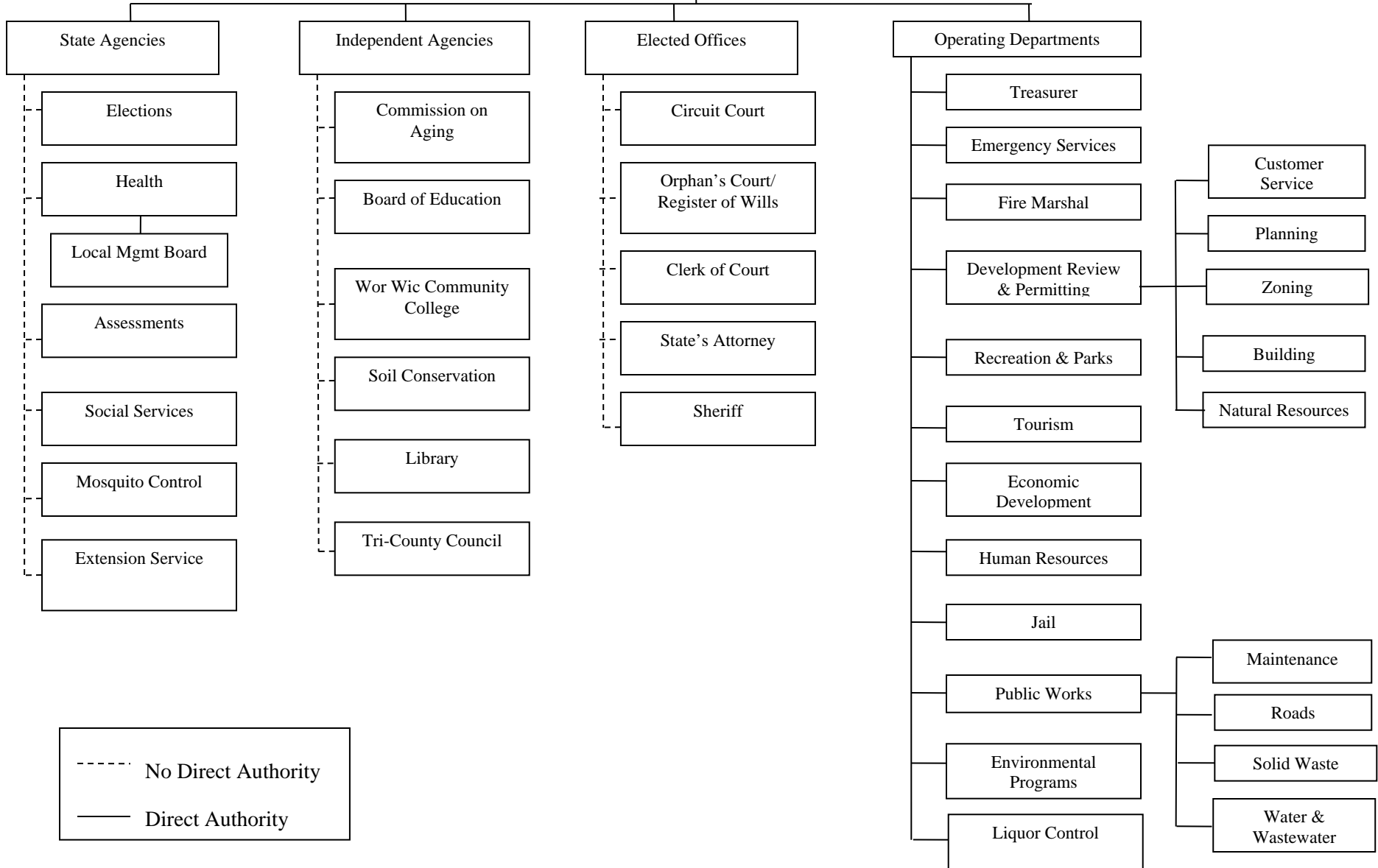
Executive Director/CEO

Worcester County Organization Chart



WORCESTER COUNTY VOTERS

County Commissioners
Chief Administrative Officer
County Administration



Worcester County, Maryland
List of Principal Officials and Directors
June 30, 2017

ELECTED OFFICIALS

County Commissioners	Madison J. Bunting, Jr., President Merrill W. Lockfaw, Jr., Vice President Anthony W. Bertino, Jr. James C. Church Theodore J. Elder Joseph M. Mitrecic Diana Purnell
Sheriff	Reggie T. Mason, Sr.
State's Attorney	Beau H. Oglesby

APPOINTED OFFICIALS

County Administrator	Harold Higgins
Assistant County Administrator	Kelly Shannahan
Attorney	Maureen L. Howarth
Public Works Director	John Tustin
Economic Development Director	Meredith Mears
Environmental Programs Director	Robert Mitchell
Emergency Services Director	Fred Webster
Finance Officer	Phillip G. Thompson
Fire Marshal	Jeff McMahon
Human Resources Director	Stacey Norton
Development Review and Permitting Director	Edward Tudor
Jail Warden	Donna Bounds
Library Director	Jennifer Ranck
Recreation and Parks Director	Paige Hurley
Tourism Director	Lisa Challenger

FINANCIAL SECTION

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



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Worcester County, Maryland as of and for the year ended June 30, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Worcester County, Maryland, as of June 30, 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 and required supplementary information (budgetary comparison information, pension schedules, OPEB Trust Fund information, and notes to the required supplementary information) on pages 12 through 26 and 87 through 110, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2017 on our consideration of Worcester County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Worcester County, Maryland's internal control over financial reporting and compliance.



Salisbury, Maryland
December 6, 2017

Management's Discussion and Analysis

This discussion and analysis of Worcester County's ("County") financial statements is designed to introduce the basic financial statements and provide an analytical overview of the County's financial activities for the fiscal year ended June 30, 2017. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements. We hope this, in conjunction with additional information provided within the statements, will assist readers in identifying significant financial issues and changes in the County's financial position.

Financial Highlights for Fiscal Year 2017

The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of fiscal year 2017 by \$112 million (net position), an increase of \$3.5 million. Approximately \$55 million is attributable to the County's business-type activities of solid waste, water and wastewater, and liquor control operations and approximately \$57 million is attributable to the County's governmental activities. It is important to note that, although counties in the State of Maryland issue debt for the construction of schools, the school buildings are owned by each county's Board of Education ("BOE"). Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. Debt outstanding for the Board of Education amounted to \$71.1 million at June 30, 2017. Absent the effect of this relationship, the County would have reported an unrestricted governmental activities net position of \$45.6 million on its government-wide financial statements, rather than the unrestricted net position of (\$25.5 million). Of note is the County's increase in overall capital assets of \$7.4 million and repayment of general government and enterprise fund bonds of \$10.2 million.

At the end of the current fiscal year, the County's governmental funds reported combined fund balance of \$61.2 million, a decrease of \$8.7 million in comparison with the prior year. This decrease is a combination of changes in the various fund balances. The general fund balance increased by \$8 million due to stronger than anticipated revenue numbers in income taxes, transfer taxes, recordation taxes and other revenues. Capital projects fund balance decreased by \$16.4 million due to planned spending of bond proceeds. Other governmental funds decreased by approximately \$300,000 due to the planned use of casino funds for the debt on the Worcester County Technical High School exceeding incoming casino revenue.

During fiscal year 2017, Worcester County real property assessments increased following seven consecutive years of declining real property assessments. This improvement in property values in conjunction with a steadily improving real estate market resulted in an additional \$2.77 million in net property taxes while maintaining the same property tax rate. Tourism continues to be a driving force in our local economy as indicators for room and food taxes improved due in part to the County's proximity to three major metropolitan areas.

For the fiscal year 2017 budget, most department operating budgets were increased for a second year, due to one-time capital/equipment purchases, salary increases for County employees, increased cost of health insurance, and increased appropriations to the Board of Education. The County funded the annual contribution to the Other Post-Employment Benefits Trust Funds for \$4 million, an increase of \$1 million. The County provided a \$2.4 million increase for Education which includes a 1% increase of \$761,792 for the State mandated Maintenance of Effort (MOE) escalator provision. During the prior fiscal year, a decision was made by the County Commissioners to exit the liquor business on or about June 30, 2017 and the effects of that decision can be seen within the enterprise funds. Also, a new transfer of existing budget stabilization funds from unassigned fund balance was included in the fiscal year 2017 budget to facilitate the operations of the recycling and homeowners' convenience centers by the Solid Waste Enterprise Fund.

Overview of the Financial Statements

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

1) *Government-wide Financial Statements*

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

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

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

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

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

The government-wide financial statements can be found on pages 28 – 31 of this report.

2) *Fund Financial Statements*

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 32 – 35 of this report.

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

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

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

- **Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is similar to a proprietary fund.

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

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

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 – 85 of this report.

4) ***Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required *supplementary information*. Required supplementary information can be found starting on page 87 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. One of the largest portions of the County's net position reflects its investments in capital assets (e.g., land, buildings, roads, equipment, and bridges) less related outstanding debt used to acquire those assets in the amount of \$141,205,163 at June 30, 2017. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

**Worcester County, Maryland
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	\$ 89,834,336	\$ 100,082,583	\$ 29,767,175	\$ 36,759,726	\$ 119,601,511	\$ 136,842,309
Capital assets	96,939,868	91,306,044	79,202,452	77,444,884	176,142,320	168,750,928
Total assets:	186,774,204	191,388,627	108,969,627	114,204,610	295,743,831	305,593,237
Deferred outflows						
of resources	9,826,084	8,437,220	-	-	9,826,084	8,437,220
Liabilities:						
Current and other liabilities	21,384,398	18,508,498	34,836,137	38,387,112	\$ 56,220,535	\$ 56,895,610
Long-term liabilities	115,934,024	124,036,348	19,512,738	22,366,003	135,446,762	146,402,351
Total liabilities:	137,318,422	142,544,846	54,348,875	60,753,115	191,667,297	203,297,961
Deferred inflows						
of resources	1,925,281	2,250,584	-	-	1,925,281	2,250,584
Net position:						
Net investment in capital assets	82,846,858	77,759,097	58,358,305	53,420,609	141,205,163	131,179,706
Unrestricted	(25,490,273)	(22,728,680)	(3,737,553)	30,886	(29,227,826)	(22,697,794)
Total net position:	\$ 57,356,585	\$ 55,030,417	\$ 54,620,752	\$ 53,451,495	\$ 111,977,337	\$ 108,481,912

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

Worcester County, Maryland
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 9,017,758	\$ 8,432,628	\$ 23,277,518	\$ 23,788,271	\$ 32,295,276	\$ 32,220,899
Operating grants and contributions	5,559,621	5,244,177	26,000	26,000	5,585,621	5,270,177
Capital grants and contributions	1,984,522	1,936,382	-	-	1,984,522	1,936,382
General revenues:						
Real and personal property taxes	130,179,520	127,411,911	-	-	130,179,520	127,411,911
Income taxes	22,891,694	17,931,884	-	-	22,891,694	17,931,884
Other local taxes	30,136,897	28,239,135	-	-	30,136,897	28,239,135
State shared taxes	936,535	942,464	-	-	936,535	942,464
Interest income	476,064	207,071	76,072	28,487	552,136	235,558
Other income	704,372	663,960	588,168	-	1,292,540	663,960
Total revenues:	201,886,983	191,009,612	23,967,758	23,842,758	225,854,741	214,852,370
Expenses:						
General government	44,311,285	44,076,570	-	-	44,311,285	44,076,570
Public safety	33,626,987	31,539,249	-	-	33,626,987	31,539,249
Public works	4,850,672	5,567,728	-	-	4,850,672	5,567,728
Health and hospitals	6,657,023	6,377,497	-	-	6,657,023	6,377,497
Social services	2,035,417	2,075,471	-	-	2,035,417	2,075,471
Education	94,649,729	93,437,468	-	-	94,649,729	93,437,468
Libraries, recreation and culture	5,905,393	5,258,231	-	-	5,905,393	5,258,231
Conservation of natural resources	425,671	497,939	-	-	425,671	497,939
Economic development	1,686,229	1,631,443	-	-	1,686,229	1,631,443
Interest charges	4,076,145	3,874,043	-	-	4,076,145	3,874,043
Solid waste	-	-	4,367,047	4,183,293	4,367,047	4,183,293
Water and wastewater	-	-	13,691,072	14,035,346	13,691,072	14,035,346
Liquor Control	-	-	6,076,646	7,929,512	6,076,646	7,929,512
Total expenses:	198,224,551	194,335,639	24,134,765	26,148,151	222,359,316	220,483,790
Change in net position before transfers	3,662,432	(3,326,027)	(167,007)	(2,305,393)	3,495,425	(5,631,420)
Transfers in (out)	(1,336,264)	-	1,336,264	-	-	-
Total change in net position	2,326,168	(3,326,027)	1,169,257	(2,305,393)	3,495,425	(5,631,420)
Net position, beginning	55,030,417	58,356,444	53,451,495	55,756,888	108,481,912	114,113,332
Net position, ending	\$ 57,356,585	\$ 55,030,417	\$ 54,620,752	\$ 53,451,495	\$ 111,977,337	\$ 108,481,912

Governmental Activities:

Governmental activities increased the County's net position after transfers by \$2.3 million. Key elements of the increase in the net position of governmental activities are as follows:

Revenues increased by \$10.9 million as compared to fiscal year 2016:

- Net property taxes increased by \$2.77 million over the prior year actual due to the increase in assessments as the real estate market continues to improve.
- Income taxes increased by \$4.96 million over the prior year due to an increase in the local income tax rate from 1.25% to 1.75% in January 1, 2016 and an increase in the net taxable income from an improving labor market.
- Other local taxes increased by \$1.9 million over the prior year due to recordation and transfer taxes and pass-through revenues for room and food taxes to municipalities.

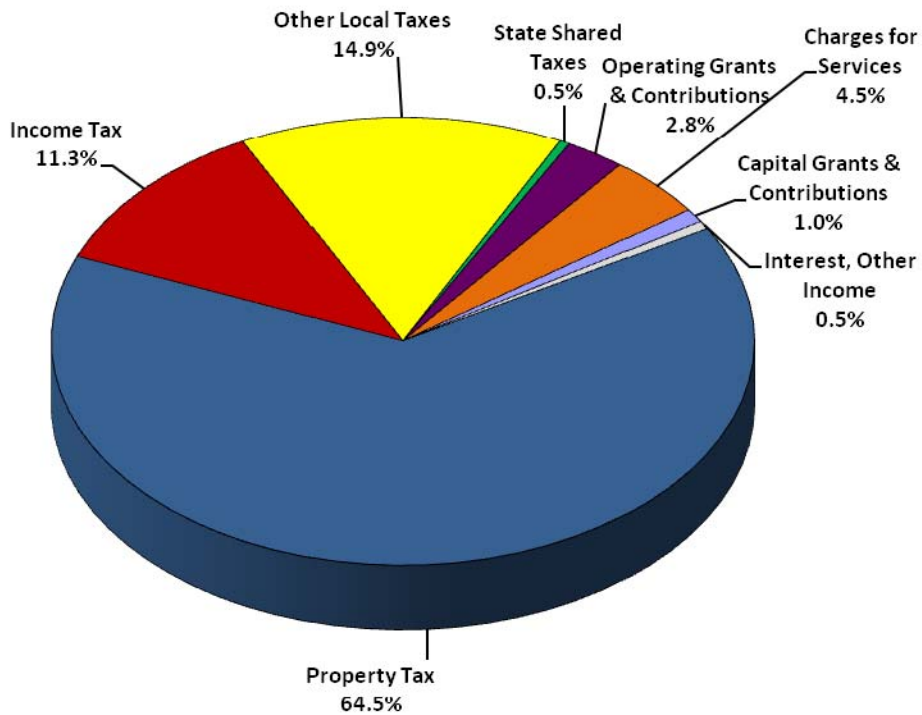
Expenses increased by \$3.9 million as compared to fiscal year 2016:

- Planned budgetary increases of approximately \$6.5 million included one-time capital/equipment purchases, salary increases for County employees, increased cost of health insurance, and increased appropriations to the BOE (\$3.3 million).
- Within the capital projects activity, the Board of Education spent \$2.4 million less on expenditures for the Snow Hill High School renovation and addition project than in fiscal year 2016. These expenditures would be included in the education expenses since they are not capitalized on the County's Statement of Net Position.

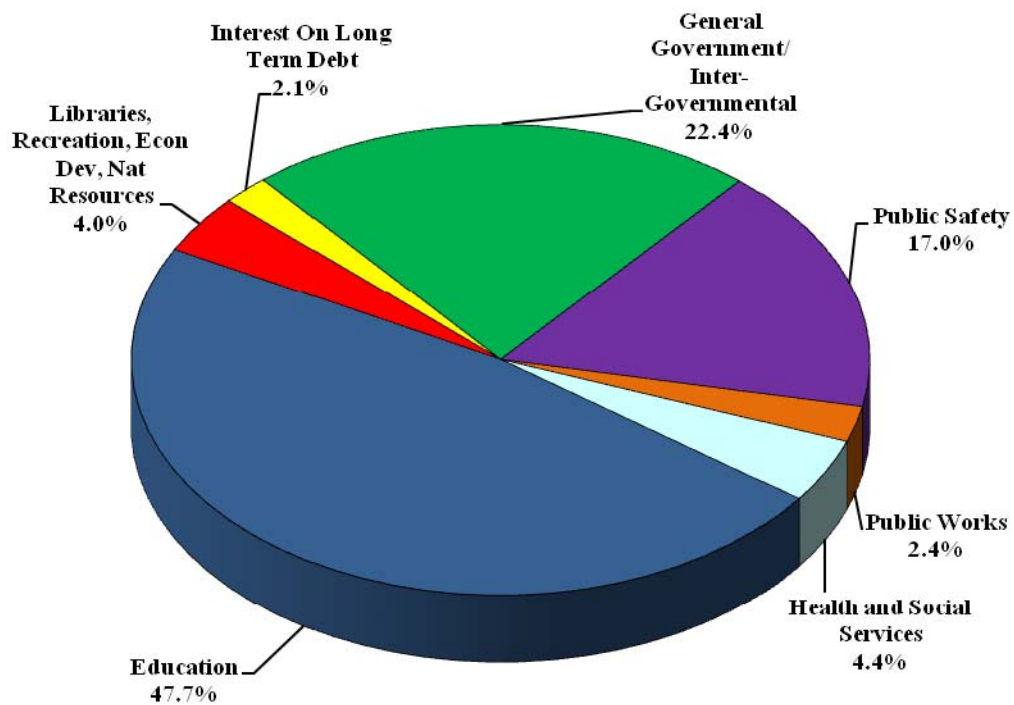
In addition, the County approved a \$1.2 million transfer from the general fund to the solid waste enterprise fund to facilitate the operations of the recycling and homeowners' convenience centers throughout the County.

Fiscal year 2017 revenues and expenses are summarized in the following charts for governmental activities.

Revenues by Source- Governmental Activities For the Year Ended June 30, 2017



Expenses- Governmental Activities For the Year Ended June 30, 2017



Business-type Activities:

<u>Enterprise Fund Statements</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Change in Net Position</u>
Water and Wastewater Services	\$ 55,209,057	\$ 54,563,004	\$ 646,053
Solid Waste	(105,993)	(712,763)	606,770
Department of Liquor Control	(482,312)	(398,746)	(83,566)
Total	<u>\$ 54,620,752</u>	<u>\$ 53,451,495</u>	<u>\$ 1,169,257</u>

Water and Wastewater

Revenues

- Revenues increased to \$14.3 million in fiscal year 2017 from \$12.2 million in fiscal year 2016 due to the additional sales of water and sewer equivalent dwelling units.

Expenses

- Operating expenses decreased to \$10.1 million in fiscal year 2017 from \$10.5 million in fiscal year 2016 due to a decrease in maintenance and services needed for the Ocean Pines service area.
- Depreciation expense increased slightly to \$3 million in fiscal year 2017 from \$2.9 million in fiscal year 2016 due to additional depreciation on the fiscal year 2017 fixed asset additions.

Solid Waste

Revenues

- Tipping fee revenue decreased to \$3.1 million in fiscal year 2017 from \$3.4 million in fiscal year 2016 due to a decline in the volume of trash being brought to the central landfill from commercial businesses.
- License and permit revenue decreased to \$340,740 in fiscal year 2017 from \$358,420 in fiscal year 2016 due to a decline in homeowner permits purchased for calendar year 2017.
- Recycling revenues increased to \$221,733 in fiscal year 2017 from \$131,082 in fiscal year 2016. The sale of recyclable materials is a highly volatile market, which often experiences large changes from year to year.

Expenses

- Operating expenses increased to \$3.6 million in fiscal year 2017 from \$3.3 million in fiscal year 2016 due to the increase in closure and post-closure costs for solid waste cells 1 through 4.
- Depreciation expense decreased to \$617,266 in fiscal year 2017 from \$792,679 in fiscal year 2016 due to two pieces of equipment being fully depreciated in fiscal year 2016 while there was minimal depreciation on the fiscal year 2017 fixed asset additions.

Liquor Control

Revenues

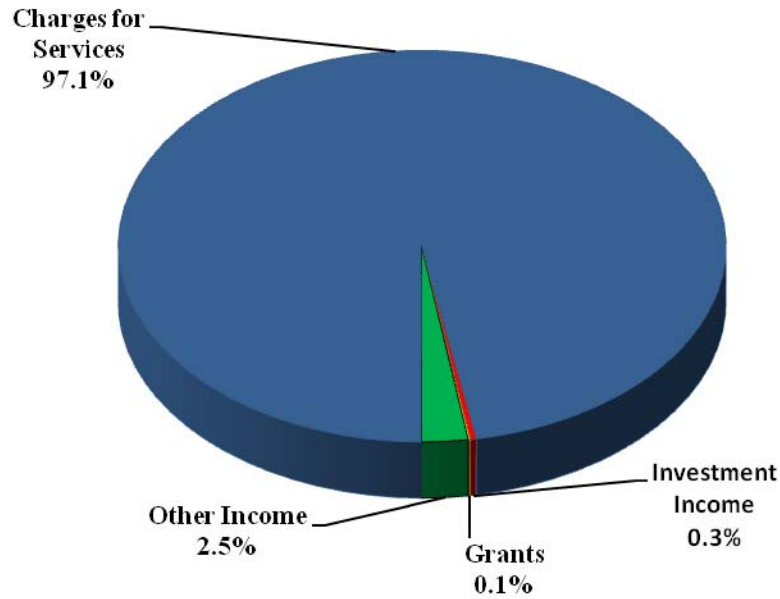
- Liquor sales decreased to \$5.2 million in fiscal year 2017 from \$7.6 million in fiscal year 2016 due to ending wholesale operations on September 30, 2016, and ending retail operations at two of the four retail stores on December 31, 2016 in accordance with the decision of the County Commissioners to exit the liquor business. The corresponding cost of sales decreased to \$4.1 million in fiscal year 2017 from \$5.9 million in fiscal year 2016.

Expenses

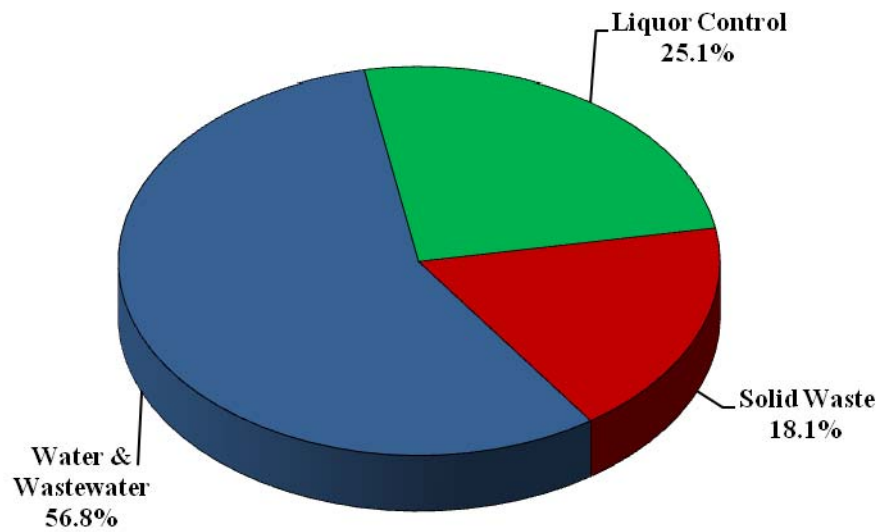
- Operating expenses decreased to \$1.1 million in fiscal year 2017 from \$1.3 million in fiscal year 2016 due to the aforementioned ending of operations.
- Depreciation and general expenses decreased to \$627,212 in fiscal year 2017 from \$744,927 in fiscal year 2016 due to the aforementioned ending of operations.

Fiscal year 2017 revenues and expenses are summarized in the following charts for business-type activities.

Revenues by Source- Business-Type Activities For the Year Ended June 30, 2017



Expenses- Business-Type Activities For the Year Ended June 30, 2017



Financial Analysis on Governmental Fund Financial Statements

Governmental Funds:

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

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The County has implemented *GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*. The purpose of this Statement is to improve financial reporting by establishing fund balance classifications that are easier to understand and apply. It establishes a framework based largely on the spending constraints of the government in order to determine how it may use amounts reported on the governmental funds balance sheet. Fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The following information is as of June 30, 2017 and 2016:

Governmental Activities - Fund Statements	June 30, 2017	June 30, 2016	Net Change in Fund Balance
General Fund	\$ 57,929,588	\$ 49,954,585	\$ 7,975,003
Capital Projects Fund	1,655,852	18,055,520	(16,399,668)
Debt Service Fund	-	-	-
Other Governmental Funds	1,578,412	1,862,997	(284,585)
Total	\$ 61,163,852	\$ 69,873,102	\$ (8,709,250)

The **General Fund** is the chief operating fund of the County. At the end of the current fiscal year the fund balance of the General Fund was \$57,929,588. This fund balance includes non-spendable items totaling \$134,238 for prepaid expenses, assigned fund balance of \$23,486,890 for future capital projects, and \$34,308,460 as unassigned fund balance. In accordance with GASB Statement No. 54, the unassigned general fund amount includes the County reserve of \$18,974,224, which is set aside for contingency and emergency conditions. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.2% of total general fund expenditures, while total fund balance represents 32.4% of that same amount.

The **Capital Projects Fund** is used to account for major capital acquisition and construction of County facilities. Major sources for these projects are pay-as-you-go funding, debt proceeds, and federal and State grants. The fund balance of the County's Capital Projects Fund decreased by \$16,399,668 during the current fiscal year. This is due to the spend-down of bond proceeds of \$8.7 million for the Snow Hill High School Addition and Renovation Project, \$3.6 million for an 800 MHz radio system project, \$3.0 million for the closure of the Berlin rubblefill, and the use of \$1.1 million of bond premium proceeds to service debt.

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

The **Other Governmental Funds** include the Department of Social Services, Local Management Board, Casino Fund, and the Energy Service Fund. Fund balances in these funds decreased by \$284,585 from fiscal year 2016. The Energy Service Fund decreased by \$5,637, while the Department of Social Services and the Local Management Board increased by \$16,867 and \$20,311, respectively. The Casino Fund, which was created to account for the County's portion of proceeds from the Ocean Downs Casino facility, reflects a \$316,126 decrease in fund balance in fiscal year 2017. Further details of these activities is on pages 112 – 113.

General Fund Budgetary Highlights

General fund differences between the final budget and the final actual results for the County totaled \$7,975,003. Revenues received were \$13,097,505 more than final budgeted estimates and expenditures were \$5,122,502 more than final budgeted estimates. The major variances between the budgeted amounts and actual are summarized as follows:

Revenues were \$13,097,505 more than budgeted figures.

- Net property tax revenues were \$479,597 over budget due to business taxes and net additions and abatements due to the assessment increase of 2.07%. Property taxes comprised 64.5% of all County revenues in fiscal year 2017, which is 2.5% more than fiscal year 2016.
- Income taxes were \$4,591,694 over budget due to an increase in the local income tax rate from 1.25% to 1.75% in January 1, 2016 and an increase in the net taxable income from an improving labor market.
- “Other local taxes” were \$6,624,314 over budget. This includes admission and amusement taxes, trailer park excise tax, room and food tax, recordation and transfer tax. Room taxes, the largest revenue source in this category with receipts of \$16,398,656, were \$3,286,073, or 25.1%, over budget. This revenue is collected and passed through to the municipalities as required by State law. Food tax ended the fiscal year \$503,867, or 48.0%, over budget, and is collected on behalf of the Town of Ocean City and supports the Town’s debt service for its convention center. Recordation taxes were \$1,750,500 over budget and transfer taxes were \$1,021,320 over budget. Collectively, these two revenue sources were 31.7% above their cumulative budgets due to the transfer and recording of property in the County from a steadily increasing real estate market.
- Intergovernmental grants from federal and State sources were \$329,374 over anticipated budgets. State aid for bridges accounted for \$340,226 of the revenue above budget primarily as a result of unbudgeted funds received from the State, which reimbursed the County 80% of its Big Mill bridge replacement costs due to storm-related damages.
- Service charges and fees were \$627,118 over budget primarily due to an increase in use of jail fees.
- “Other revenue” was \$708,506, or 124.1%, over budget due to an additional \$304,551 in interest on investments due to increased returns in the market and \$247,092 in on-behalf payments for the library’s State pension costs, which are also accounted for as on-behalf expenditures of the library.
- Other financing sources of revenue were \$788,816 over budget from transfers from the Capital Projects Fund for 2014 bond proceeds related to the Snow Hill High School project. The budget included only \$354,605 in bond proceeds for the 2015 bond.

Expenditures were \$5,122,502 more than budgeted figures.

- General government expenditures were \$670,001 under budget primarily due to savings of \$197,096 in the elections department, as well as savings of \$103,177 in the other general government department due to equipment maintenance and building site expenses being less than anticipated.
- Public safety actual expenditures were \$1,019,167 under budget, with \$495,894 in savings related to the jail, including savings for inmate expenditures of \$252,037 related to food services and medical expenses. Emergency services’ expenditures under budget of \$317,345 were attributable to radio maintenance and software savings.
- Education expenditures were \$533,145 over budget in fiscal year 2017. This included \$375,000 for additional Board of Education post-retirement trust fund contributions and a mid-year allocation of \$175,200 in additional funds to cover a portion of medical expenses for Wor-Wic Community College.
- Intergovernmental expenses were \$4,063,721, or 19.6%, over budget. The following intergovernmental expenses are passed through to the municipalities and are covered by revenues as detailed above: \$3,066,100 in room tax revenue, \$532,097 for income taxes, \$425,269 for food taxes to the Town of Ocean City, and \$30,655 for each Towns’ share of liquor license fees.

- Other financing uses were \$2,307,466, or 17.6%, over budget, which is comprised of two transfers not included in the fiscal year 2017 budget. The first is the transfer of \$1,896,803 to the Capital Projects Fund to cover pay-as-you-go expenses for the fiscal year. The second transfer of \$419,378 to the Department of Liquor Control is the portion of the intergovernmental loan balance after repayment and is recognized as revenue on the Department of Liquor Control in fiscal year 2017.

Capital Asset and Debt Administration

Capital assets: The County’s investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$176,142,320 (net of accumulated depreciation). The total increase in the County’s investment in capital assets for the current year was 4.4%. This net investment in capital assets includes land, buildings, water and sewer infrastructure, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

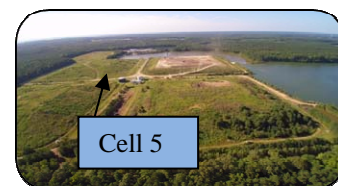
Worcester County, Maryland Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and improvements	\$ 15,611,712	\$ 12,321,614	\$ 1,341,872	\$ 1,554,029	\$ 16,953,584	\$ 13,875,643
Building and building improvements	56,585,993	58,035,064	3,134,693	4,009,695	59,720,686	62,044,759
Improvements other than buildings	6,439,192	6,045,114	2,264,111	2,246,019	8,703,303	8,291,133
Machinery and equipment	6,021,320	5,894,674	3,154,091	3,358,658	9,175,411	9,253,332
Water and sewer systems	-	-	66,943,394	63,679,801	66,943,394	63,679,801
Infrastructure	5,876,027	5,916,892	-	-	5,876,027	5,916,892
Construction-in-progress	6,405,624	3,092,686	2,364,291	2,596,682	8,769,915	5,689,368
Total:	\$ 96,939,868	\$ 91,306,044	\$ 79,202,452	\$ 77,444,884	\$ 176,142,320	\$ 168,750,928




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

Enterprise Funds

- In September 2016, the County contracted with Leibold Irrigation, Inc of East Dubuque, Illinois to install a spray irrigation system at Eagles Landing Golf Course which is owned by the Mayor and City Council of Ocean City. When complete, treated wastewater effluent from the Mystic Harbour Sanitary Service Area will be sprayed on the golf course. This project is expected to cost \$3,200,000 and will be funded through the US Department of Agriculture with \$750,000 in grants and \$2,450,000 in loans.
- In fiscal year 2013, the County engaged EA Engineering, Science and Technology to complete the engineering design of Cell 5 at the Central Landfill. Required permit applications have been submitted to the Maryland Department of the Environment. Cell 5 is estimated to cost \$12,728,000. The County secured bond funds in June 2015 for \$2,035,000 and a projected \$3,328,000 will be bonded in 2019 to assist with financing Cell 5. The remaining \$7,365,000 in funds have been set aside for the project. Bids were received in August 2017 and awarded in September 2017. The estimated completion date is October 2018.



General government

- In April 2017, the County contracted with Skyline Technology Solutions of Glen Burnie, Maryland for \$899,767 in order to design, implement and support a high-speed, ultra-reliable fiber-optic backbone to support Public Safety operations for the Next Generation 9-1-1 telephone system and the new two-way radio system. The State of Maryland Emergency Numbers Systems Board will reimburse the County \$218,279, with additional grant funds from Homeland Security of \$66,900 to cover a portion of equipment. Completion is estimated for October 2018.
- In June 2017, the County contracted with Gipe Associates, Inc. of Easton, MD for \$283,000 to engineer and design an HVAC renovation project at the Worcester Jail. The estimated project cost of \$2,500,000 is to be funded from assigned fund balance. The project is expected to begin during the summer of 2018 and will be completed in phases. Inmate housing unit facilities are not included in the scope of the work. 
- In September 2015, the County engaged Harris Corporation of Lynchburg, Virginia for a new 800 MHz P25 Radio System, which will include six antenna sites with the County owning the system core. Equipment includes roughly 800 new radios with warranties, estimated at \$4,000 each. As of September 2017, the amended contract cost for equipment and service is \$5,340,175 to include a radio site at the Mystic Harbour water plant and is funded with 2015 bonds. The estimated completion date is spring of 2018. 
- In March 2017, the County contracted with Whiting Turner Contracting Company of Salisbury, Maryland in the amount of \$6,250,000 for the construction of a new library in Berlin for a guaranteed maximum price contract. The County will be reimbursed \$1,786,900 from the State of Maryland Department of Education in capital grants secured by the Library. Projected completion is estimated for June 2018 for the new 12,000 square foot facility. The current Library building in Berlin will be returned to the Berlin Volunteer Fire Department in fiscal year 2019. 
- The County engaged Chesapeake Paving and Sealing in January 2017 for the purchase and application of bituminous concrete blacktop to resurface approximately 26.08 miles of County roadway in the amount of \$995,964. This project was completed in June 2017.
- The purchase of new vehicles for Public Safety totaled \$380,660. Public Works' new vehicles and equipment totaled \$430,458; Environmental Programs totaled \$134,633; Parks totaled \$18,298; and General Government totaled \$37,258 during the fiscal year.
- The County contributed \$8,912,294 for the following education projects:
 - \$7,850,099 for the renovation and construction of an addition to Snow Hill High School.
 - \$705,596 for educational specification and conceptual design for a new Showell Elementary School.
 - \$125,685 for replacement HVAC rooftop units for Pocomoke Middle School.
 - \$185,914 to Wor-Wic Community College for the County's share of the final phase of the renovation of the Academic & Administrative Building and the Maner Technology Center.

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

Long-term debt: At the end of fiscal year 2017, Worcester County had total bonded long-term debt of \$106,423,001. The total debt is backed by the full faith and credit of Worcester County. Business-type activities are directly responsible for \$20,151,002 of the total debt. School-related debt totals \$71,095,000 at June 30, 2017 and is included in the governmental activities.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Bonded Debt	\$ 86,271,999	\$ 94,004,273	\$ 20,151,002	\$ 22,670,278	\$ 106,423,001	\$ 116,674,551

The County’s total bonded debt decreased by \$10,251,550 during the current fiscal year due to planned repayment of debts.

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

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

General Fund Economic Factors and Next Year’s Budgets and Rates

Fiscal Year 2018 Budget

The approved fiscal year 2018 general fund operating budget is \$198,932,675 and is supported by the real property tax rate of \$0.835 per \$100 of assessed value and the personal property tax rate of \$2.0875 per \$100. Fiscal year 2018 represents the second consecutive year of increasing real property assessment in the County. The local income tax rate increase effective January 1, 2016 and stronger estimates of net taxable income increased estimates for fiscal year 2018.

Revenues

In fiscal year 2018, the operating budget increased \$10,060,020, or 5.3%, more than fiscal year 2017’s budget. An increase in the County’s real property assessable base led to a budgeted increase in net property taxes of \$3.1 million. Budgeted income tax revenues increased by \$4.2 million due to actual receipts and increased estimates and is based on the current tax rate of 1.75%. Other local taxes increased by \$2.1 million, including budgeted increases of \$250,000 in both recordation and transfer taxes, an increase of \$1,502,836 in room taxes based on actual results, and an increase of \$107,895 in food taxes based on actual results. Interest income increased \$200,000 based on improving interest rates. The County will utilize, for the fifth year, casino/local impact grant funds totaling \$2,490,406 for the debt payment for the Worcester Career and Technical High School in fiscal year 2018. The budgeted transfer of bond premium proceeds to be used for interest expense on the 2015 bond issuance decreased by \$146,480 in fiscal year 2018. For the second consecutive year, a transfer of existing budget stabilization funds in the amount of \$1,666,323 will be passed through to the solid waste enterprise fund (\$1,042,255 to cover the cost of recycling and \$624,068 for the homeowner convenience centers), an increase of \$498,524 over the fiscal year 2017 budget.

Expenditures

The fiscal year 2018 operating budget includes increases to nearly all departments and agencies for a third consecutive year due to equipment and capital purchases that have been postponed since the economic downturn. Salary increases were included for County employees in July 2017. Budgeted insurance and benefits expenditures increased primarily for medical insurance for County and BOE employees. Additional medical and pharmacy enhancements were enacted for further cost savings in fiscal year 2018 to manage benefit expenses with the new medical insurance plan enacted in fiscal year 2016. Debt service increased \$413,483 due to existing debt and refunding activity from fiscal year 2015. The General Fund transfer for other post-employment benefits will be funded at \$4.0 million, which is level-funded from the prior year. The Board of Education operating budget was increased by \$3,262,637 above the fiscal year 2017 budget. The State of Maryland requires local governments to spend as much on school operating budgets on a per-pupil basis as they did the year before, referred to as the maintenance of effort (“MOE”). In fiscal year 2018, the required MOE level increased by two changes and totaled \$2,387,012. The changes include the MOE escalator provision, which took effect in fiscal year 2015 and required additional funding of 2.4%, or \$1,948,651, for fiscal year 2018 and the enrollment increase of 33 full-time equivalent students, which equated to \$438,361 in additional costs. The remaining budget increase of \$875,625 covered school construction projects and health insurance.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION

June 30, 2017

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	The Worcester County Board of Education
ASSETS				
Cash and short-term investments	\$ 53,943,028	\$ 15,600,465	\$ 69,543,493	\$ 6,620,559
Receivables:				
Taxes	3,700,202	-	3,700,202	-
Federal, state, and local governments	6,491,466	-	6,491,466	2,610,434
Other	3,365,148	5,878,681	9,243,829	10,561
Internal balances	7,122,342	(7,122,342)	-	-
Inventories, at first-in, first-out method	-	191,239	191,239	-
Prepaid items	15,072,756	-	15,072,756	-
Other assets	139,394	15,219,132	15,358,526	-
Nondepreciable capital assets	22,017,336	3,706,163	25,723,499	2,807,601
Depreciable capital assets, net	74,922,532	75,496,289	150,418,821	160,973,553
Total assets	186,774,204	108,969,627	295,743,831	173,022,708
DEFERRED OUTFLOWS OF RESOURCES				
Pensions (see Note 7)	8,742,095	-	8,742,095	1,544,333
Deferred charge on refunding	1,083,989	-	1,083,989	-
Total deferred outflows of resources	9,826,084	-	9,826,084	1,544,333
LIABILITIES				
Accounts payable and accrued liabilities	9,261,383	880,669	10,142,052	6,124,858
Unearned revenue	353,450	16,513,089	16,866,539	1,025,450
Due to fiduciary funds	331,114	-	331,114	-
Compensated absences	953,000	190,256	1,143,256	42,412
Early incentive payment	-	-	-	29,530
Long-term liabilities:				
Compensated absences	1,164,304	232,536	1,396,840	247,019
Due within one year	9,321,147	17,252,123	26,573,270	-
Due in more than one year	83,701,329	19,280,202	102,981,531	88,089,253
Net pension liability (see Note 7)	32,232,695	-	32,232,695	5,614,576
Total liabilities	137,318,422	54,348,875	191,667,297	101,173,098
DEFERRED INFLOWS OF RESOURCES				
Pensions (see Note 7)	1,925,281	-	1,925,281	350,685
NET POSITION				
Net investment in capital assets	82,846,858	58,358,305	141,205,163	163,781,154
Restricted for:				
Capital projects	-	-	-	52,928
Food service activities	-	-	-	17,806
Unrestricted	(25,490,273)	(3,737,553)	(29,227,826)	(90,808,630)
Total net position	\$ 57,356,585	\$ 54,620,752	\$ 111,977,337	\$ 73,043,258

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



WORCESTER COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental activities:				
Current:				
General government	\$ 44,311,285	\$ 2,087,794	\$ 3,568,596	\$ 39,608
Public safety	33,626,987	6,030,900	829,525	936,250
Public works	4,850,672	88,721	-	716,913
Health and hospitals	6,657,023	430,894	165,525	-
Social services	2,035,417	-	83,251	-
Education	94,649,729	-	-	-
Libraries, recreation and culture	5,905,393	361,834	763,495	166,949
Conservation of natural resources	425,671	-	5,636	-
Economic development	1,686,229	17,615	143,593	124,802
Interest on long-term debt	4,076,145	-	-	-
Total governmental activities	198,224,551	9,017,758	5,559,621	1,984,522
Business-type activities:				
Department of Solid Waste	4,367,047	3,757,085	-	-
Department of Water and Wastewater	13,691,072	14,283,986	26,000	-
Department of Liquor Control	6,076,646	5,236,447	-	-
Total business-type activities	24,134,765	23,277,518	26,000	-
Total primary government	222,359,316	32,295,276	5,585,621	1,984,522
Component units:				
The Worcester County Board of Education	142,772,488	707,657	120,007,595	8,247,608
Total component units	142,772,488	707,657	120,007,595	8,247,608

General revenues:

Taxes:

Real and personal property

Income

Other:

Room tax

Admission and amusement

Recordation

Trailer park excise tax

Transfer tax

Food tax

State shared

Interest

Other

Total general revenues

Transfers

Total change in net position

Net position, beginning of year

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	The Worcester County Board of Education
\$ (38,615,287)	\$ -	\$ (38,615,287)	\$ -
(25,830,312)	-	(25,830,312)	-
(4,045,038)	-	(4,045,038)	-
(6,060,604)	-	(6,060,604)	-
(1,952,166)	-	(1,952,166)	-
(94,649,729)	-	(94,649,729)	-
(4,613,115)	-	(4,613,115)	-
(420,035)	-	(420,035)	-
(1,400,219)	-	(1,400,219)	-
(4,076,145)	-	(4,076,145)	-
(181,662,650)	-	(181,662,650)	-
-	(609,962)	(609,962)	-
-	618,914	618,914	-
-	(840,199)	(840,199)	-
-	(831,247)	(831,247)	-
(181,662,650)	(831,247)	(182,493,897)	-
-	-	-	(13,809,628)
-	-	-	(13,809,628)
130,179,520	-	130,179,520	-
22,891,694	-	22,891,694	-
16,398,656	-	16,398,656	-
544,237	-	544,237	-
7,250,500	-	7,250,500	-
118,317	-	118,317	-
4,271,320	-	4,271,320	-
1,553,867	-	1,553,867	-
936,535	-	936,535	-
476,064	76,072	552,136	103,120
704,372	588,168	1,292,540	31,694
185,325,082	664,240	185,989,322	134,814
(1,336,264)	1,336,264	-	-
2,326,168	1,169,257	3,495,425	(13,674,814)
55,030,417	53,451,495	108,481,912	86,718,072
\$ 57,356,585	\$ 54,620,752	\$ 111,977,337	\$ 73,043,258

WORCESTER COUNTY, MARYLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and short-term investments	\$ 48,927,232	\$ 3,682,301	\$ -	\$ 1,333,495	\$ 53,943,028
Receivables:					
Taxes	3,700,202	-	-	-	3,700,202
Federal, state, and local governments	6,190,786	300,680	-	-	6,491,466
Other	3,364,593	-	-	555	3,365,148
Due from other funds	7,122,362	-	-	440,038	7,562,400
Prepaid items	134,238	-	-	-	134,238
Other assets	139,394	-	-	-	139,394
Total assets	\$ 69,578,807	\$ 3,982,981	\$ -	\$ 1,774,088	\$ 75,335,876
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,765,456	\$ 2,327,109	\$ -	\$ 133,347	\$ 7,225,912
Due to other funds	771,152	20	-	-	771,172
Unearned revenue	291,121	-	-	62,329	353,450
Other	2,988,471	-	-	-	2,988,471
Total liabilities	8,816,200	2,327,129	-	195,676	11,339,005
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	2,833,019	-	-	-	2,833,019
FUND BALANCES					
Nonspendable	134,238	-	-	-	134,238
Restricted	-	1,655,852	-	-	1,655,852
Assigned	23,486,890	-	-	1,578,412	25,065,302
Unassigned	34,308,460	-	-	-	34,308,460
Total fund balances	57,929,588	1,655,852	-	1,578,412	61,163,852
Total liabilities, deferred inflows of resources, and fund balances	\$ 69,578,807	\$ 3,982,981	\$ -	\$ 1,774,088	\$ 75,335,876

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

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

Total fund balances, governmental funds \$ 61,163,852

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

Pre-payment of post-retirement employment benefits 14,938,518

Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 96,939,868

Certain revenues that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position. 2,833,019

Deferred outflows of resources - deferred charge on refunding (see Note 6) 1,083,989

Deferred outflows of resources - pensions (see Note 7) 8,742,095

Deferred inflows of resources - pensions (see Note 7) (1,925,281)

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

Bonds, notes, and capital leases payable	(93,022,476)	
Compensated absences	(1,164,304)	
Net pension liability (see Note 7)	(32,232,695)	
Total long-term liabilities	(126,419,475)	(126,419,475)

Net position of governmental activities in the Statement of Net Position \$ 57,356,585

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

WORCESTER COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES:					
Taxes and special assessments	\$184,235,928	\$ -	\$ -	\$ -	\$184,235,928
Licenses and permits	1,964,838	-	-	-	1,964,838
Intergovernmental	4,016,197	792,023	-	2,776,802	7,585,022
Service charges and fees	6,841,574	-	-	-	6,841,574
Miscellaneous	1,279,390	64,585	-	6,928	1,350,903
Total revenues	198,337,927	856,608	-	2,783,730	201,978,265
EXPENDITURES:					
Current:					
General government	14,471,003	-	-	-	14,471,003
Public safety	31,692,896	-	-	-	31,692,896
Public works	6,593,857	-	-	-	6,593,857
Health and hospitals	6,136,576	-	-	-	6,136,576
Social services	1,461,551	-	-	573,866	2,035,417
Education	85,965,082	8,684,647	-	-	94,649,729
Libraries, recreation, parks and culture	5,376,686	-	-	-	5,376,686
Conservation of natural resources	420,034	-	-	5,637	425,671
Economic development	1,624,752	-	-	-	1,624,752
Distributions to incorporated municipalities	24,828,030	-	-	-	24,828,030
Capital projects	-	9,325,011	-	-	9,325,011
Debt service:					
Principal retirement	-	-	8,197,986	-	8,197,986
Interest and other charges	-	-	3,742,724	-	3,742,724
Total expenditures	178,570,467	18,009,658	11,940,710	579,503	209,100,338
Excess (deficiency) of revenues over expenditures	19,767,460	(17,153,050)	(11,940,710)	2,204,227	(7,122,073)
OTHER FINANCING SOURCES (USES):					
Transfers in	3,632,233	1,896,803	11,940,710	-	17,469,746
Transfers out	(15,424,690)	(1,143,421)	-	(2,488,812)	(19,056,923)
Total other financing sources (uses)	(11,792,457)	753,382	11,940,710	(2,488,812)	(1,587,177)
Net change in fund balances	7,975,003	(16,399,668)	-	(284,585)	(8,709,250)
Fund balances, beginning	49,954,585	18,055,520	-	1,862,997	69,873,102
Fund balances, ending	\$ 57,929,588	\$ 1,655,852	\$ -	\$ 1,578,412	\$ 61,163,852

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

WORCESTER COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Net change in fund balances, governmental funds \$ (8,709,250)

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

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

Capital outlay	10,163,525
Depreciation expense	(5,246,326)

Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unearned revenues decreased by this amount this year. (91,282)

Transfer of Department of Liquor Control assets, net of related debt 250,913

Governmental funds report payments of debt principal as an expenditure. In contrast, the Statement of Activities treats such payments as a reduction in long-term liabilities. 8,197,986

Bond issue costs, premiums, discounts, and similar items are reported in governmental funds when debt is issued; whereas, these amounts are deferred and amortized in the Statement of Activities. (333,421)

The change in estimated landfill closure costs recorded in governmental activities and related expenditures increase or decrease a liability on the government-wide statements, but are not a use of current financial resources in the governmental funds. 2,986,855

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

Change in pension expense (see Note 7)	(2,464,831)
Change in post-retirement employee benefits, asset	(2,391,066)
Change in compensated absences	(36,935)

Change in net position of governmental activities \$ 2,326,168

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES

June 30, 2017

	Department of <u>Solid Waste</u>	Department of <u>Water and Wastewater</u>	Department of <u>Liquor Control</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and short-term investments	\$ 9,711,384	\$ 5,701,870	\$ 187,211	\$ 15,600,465
Accounts receivable	187,318	5,679,363	-	5,866,681
Inventory	-	-	191,239	191,239
Other receivables	12,000	-	-	12,000
Total current assets	9,910,702	11,381,233	378,450	21,670,385
Noncurrent assets:				
Capital assets:				
Land, land rights and improvements	1,226,989	114,883	-	1,341,872
Construction-in-progress	-	2,364,291	-	2,364,291
Buildings and building improvements	4,233,213	-	715,215	4,948,428
Improvements other than buildings	29,744,086	-	-	29,744,086
Water and sewer systems	-	105,023,786	-	105,023,786
Machinery and equipment	7,216,285	4,882,287	-	12,098,572
	42,420,573	112,385,247	715,215	155,521,035
Less: accumulated depreciation	(34,199,471)	(41,871,580)	(247,532)	(76,318,583)
	8,221,102	70,513,667	467,683	79,202,452
Other assets:				
Long-term debt service receivable	-	15,219,132	-	15,219,132
Total noncurrent assets	8,221,102	85,732,799	467,683	94,421,584
Total assets	\$ 18,131,804	\$ 97,114,032	\$ 846,133	\$ 116,091,969

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

	Department of <u>Solid Waste</u>	Department of <u>Water and Wastewater</u>	Department of <u>Liquor Control</u>	<u>Total</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 222,954	\$ 648,649	\$ 51,420	\$ 923,023
Bonds and notes payable - current	110,280	1,890,418	-	2,000,698
Capital leases payable - current	362,282	-	-	362,282
Landfill - closure and postclosure costs	14,858,150	-	-	14,858,150
Bond costs deferred	11,001	19,992	-	30,993
Accrued bond interest payable	-	147,902	-	147,902
Due to other funds	117,213	44,709	-	161,922
Total current liabilities	15,681,880	2,751,670	51,420	18,484,970
Noncurrent liabilities:				
Unearned revenues	-	16,513,089	-	16,513,089
Compensated absences	58,043	149,266	25,227	232,536
Bonds and notes payable	1,924,720	16,225,584	-	18,150,304
Capital leases payable	441,143	-	-	441,143
Bond costs deferred	132,011	556,744	-	688,755
Due to other funds	-	5,708,622	1,251,798	6,960,420
Total noncurrent liabilities	2,555,917	39,153,305	1,277,025	42,986,247
Total liabilities	18,237,797	41,904,975	1,328,445	61,471,217
NET POSITION (DEFICIT)				
Net investment in capital assets	5,492,957	52,397,665	467,683	58,358,305
Unrestricted (deficit)	(5,598,950)	2,811,392	(949,995)	(3,737,553)
Total net position (deficit)	\$ (105,993)	\$ 55,209,057	\$ (482,312)	\$ 54,620,752

WORCESTER COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
 BUSINESS-TYPE ACTIVITIES
 Year Ended June 30, 2017

	Department of <u>Solid Waste</u>	Department of <u>Water and Wastewater</u>	Department of <u>Liquor Control</u>	<u>Total</u>
OPERATING REVENUES:				
Domestic charges	\$ -	\$ 8,185,389	\$ -	\$ 8,185,389
Commercial charges	-	682,978	-	682,978
Hook-up charges	-	209,209	-	209,209
Future capital development	-	144,481	-	144,481
Interest and penalties on overdue accounts	1,625	135,732	-	137,357
Additional assessments	-	393,465	-	393,465
Payments by developers	-	15,068	-	15,068
Other revenue	24,766	2,902,938	43,387	2,971,091
Debt service revenue	-	1,399,725	-	1,399,725
Tank fee revenue	-	10,401	-	10,401
White Horse Park revenue	-	204,600	-	204,600
Liquor sales	-	-	5,193,060	5,193,060
Recycling charges	221,733	-	-	221,733
Stump, yard waste, and mulch revenue	34,150	-	-	34,150
Licenses and permits	340,740	-	-	340,740
Tipping fees	3,134,071	-	-	3,134,071
Total operating revenues	3,757,085	14,283,986	5,236,447	23,277,518
Cost of goods sold	-	-	4,115,183	4,115,183
Gross profit	3,757,085	14,283,986	1,121,264	19,162,335
Total operating expenses	3,630,417	10,096,516	1,148,554	14,875,487
Operating income (loss) before depreciation and general expenses	126,668	4,187,470	(27,290)	4,286,848
Depreciation and general expenses	617,266	2,997,864	627,212	4,242,342
Operating income (loss)	(490,598)	1,189,606	(654,502)	44,506
NONOPERATING REVENUES (EXPENSES):				
Interest on investments	48,933	27,139	-	76,072
Sale of assets	-	-	(403,623)	(403,623)
Operating grants	-	26,000	-	26,000
Other revenue	-	-	588,168	588,168
Interest expense	(119,364)	(596,692)	(32,987)	(749,043)
Total nonoperating revenues (expenses)	(70,431)	(543,553)	151,558	(462,426)
TRANSFERS IN	1,167,799	-	419,378	1,587,177
Change in net position	606,770	646,053	(83,566)	1,169,257
Net position (deficit), beginning	(712,763)	54,563,004	(398,746)	53,451,495
Net position (deficit), ending	\$ (105,993)	\$ 55,209,057	\$ (482,312)	\$ 54,620,752

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2017

	Department of Solid Waste	Department of Water and Wastewater	Department of Liquor Control	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for services	\$ 3,793,523	\$ 8,219,641	\$ -	\$ 12,013,164
Cash received for liquor sales	-	-	5,400,332	5,400,332
Cash received from other revenues	27,205	2,902,938	43,387	2,973,530
Cash received for future capital development	-	144,481	-	144,481
Cash payments to employees	(1,477,196)	(2,961,676)	(741,314)	(5,180,186)
Cash payments for fringe benefits	(865,700)	(1,360,493)	(350,578)	(2,576,771)
Cash payments for inventory, materials, supplies, and services	(828,791)	(5,858,846)	(2,628,979)	(9,316,616)
Net cash provided by operating activities	649,041	1,086,045	1,722,848	3,457,934
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of property and equipment	(382,850)	(6,003,143)	-	(6,385,993)
Proceeds from sales of property and equipment	-	-	51,000	51,000
Principal paid on capital lease maturities	(550,572)	-	-	(550,572)
Principal paid on bonds, lines of credit, and notes	-	(1,998,914)	(54,650)	(2,053,564)
Interest paid on bonds, lines of credit, and notes	(119,364)	(596,692)	(32,987)	(749,043)
Bond costs deferred	(11,002)	(27,687)	-	(38,689)
Debt service assessments deferred	-	3,210,927	-	3,210,927
Net cash used by capital and related financing activities	(1,063,788)	(5,415,509)	(36,637)	(6,515,934)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received for operating grants	-	26,000	-	26,000
Transfers from General Fund	1,167,799	-	-	1,167,799
Advances from other funds	-	4,060,554	-	4,060,554
Advances to other funds	(27,966)	-	(1,785,746)	(1,813,712)
Net cash provided (used) by noncapital financing activities	1,139,833	4,086,554	(1,785,746)	3,440,641
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	48,933	27,139	-	76,072
Net cash provided by investing activities	48,933	27,139	-	76,072
Net increase (decrease) in cash and short-term investments	774,019	(215,771)	(99,535)	458,713
Cash and short-term investments, beginning	8,937,365	5,917,641	286,746	15,141,752
Cash and short-term investments, ending	\$ 9,711,384	\$ 5,701,870	\$ 187,211	\$ 15,600,465

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES

Year Ended June 30, 2017

(CONTINUED)

	Department of <u>Solid Waste</u>	Department of <u>Water and Wastewater</u>	Department of <u>Liquor Control</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (490,598)	\$ 1,189,606	\$ (654,502)	\$ 44,506
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	617,266	2,997,864	92,960	3,708,090
Changes in assets and liabilities:				
Accounts receivable	62,829	(507,875)	207,272	(237,774)
Inventories	-	-	2,646,791	2,646,791
Other receivables	814	-	-	814
Prepaid expenses	-	-	3,042	3,042
Accounts payable and accrued expenses	453,715	(100,868)	(572,037)	(219,190)
Unearned revenue	-	(2,509,051)	-	(2,509,051)
Compensated absences	5,015	16,369	(678)	20,706
Net cash provided by operating activities	\$ 649,041	\$ 1,086,045	\$ 1,722,848	\$ 3,457,934
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:				
Transfer of fixed assets to General Fund	\$ -	\$ -	\$ (716,625)	\$ (716,625)
Transfer of mortgage to General Fund	-	-	465,712	465,712
Write-down of inventory loan from General Fund	-	-	419,378	419,378
Write-down of OPEB liability	-	-	588,168	588,168
Total non-cash activities	\$ -	\$ -	\$ 756,633	\$ 756,633

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2017

	Public Drainage <u>Associations</u>	Other Post- Employment Benefits <u>Trust</u>	Agency <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 530,254	\$ 1,958,251	\$ 2,376,088
Trust investments:			
Money market funds	-	979,073	-
MLGIP	-	600,875	-
Fixed income securities	-	14,406,957	-
Equities securities	-	27,796,117	-
Taxes receivable	-	-	1,583,585
Special assessments receivable	6,950	-	-
Other receivables	-	-	-
Due from other funds	652	-	330,462
Total assets	537,856	45,741,273	4,290,135
LIABILITIES			
Due to other governmental units	-	-	2,015,185
Other liabilities	-	-	2,274,950
Total liabilities	-	-	4,290,135
NET POSITION			
Held in trust for other post-employment benefits	-	45,741,273	-
Restricted	537,856	-	-
Total net position	\$ 537,856	\$ 45,741,273	\$ -

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

WORCESTER COUNTY, MARYLAND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2017

	Public Drainage <u>Associations</u>	Other Post Employment Benefits <u>Trust</u>
ADDITIONS:		
Contributions:		
Special assessments	\$ 103,975	\$ -
Intergovernmental	4,916	-
Employer contributions	-	2,375,000
Plan member contributions	-	306,228
Miscellaneous	17,100	367,962
Total contributions	125,991	3,049,190
Investment earnings:		
Interest	1,845	12,708
Net increase in fair value of investments	-	4,331,715
Total investment earnings	1,845	4,344,423
Total additions	127,836	7,393,613
DEDUCTIONS:		
Ditch maintenance	111,633	-
Claims incurred	-	2,874,338
Miscellaneous	232	3,000
Total deductions	111,865	2,877,338
Change in net position	15,971	4,516,275
Net position, beginning	521,885	41,224,998
Net position, ending	\$ 537,856	\$ 45,741,273

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Worcester County, Maryland

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

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

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

Separately issued financial statements can be obtained from the following:

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

B. Basis of Presentation

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

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

FUND FINANCIAL STATEMENTS

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

C. Fund Accounting

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

GOVERNMENTAL FUND TYPES

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

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

D. Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

E. Basis of Accounting

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

REVENUES – EXCHANGE AND NONEXCHANGE TRANSACTIONS

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

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

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

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

EXPENSES / EXPENDITURES

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

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

F. Budgetary Data

Formal budgetary accounting is employed as a management control for all enterprise funds. The annual budgets for the enterprise funds are prepared in accordance with the basis of accounting utilized by those funds. The General Fund of the County has a legally adopted budget. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund is prepared on a basis consistent with the budget. The County’s budget includes appropriations of prior year fund balance as “other sources” in the current year. Also, the Statement of Activities is prepared on a basis consistent with GAAP where encumbrances are treated as assignments of fund net position and prior year fund net position is not recognized as other revenue sources. The budgets shown in the financial statements are the budget ordinances at the close of the day on June 30, 2017. All annual appropriations lapse at fiscal year-end.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

G. Encumbrances

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

H. Cash and Short-Term Investments

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

I. Prepaid Items

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

J. Property Taxes

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

K. Inventory

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

L. Capital Assets

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

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

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

M. Interfund Receivables / Payables

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

N. Compensated Absences

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

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

O. Accrued Liabilities and Long-Term Obligations

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

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

P. Net Position

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Q. Governmental Fund Balance

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

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

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

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

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

Unassigned – Amounts not included in other spendable classifications. In accordance with County policy, included within unassigned fund balance are reserve amounts of \$18,974,224 for contingency and emergency conditions. These reserve amounts do not meet the definition of assigned in accordance with GASB 54 and are thus included within unassigned fund balance.

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

R. Operating Revenues and Expenses

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

S. Interfund Transactions

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

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

T. Estimates

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Short-Term Investments

Deposits are maintained in a variety of financial institutions.

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

At June 30, 2017, Worcester County had deposits with financial institutions totaling \$13,794,834 (with a carrying value of \$10,857,930). The depository banks pledge collateral for specific accounts, which are held in the County's name. Deposits in financial institutions were fully insured or collateralized at June 30, 2017 and, therefore, have no custodial risk associated with them.

The County is a participant in the Maryland Local Government Investment Pool ("MLGIP"), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 §22G of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A. An MLGIP Advisory Committee of current participants was formed to review, on a semiannual basis, the activities of the Fund and to provide suggestions to enhance the Pool. The MLGIP is rated "AAAm" by Standard and Poor's. The fair value of the Pool is the same as the value of the Pool shares. At June 30, 2017, the County had investments of \$64,142,571 with the MLGIP, which are recorded at cost, which approximates fair value.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's exposure to credit risk on deposits is minimal, as all deposits are in the form of cash, fully insured by the FDIC, or collateralized by securities pledged in the County's name. The County minimizes its exposure to credit risk on investments by limiting its investments to U.S. Treasury obligations and the MLGIP. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's exposure to interest rate risk is minimal as of June 30, 2017, as its only investments within the primary government consisted of the MLGIP. The County's only other investments are within the Retiree Benefit Trust Fund.

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

NOTES TO FINANCIAL STATEMENTS

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

Investments in the Retiree Benefit Trust Fund by type and maturity at June 30, 2017, measured at fair value, were as follows:

	1 Year	1-5 Years	Over 5 Years	Total	Rate
MLGIP	\$ 600,875	\$ -	\$ -	\$ 600,875	0.90%
M&T Investments:					
Money Market	979,073	-	-	979,073	0.20%
Fixed Income:					
U.S. Treasury	115,012	1,004,147	1,916,399	3,035,558	0.625% - 3.625%
U.S. Government Agency	-	58,171	1,806,398	1,864,569	1.25% - 5.00%
Other Fixed Income	386,129	1,174,344	7,946,357	9,506,830	1.25% - 6.20%
Equities	27,796,117	-	-	27,796,117	N/A
Total	\$ 29,877,206	\$ 2,236,662	\$ 11,669,154	\$ 43,783,022	

The fair value GAAP hierarchy is based on the valuation of inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Fixed income and equity investments of the Retiree Benefit Trust Fund are considered to be Level 2 inputs.

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

Petty cash	\$ 8,460
Carrying amount of deposits	10,857,930
Money market funds	979,073
Fixed income securities	14,406,957
Equities securities	27,796,117
MLGIP	64,142,571
Less: cash and investments recorded within fiduciary funds	(48,647,615)
Total	\$ 69,543,493

Note 4. Interfund Balances and Transfers

As a result of its operations, the County effects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2017, appropriate "due from/to" other funds have been established.

Interfund transactions are classified as follows:

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Balances and Transfers (continued)

Interfund balances at June 30, 2017 consisted of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
General Fund:		
Enterprise funds:		
Department of Solid Waste (shared expenses)	\$ 117,213	\$ -
Department of Liquor Control (inventory loan and shared expenses)	1,251,798	-
Department of Water and Wastewater (payroll and shared expenses)	5,753,331	-
Total due from (to) enterprise funds	7,122,342	-
Other funds:		
Energy Service Fund (funds held on behalf of)	-	(432,019)
Capital Projects Fund (reimbursement between funds)	20	-
Casino Fund (reimbursement between funds)	-	(8,019)
State of MD Property Tax Agency Fund (June collections paid in July)	-	(87,261)
Tax Sale Agency Fund (June collections paid in July)	-	(2,894)
Snow Hill Property Tax Agency Fund (June collections paid in July)	-	(6,269)
Berlin Property Tax Agency Fund (June collections paid in July)	-	(30,861)
Pocomoke Property Tax Agency Fund (June collections paid in July)	-	(22,149)
Ocean City Property Tax Agency Fund (June collections paid in July)	-	(181,028)
Public Drainage Association (June collections paid in July)	-	(652)
Total due from (to) other funds	20	(771,152)
Total General Fund due from (to) other funds	7,122,362	(771,152)
Other governmental funds:		
General Fund	440,038	-
Fiduciary funds	331,114	-
Capital Projects Fund:		
General Fund	-	(20)
Enterprise funds:		
General Fund	-	(7,122,342)
Total	\$ 7,893,514	\$ (7,893,514)

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Balances and Transfers (continued)

Interfund transfer activity for the year ended June 30, 2017 consisted of the following individual amounts:

	Transfers In	Transfers Out
General Fund:		
Capital Projects Fund	\$ 1,143,421	\$ 1,896,803
Debt Service Fund	-	11,940,710
Casino Fund	2,488,812	-
Department of Solid Waste	-	1,167,799
Department of Liquor Control	-	419,378
Capital Projects Fund:		
General Fund	1,896,803	1,143,421
Debt Service Fund:		
General Fund	11,940,710	-
Casino Fund:		
General Fund	-	2,488,812
Department of Solid Waste:		
General Fund	1,167,799	-
Department of Liquor Control:		
General Fund	419,378	-
	\$ 19,056,923	\$ 19,056,923

Interfund transfers are for the following purposes:

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

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

	Balance June 30, 2016	Additions	Transfers and Reductions	Balance June 30, 2017
Primary government:				
Governmental activities:				
Nondepreciable capital assets:				
Land and improvements	\$ 12,321,614	\$ -	\$ 3,290,098	\$ 15,611,712
Construction-in-progress	3,092,686	7,718,588	(4,405,650)	6,405,624
Total nondepreciable capital assets	15,414,300	7,718,588	(1,115,552)	22,017,336
Depreciable capital assets:				
Building and building improvements	84,272,724	142,342	545,646	84,960,712
Improvements other than buildings	12,015,845	-	727,651	12,743,496
Machinery and equipment	26,556,984	1,363,361	(476,864)	27,443,481
Infrastructure	109,765,781	939,234	(120,132)	110,584,883
Total depreciable capital assets	232,611,334	2,444,937	676,301	235,732,572
Less accumulated depreciation for:				
Buildings and building improvements	(26,237,660)	(2,159,559)	22,500	(28,374,719)
Improvements other than buildings	(5,970,731)	(542,433)	208,860	(6,304,304)
Machinery and equipment	(20,662,310)	(1,564,235)	804,384	(21,422,161)
Infrastructure	(103,848,889)	(980,099)	120,132	(104,708,856)
Total accumulated depreciation	(156,719,590)	(5,246,326)	1,155,876	(160,810,040)
Total depreciable capital assets, net	75,891,744	(2,801,389)	1,832,177	74,922,532
Governmental activities capital assets, net	\$ 91,306,044	\$ 4,917,199	\$ 716,625	\$ 96,939,868

Depreciation expense was charged to governmental functions as follows:

General government	\$ 502,169
Public safety	2,029,946
Public works	1,431,819
Health and hospitals	520,447
Libraries, recreation and culture	750,468
Economic development	11,477
Total depreciation expense	\$ 5,246,326

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

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

	Balance June 30, 2016	Additions	Transfers and Reductions	Balance June 30, 2017
Business-type activities:				
Nondepreciable capital assets:				
Land, land rights and improvements	\$ 1,554,029	\$ -	\$ (212,157)	\$ 1,341,872
Construction-in-progress	2,596,682	2,179,889	(2,412,280)	2,364,291
Total nondepreciable capital assets	4,150,711	2,179,889	(2,624,437)	3,706,163
Depreciable capital assets:				
Buildings and building improvements	6,301,440	-	(1,353,012)	4,948,428
Improvements other than buildings	29,654,099	89,987	-	29,744,086
Machinery and equipment	13,275,068	509,971	(1,686,467)	12,098,572
Water and sewer systems	99,538,961	3,606,146	1,878,679	105,023,786
Total depreciable capital assets	148,769,568	4,206,104	(1,160,800)	151,814,872
Less accumulated depreciation for:				
Buildings and building improvements	(2,291,745)	(168,314)	646,324	(1,813,735)
Improvements other than buildings	(27,408,080)	(71,895)	-	(27,479,975)
Machinery and equipment	(9,916,410)	(713,048)	1,684,977	(8,944,481)
Water and sewer systems	(35,859,160)	(2,754,833)	533,601	(38,080,392)
Total accumulated depreciation	(75,475,395)	(3,708,090)	2,864,902	(76,318,583)
Total depreciable capital assets, net	73,294,173	498,014	1,704,102	75,496,289
Business-type activities capital assets, net	\$ 77,444,884	\$ 2,677,903	\$ (920,335)	\$ 79,202,452

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

Changes in the County's long-term obligations for the year ended June 30, 2017 were as follows:

	Balance at June 30, 2016	Additions/ Transfers	Reductions	Balance at June 30, 2017	Amount Due in One Year
Governmental activities:					
Estimated landfill closure costs	\$ 2,986,855	\$ -	\$ (2,986,855)	\$ -	\$ -
General obligation bonds:					
Consolidated Public Improvement Bonds, 2007 Series; interest at 3.5% to 4.5%; due semiannually to 2018	3,925,000	-	(1,920,000)	2,005,000	2,005,000
MDE Water Quality Bond; interest at 0.4%; due annually to 2022	1,206,593	-	(235,911)	970,682	236,855
Consolidated Public Improvement Bonds, 2008 Series; interest at 3.25% to 5%; due semiannually to 2019	7,070,000	-	(2,265,000)	4,805,000	2,355,000
Consolidated Public Improvement Bonds, 2013 Series; interest at 3% to 4%; due semiannually to 2020	5,147,680	-	(1,402,075)	3,745,605	1,460,605
Consolidated Public Improvement Bonds, 2013 Series; interest at 2.5% to 3.4%; due semiannually to 2033	4,595,000	-	-	4,595,000	-
Consolidated Public Improvement Bonds, 2014 Series; interest at 3.25% to 5%; due annually to 2029	38,250,000	-	(2,375,000)	35,875,000	2,420,000
Consolidated Public Improvement Bonds, 2015 Series A; interest at 3% to 5%; due semiannually to 2030	8,760,000	-	-	8,760,000	474,720
Consolidated Public Improvement Refunding Bonds, 2015 Series B; interest at 2.125% to 4%; due semiannually to 2026	25,050,000	-	-	25,050,000	-
Note payable; interest at 4.09%; due monthly to 2039	-	465,712	-	465,712	14,051
Deferred bond premium, net	7,105,393	-	(354,916)	6,750,477	354,916
	104,096,521	465,712	(11,539,757)	93,022,476	9,321,147
Compensated absences	2,049,369	1,489,178	(1,421,243)	2,117,304	953,000
Total governmental activities	\$106,145,890	\$ 1,954,890	\$(12,961,000)	\$ 95,139,780	\$ 10,274,147
Business-type activities:					
Estimated landfill closure costs	\$ 14,523,605	\$ 334,545	\$ -	\$ 14,858,150	\$ 14,858,150
General obligation bonds:					
Consolidated Public Improvement Bonds, 2004 Series; interest at 2.5% to 5%; due annually to 2017	230,000	-	(230,000)	-	-
MDE Water Quality Bond; interest at 0.4%; due annually to 2022	2,321,173	-	(417,764)	1,903,409	419,435

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2016	Additions	Reductions/ Transfers	Balance at June 30, 2017	Amount Due in One Year
Business-type activities, continued:					
Public Refunding Bonds, 2007; interest at 3.5% to 4.5%; due semiannually to 2017	\$ 1,115,000	\$ -	\$ (545,000)	\$ 570,000	\$ 570,000
Snug Harbor Water Quality Loan Agreement, 2007; interest at 0.04%; due semiannually to 2026	309,546	-	(31,129)	278,417	31,254
MDE Drinking Water Bond; interest at 1.1%; due annually to 2029	258,574	-	(18,611)	239,963	18,816
Mystic Harbour USDA note payable, 2012; interest at 2%; due quarterly to 2052	4,717,360	-	(90,407)	4,626,953	92,233
Mystic Harbour USDA note payable, 2014; interest at 2.5%; due quarterly to 2053	2,715,672	-	(44,178)	2,671,494	45,296
Mystic Harbour USDA note payable, 2016; interest at 2.25%; due quarterly to 2056	250,000	-	(3,900)	246,100	3,989
Note payable; interest at 4.09%; due monthly to 2039	479,202	-	(479,202)	-	-
Note payable; interest at 4.76%; due monthly to 2017	41,160	-	(41,160)	-	-
Consolidated Public Improvement Refunding Bonds, 2013 Series; interest at 3% to 4%; due annually to 2017	362,591	-	(177,925)	184,666	184,395
Consolidated Public Improvement Bonds, 2014 Series; interest at 2% to 5%; due semiannually to 2029	4,715,000	-	(290,000)	4,425,000	300,000
Consolidated Public Improvement Refunding Bonds, 2015 Series B; interest at 2.125% to 4%; due semiannually to 2026	1,900,000	-	(150,000)	1,750,000	160,000
Consolidated Public Improvement Bonds, 2015 Series A; interest at 3% to 5%; due semiannually to 2030	3,255,000	-	-	3,255,000	175,280
Deferred bond premium (costs), net	758,437	-	(38,689)	719,748	30,993
Capital lease payable	1,353,997	-	(550,572)	803,425	362,282
	39,306,317	334,545	(3,108,537)	36,532,325	17,252,123
Compensated absences	385,146	295,272	(257,628)	422,790	190,256
Total business-type activities	\$ 39,691,463	\$ 629,817	\$ (3,366,165)	\$ 36,955,115	\$ 17,442,379

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

During 1990, the operations of three County landfills were terminated. During 1998, changes in federal and Maryland regulations will cause the County to incur additional closure costs to cap the Berlin rubble fill, which had previously closed. The County capped the Berlin rubble fill during the year ended June 30, 2017. No additional liability remains for this item.

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

In November 2004, the County issued \$30,115,000 in Consolidated Public Improvement Project and Refunding Bonds, 2004 Series, with an average interest rate of 3.55% and maturing in 2020. Proceeds of \$13,110,000 were used for the renovation and equipping of the Ocean City Elementary School. In addition, the Consolidated Public Improvement Bonds, 1992 Series was redeemed, and portions of the 1996 and 2000 Series bonds were also redeemed. The additional proceeds were placed in escrow for the purpose of generating resources for all future debt service payments on \$16,765,000 of the refunded general obligation bonds. As a result, the associated liability has been removed. A net interest savings of \$745,708 will be achieved over the life of the bond. The governmental activities' portion of this bond was paid in full in March 2017.

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

In April 2007, the County issued \$35,865,000 in Consolidated Public Improvement Project and Refunding Bonds, 2007 Series, with an average interest rate of 4.0% and maturing in 2018. Proceeds of \$28,100,000 were used to finance the Worcester Career & Technology Center. In addition, the Sanitary District Bonds, Series J, and the Consolidated Public Improvement Project and Refunding Bonds, 1996 Series, were refunded. The Consolidated additional proceeds were placed in escrow for the purpose of generating resources for all future debt service payments on \$7,620,000 of the refunded general obligation bonds. As a result, the associated liability has been removed. A net interest savings of \$523,511 will be achieved over the life of the bond.

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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

Governmental Activities

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 8,966,231	\$ 3,384,877	\$ 12,351,108
2019	8,669,331	2,991,731	11,661,062
2020	9,412,122	2,602,704	12,014,826
2021	8,644,942	2,224,864	10,869,806
2022	8,772,803	1,855,142	10,627,945
2023-2027	28,940,627	4,634,124	33,574,751
2028-2032	12,285,115	838,462	13,123,577
2033-2037	540,882	36,905	577,787
2038-2039	39,946	1,101	41,047
Total	\$ 86,271,999	\$ 18,569,910	\$ 104,841,909

Business-Type Activities

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,000,698	\$ 587,858	\$ 2,588,556
2019	1,274,240	538,981	1,813,221
2020	1,298,196	503,310	1,801,506
2021	1,322,233	465,755	1,787,988
2022	1,152,628	426,958	1,579,586
2023-2027	5,039,433	1,445,241	6,484,674
2028-2032	3,000,378	727,259	3,727,637
2033-2037	1,023,867	504,273	1,528,140
2038-2042	1,141,588	386,552	1,528,140
2043-2047	1,273,022	255,118	1,528,140
2048-2052	1,419,431	108,718	1,528,149
2053-2056	205,288	6,172	211,460
Total	\$ 20,151,002	\$ 5,956,195	\$ 26,107,197

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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

The assets acquired through capital leases are as follows:

Business-Type Activities

Equipment	\$ 2,708,449
Less: accumulated depreciation	(1,198,990)
Total	\$ 1,509,459

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

Business-Type Activities

<u>Year Ending June 30,</u>	
2018	\$ 382,144
2019	268,697
2020	116,120
2021	71,431
2022	-
	838,392
Less: amount representing interest	(34,967)
Present value of future minimum lease payments	\$ 803,425

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

Funds Used for Debt Service and Liquidation of Compensated Absences

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans

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

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

Maryland State Retirement and Pension System

Organization

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

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

The employees participating in each plan are as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Basis of Accounting

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

Covered Members

Teachers' Retirement and Pension Systems

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

Employees' Retirement and Pension Systems

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

The Law Enforcement Officers' Pension System (LEOPS)

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Summary of Significant Plan Provisions

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

Beginning July 1, 2011, the member contribution rate was increased for members of the Teachers' Pension System and Employees' Pension System from 5% to 7% and from 4% to 6% respectively, in fiscal year 2013 and 7% in fiscal year 2014 and beyond for members of the Law Enforcement Officers' Pension System. Beginning July 1, 2013, the member contribution rate was increased for members of the Judges' Retirement System from 6% to 8%.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments ("COLA") that is based on the increase in the Consumer Price Index ("CPI") and capped at 2.5% or 1.0% based on whether the fair value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation (currently 7.55%).

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2016 are as follows:

Service Retirement Allowances

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

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

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

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

Vested Allowances

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

Early Service Retirement

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

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

Disability and Death Benefits

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

Adjusted Retirement Allowances

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Actuarial Assumptions

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

Inflation	In the 2015 and 2016 actuarial valuations, 2.70% general, 3.20% wage.
Salary Increases	In the 2015 and 2016 actuarial valuations, 3.30% to 9.20% including inflation.
Investment Rate of Return	In the 2015 and 2016 actuarial valuations, 7.55%.
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables 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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	6.6%
Private Equity	10%	7.4%
Rate Sensitive	20%	1.3%
Credit Opportunity	9%	4.2%
Real Assets	15%	4.7%
Absolute Return	9%	3.7%
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2016.

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 1.10%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Discount Rate

A single discount rate of 7.55% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.55%. 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.

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.55%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

System	1% Decrease to 6.55%	Current Discount	1% Increase to 8.55%
County	\$ 44,274,401	\$ 32,232,695	\$ 22,212,189
Board of Education	7,712,107	5,614,576	3,869,116

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

Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board of Education is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The specified percentage increases each fiscal year, until fiscal year 2017, when the BOE paid 100% of the normal cost for each teacher. The related payment for the fiscal year ending June 30, 2017, was \$2,351,392. In addition, the State of Maryland contributed \$6,929,246 on behalf of the BOE. The BOE has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2017, the BOE reported expense of \$439,282 related to the Employees' Systems in the fund financial statements. This amount was paid directly by the County and the Board has recognized the County on-behalf payments as both a revenue and expense.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

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

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

At June 30, 2017, the BOE reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the BOE. The amount recognized by the BOE as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the BOE were as follows:

BOE's proportionate share of the net pension liability (Employees' Systems)	\$ 5,614,576
State's proportionate share of the net pension liability (Teachers' Systems)	78,792,130
Total	\$ 84,406,706

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 BOE's proportion of the net pension liability was calculated as follows by the System(s):

- 1) Calculate the net pension liability as of June 30, 2016, for the entire System in accordance with the provision of GASB No. 67.
- 2) Determine the total contributions to the System by the State and participating governmental units ("PGUs"), inclusive of any underfunding of contributions.
- 3) Based on the number of participants at each Board of Education, calculate the difference between what each BOE would have contributed if they funded at the rate of all other participating governments and what the BOE actually contributed. The difference between what the BOE contributed and what they would have contributed if they funded at the rate of the other participating governments is then added to the total contribution to the System, to calculate the System's adjusted contribution.
- 4) Calculate, for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each PGU's contribution.
- 5) Provide each PGU its adjusted percentage of the contribution and the System's net pension liability and other related amounts as of June 30, 2016, under the GASB No. 67 requirements.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

At June 30, 2017, the County and BOE reported the following related to pensions:

	<u>BOE</u>	<u>County</u>
Employer's proportion (percentage) of the collective net pension liability	0.0237966%	0.1366138%
Employer's proportionate share of the collective net pension liability	\$ 5,614,576	\$ 32,232,695
Pension expense recognized by the employer for the year ended June 30, 2017	439,282	2,464,831
Deferred inflows of resources at June 30, 2016	414,417	2,250,584
Difference between expected and actual experience	61,517	353,161
Amortization of items allowed by GASB 68	(125,249)	(678,464)
<u>Deferred inflows of resources at June 30, 2017</u>	<u>350,685</u>	<u>1,925,281</u>
Deferred outflows of resources at June 30, 2016	1,184,359	6,664,894
Year ended June 30, 2016 contributions	(463,577)	(2,661,350)
Difference between expected and actual experience	556,926	3,197,255
Amortization of items allowed by GASB 68	(172,657)	(958,321)
Year ended June 30, 2017 contributions	439,282	2,499,617
<u>Deferred outflows of resources at June 30, 2017</u>	<u>1,544,333</u>	<u>8,742,095</u>
Net pension liability June 30, 2016	4,917,743	27,365,360
<u>Change in net pension liability factored for contributions</u>	<u>696,833</u>	<u>4,867,335</u>
<u>Net pension liability June 30, 2017</u>	<u>5,614,576</u>	<u>32,232,695</u>

The \$439,282 and \$2,499,617 of deferred outflows of resources resulting from the BOE's and the County's respective contributions to the System subsequent to the measurement date will be recognized as a reduction of net pension liability during the year ending June 30, 2018. Other amounts reported as deferred outflows and inflows of resources will be amortized over approximately a five-year period.

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

County

Year Ended June 30,	2016 Balance Amortization		2015 Balance Amortization			2014 Balance Amortization	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	
	Net Difference in Investment Earnings	Actual and Expected Experience	Net Difference in Investment Earnings	Change in Assumptions	Actual and Expected Experience	Change in Assumptions	Net Difference in Investment Earnings
2018	\$ 799,314	\$ (72,597)	\$ 602,580	\$ 281,284	\$ (115,076)	\$ 74,457	\$ (563,388)
2019	799,314	(72,597)	602,580	281,284	(115,076)	74,458	(563,389)
2020	799,314	(72,597)	602,579	281,284	(115,076)	-	-
2021	799,313	(72,597)	-	244,718	(100,115)	-	-
2022	-	(62,773)	-	-	-	-	-
<u>Total</u>	<u>\$ 3,197,255</u>	<u>\$ (353,161)</u>	<u>\$ 1,807,739</u>	<u>\$ 1,088,570</u>	<u>\$ (445,343)</u>	<u>\$ 148,915</u>	<u>\$ (1,126,777)</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Board of Education

Year Ended June 30,	2016 Balance Amortization		2015 Balance Amortization			2014 Balance Amortization	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows	
	Change in Assumptions	Net Difference in Investment Earnings	Net Difference in Investment Earnings	Change in Assumptions	Actual and Expected Experience	Change in Assumptions	Net Difference in Investment Earnings
2018	\$ 139,232	\$ (12,632)	\$ 108,288	\$ 50,549	\$ (20,680)	\$ 13,820	\$ (104,569)
2019	139,232	(12,632)	108,288	50,549	(20,680)	13,819	(104,568)
2020	139,232	(12,632)	108,287	50,548	(20,680)	-	-
2021	139,230	(12,632)	-	43,977	(17,991)	-	-
2022	-	(10,989)	-	-	-	-	-
Total	\$ 556,926	\$ (61,517)	\$ 324,863	\$ 195,623	\$ (80,031)	\$ 27,639	\$ (209,137)

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

	Total Payroll	Covered Payroll	On-Behalf by State
County - MD Retirement and Pension System	\$ 29,753,685	\$ 23,537,007	\$ -
Board of Education	67,827,731	60,937,473	6,929,246
Library	1,508,093	1,427,457	247,092

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Worcester County Supplemental Pension Plan

Certain eligible employees of the Department of Water and Wastewater Services (the "Department") are covered by a cost-sharing multiple-employer defined benefit pension plan administered by Nationwide Life Insurance Company. Employees who participate in the plan are required to contribute 4% of their annual compensation. Certain employees of the Town of Ocean City are also eligible to participate in the plan. Participation in the plan is split approximately 50/50 between the Department and the Town of Ocean City. Disclosures and related amounts in addition to those presented here are immaterial to the County's financial statements.

The pension plan provides pension, death, and disability benefits. The normal retirement age is 65, although reduced retirement benefits may be taken at age 55 with the completion of ten years of service. Participating employees are fully vested after five years of service. Separate audited financial statements are not issued by the plan.

The plan's accrued benefits and net assets available as of July 1, 2016, the latest date available, are:

Actuarially computed value of:	
Vested accrued benefit obligation	\$ 5,338,749
Nonvested accrued benefit obligation	-
	5,338,749
Net assets available for pension benefits	6,378,143
Net pension asset (obligation)	\$ 1,039,394

Contributions to the plan are defined by the retirement law to consist of a "normal contribution" to cover the portion of projected liabilities accruing on account of service of members during the year following the valuation date, and an "unfunded actuarial liability contribution" which, together with assets on hand, is used to cover the portion of projected liabilities on account of service rendered prior to the valuation date.

The Department's contribution to the pension plan for the year ended June 30, 2017 was \$70,643 and is based on the entry age normal cost method. The Department has contributed 100% of the required contribution for the past five years.

Covered payroll for the Department totaled approximately \$1,128,860.

The following are the major actuarial assumptions and procedures for the pension plan:

Interest	7%, including inflation rate of 4%
Cost Method	Aggregate
Mortality Rates	1983 Group Annuity Mortality Sex Distinct Tables
Salary Increases	5% per year to age 65, including inflation rate of 4%
Cost of Living Adjustment	4%

As of June 30, 2017, all assets of the plan were held in a deposit administration (guaranteed) fund under a group annuity contract issued by Nationwide Life Insurance Company.

The plan uses the aggregate cost method to determine necessary funding. This method does not amortize past service liabilities separately from current and future expenses.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

The normal cost is calculated for the plan as a whole by allocating the difference between the actuarial present value of projected benefits, including prior years' gains and losses, less the actuarial value of assets and the present value of future employee contributions, on a level basis over the future salaries of active plan participants.

Information regarding the plan's funding status for plan fiscal years 2017 – 2015 is as follows:

	2017	2016	2015
Net assets available for pension benefits	\$ 6,378,143	\$ 6,603,752	\$ 7,216,019
Pension obligation	\$ 5,338,749	\$ 4,824,474	\$ 5,761,202
Percentage funded	119%	137%	125%
Net pension assets	\$ 1,039,394	\$ 1,779,278	\$ 1,454,817
Annual covered payroll	\$ 2,020,907	\$ 2,046,383	\$ 2,173,187
Assets in excess of pension obligation as a percentage of covered payroll	51%	87%	67%
Employer contributions	\$ 212,882	\$ 129,742	\$ 147,788
Employer contributions as a percentage of covered payroll	11%	6%	7%

Note 8. Other Post-Employment Benefits

Plan Description

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

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

Eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of July 1, 2016, the date of the last actuarial valuation, the following numbers of employees were receiving or were potentially eligible to receive future benefits:

	County	Board of Education
Active	508	964
Retirees	263	573
Total	771	1,537

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

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

Funding Policy

The County provides basic major medical insurance (Medicare supplemental program for those over 65) and a prescription drug plan for its retired employees. It is the County's policy to pay 90% of the cost of such benefits for eligible retirees, dependents, and spouses hired prior to July 1, 2015. For employees hired subsequent to June 30, 2015, the County will pay 80% of the cost of benefits for retirees, their spouses, and their dependents. The County's OPEB Trust currently pays for the cost of these benefits on a pay-as-you-go basis. For the year ended June 30, 2017, the OPEB Trust paid for coverage of 263 retirees at a total cost, net of retiree contributions, of approximately \$2,568,000.

The County created the Retiree Benefit Trust of Worcester County and the Retiree Benefit Trust of the Board of Education of Worcester County (collectively the "Trust") in order to arrange for the establishment of a reserve to pay promised future health and drug benefits for employee services that have already occurred. The County intends the contributions to the Trust to qualify as "contributions in relation to the actuarial required contribution" within the meaning of GASB Statement 45 and that the Trust will qualify as a "trust or equivalent arrangement" within the meaning of GASB Statements 43 and 45.

Employee and retiree contributions are not permitted. The trustees of each Trust consist of a five-member board that has final authority in all matters pertaining to the Trust.

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

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the Annual Required Contribution ("ARC"), an amount actuarially determined within the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year plus any unfunded liability amortized over a period not to exceed 30 years. The County pays post-retirement medical benefits (normal cost) from the Trust.

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

	County	Board of Education	Total
Annual required contribution	\$ 4,673,970	\$ 20,749,547	\$ 25,423,517
Interest on net OPEB obligation	(1,213,071)	4,906,102	3,693,031
Adjustment to annual required contribution	1,305,167	(5,278,574)	(3,973,407)
Annual OPEB cost	4,766,066	20,377,075	25,143,141
Trust fund contributions	(2,375,000)	(2,375,000)	(4,750,000)
Change in net OPEB obligation	2,391,066	18,002,075	20,393,141
Net OPEB obligation (asset), beginning of year	(17,329,584)	70,087,178	52,757,594
Net OPEB obligation (asset), end of year	\$ (14,938,518)	\$ 88,089,253	\$ 73,150,735

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

The OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) for the County and BOE during the three most recent fiscal years is as follows:

	Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
County	June 30, 2017	\$ 4,766,066	50%	\$ (14,938,518)
Board of Education	June 30, 2017	20,377,075	12%	88,089,253
County	June 30, 2016	2,783,345	54%	(17,329,584)
Board of Education	June 30, 2016	15,913,339	9%	70,087,178
County	June 30, 2015	2,783,345	54%	(18,612,929)
Board of Education	June 30, 2015	15,913,339	9%	55,673,839

Funding Status and Funding Progress

The following table is as of July 1, 2016, the most recent actuarial valuation date:

	(June 30, 2017) Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
County	\$ 45,741,273	\$ 75,459,618	\$ 29,718,345	60.62%	\$ 28,913,779	102.78%
Board of Education	20,953,941	181,522,466	160,568,525	11.54%	60,714,236	264.47%
Total	\$ 66,695,214	\$ 256,982,084	\$ 190,286,870		\$ 89,628,015	

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions 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, is designed to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and Plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and Plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets, consistent with the long-term perspective of the calculations.

For the July 1, 2016 actuarial valuation, the cost method used was the projected unit credit, with linear proration to decrement attribution. The actuarial assumptions include an expected 7.0% investment rate of return on plan assets per annum, an inflation rate of 3.0%, and an assumed medical trend rate of 6.5%. The projected annual healthcare cost trend rate is 6.5% initially, reduced by decrements to an ultimate rate of 5.0% after ten years. The UAAL is being amortized over 22 years based on a level percentage of projected payrolls on a closed basis.

NOTES TO FINANCIAL STATEMENTS

Note 9. Deferred Compensation

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

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

All amounts of compensation deferred under the plan; all property and rights purchased with those amounts; and all income attributable to those amounts, property, or rights are solely the property and rights of the plan participants and are not subject to the claims of the County's general creditors.

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

Note 10. Commitments and Contingencies

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

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

Enterprise Funds

The County entered into a contract on September 12, 2017 with Leibold Irrigation, Inc. for \$1,750,400 for the construction of the Eagles Landing Golf Course irrigation improvements as part of the Mystic Harbour wastewater effluent disposal project funded by USDA loans and grants.

The County entered into a contract on December 27, 2016 with EA Engineering, Science, and Technology, Inc., PBC to provide engineering design, permitting, and bidding services for a spray irrigation system for the Newark Sanitary Service Area in the amount of \$85,462.

The County entered into a contract on May 2, 2017 with Horizon Bros. Painting Corp. for coating rehabilitation of the Mystic Harbour water tower at a cost of \$455,900. Funding for this project comes from the 2015 bonds.

The County entered into a contract on October 5, 2017 with Allan Myers MD, Inc. in the amount of \$11,727,777 for the construction of landfill cell 5 at the Worcester County central landfill facility. Total project costs are anticipated at \$12,728,000 and will be funded from \$2,035,000 in 2015 bonds, \$7,365,000 in solid waste enterprise funds set aside, and \$3,328,000 in anticipated 2019 future bonds.

General Fund

The County entered into a contract on July 8, 2016 with A-Del Construction Co., Inc. for construction of the Berlin Rubble Fill Closure Project at a cost of \$2,736,185. Additionally, the County entered into a contract on October 14, 2016 with EA Engineering, Science, and Technology, Inc., PBC for construction management of the above project in the amount of \$152,950. Funding for this project came from 2015 bonds and was completed in fiscal year 2017.

The County contracted with Whiting Turner Contracting Company in March 2017 in the amount of \$6,250,000 for the building of a new Worcester County library in Berlin, Maryland. The funding will come from a combination of State of Maryland Department of Education capital grants and assigned fund balance.

NOTES TO FINANCIAL STATEMENTS

Note 10. Commitments and Contingencies (continued)

The County entered into a revised contract on March 28, 2017 with Harris Corporation to provide an 800 MHz P25 radio system migration in the amount of \$5,340,175. Additionally, the County entered into a contract on May 18, 2017 with Skyline Technology Solutions in the amount of \$899,767 to perform design, implementation, and support services for the Worcester County Shared Communications Network. Both contracts are part of the County's 800 MHz radio project.

The County approved a proposal on June 20, 2017 with Gipe Associates, Inc. for engineering, design, and contract administration for the Worcester County Jail HVAC renovation project in the amount of \$283,000. Funding for the first phase of this project has been allocated in the assigned fund balance.

NOTES TO FINANCIAL STATEMENTS

Note 11. Assigned Fund Balance

Assignments of fund balance are intended to be used for specific purposes but are not legally restricted. The assignments for the year ended June 30, 2017 are summarized as follows:

Assigned for:

Bayside Road bridge replacement	\$ 1,200,000
Berlin Health Department storage and parking lot	220,000
Berlin Library project	4,981,967
Bishopville homeowner convenience center	300,000
Board of Education PMS evening beta program	100,000
Board of Education building automation upgrades for PMS and SDMS	393,500
Building HVAC automation system controls	250,000
County building repairs and improvements	401,589
Courthouse air handler and flooring replacements	575,000
Elections voting unit warehouse improvements	25,000
Emergency Services radio system enhancement	26,487
Encumbrances	1,772,303
Fiber project	100,000
Financial tax software/docuware/servers	150,000
Fire Training Center improvements	100,000
Government Center (ventilation and building repairs)	355,000
Isle of Wight building improvements	100,000
Jail building improvements and repairs	2,750,000
Maryland Broadband fiber project	50,000
North End Public Works building	100,000
Ocean Pines Library improvements	800,000
Other Post-Employment Benefits transfer	1,000,000
Outdoor sports field complex study	400,000
Parking lot improvements	200,000
Pearl Street building repairs	250,000
PNC Bank building with improvements	500,000
Pocomoke Health Department building upgrades	500,000
Public Landing marina (boat slips with amenities)	190,000
Public Works building expansion	50,000
Recreation Center building improvements	200,000
Reserve Fund transfer for FY18	919,044
Roads Department paving projects (FY18 paving)	1,500,000
Route 50 service road (future road design)	277,000
Showell Elementary School	1,500,000
Snow Hill Senior Center	150,000
Snow Hill warehouse	1,000,000
Strategic plan - building infrastructure	100,000
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Total	\$ 23,486,890
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NOTES TO FINANCIAL STATEMENTS

Note 11. Assigned Fund Balance (continued)

The nonmajor governmental fund have assigned fund balances as follows:

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

Note 12. Landfill Closure and Post-closure Care Costs

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

The Berlin, Pocomoke, and Snow Hill landfills stopped accepting waste in 1990. These landfills have been capped and only have post-closure care costs associated with them.

The County has reported \$14,858,150 in estimated landfill closure and post-closure care liabilities at June 30, 2017 in the enterprise fund related to the Central Landfill. Accrual of closure and post-closure care costs have been recognized based on estimated capacity used to date.

The Central Landfill facility in Newark is the only active landfill in the County. The state-of-the-art facility is situated on a 724.5 acre parcel located approximately 3.5 miles northeast of the Town of Snow Hill. The facility, which began operations in 1990, has a permitted life span of 40 years and includes eight landfill cells. As of June 30, 2017, cells #2 and #3 are full. The County received approval from the Maryland Department of the Environment to begin mining the existing cell #1 instead of closing or “capping” it in order to reclaim as much as 40% of the airspace for future use. If successful, the mining operation will likely continue to the other closed or “filled” cells in order to reclaim landfill capacity and extend the overall life of the facility. The County began mining of cell #1 during fiscal year 2010, but suspended the mining operation during fiscal years 2014 through 2017 to avoid filling up cell #4 before cell #5 is complete.

As there are currently no legal restrictions on available funds, the County has approximately \$9,900,000 of current assets available for landfill closure and post-closure care costs within the Department of Solid Waste. The shortfalls may need to be covered by any combination of charges to future landfill users, future tax revenues, or additional borrowings.

The County has satisfied its financial assurance requirements based upon the local government financial ratio tests as of June 30, 2016. The County expects to satisfy these requirements as of June 30, 2017 using the same criteria.

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

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management

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

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

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

The primary government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The County carries commercial insurance for these and other risks of loss, including workers' compensation, employee health, and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage limits for the three most recent fiscal years.

Note 14. On-Behalf Payments

On-behalf payments for fringe benefits represent the pension contribution by the State of Maryland to the State Retirement System for applicable employees of the Library. The amount recognized as revenue and expenditures for the year ended June 30, 2017 was \$247,092 for the Library, which is included in miscellaneous revenues and libraries, recreation, parks and culture expenditures, respectively.

Note 15. Component Units

The Board of Education of Worcester County

Cash and Short-Term Investments

At June 30, 2017, the BOE had deposits of \$7,801,272 (carrying value \$6,620,559), which were either fully insured or collateralized by securities held in the name of the BOE.

NOTES TO FINANCIAL STATEMENTS

Note 15. Component Units (continued)

Capital Assets

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

	Balance June 30, 2016	Additions	Transfers and Reductions	Balance June 30, 2017
Governmental activities:				
Nondepreciable capital assets:				
Land and improvements	\$ 1,886,779	\$ -	\$ -	\$ 1,886,779
Construction-in-progress	40,602,472	705,596	(40,387,246)	920,822
Total nondepreciable capital assets	42,489,251	705,596	(40,387,246)	2,807,601
Depreciable capital assets:				
Building and building improvements	175,919,777	7,466,145	40,387,246	223,773,168
Machinery and equipment	3,977,849	323,931	(78,217)	4,223,563
Total depreciable assets	179,897,626	7,790,076	40,309,029	227,996,731
Less accumulated depreciation for:				
Buildings and building improvements	(59,856,637)	(3,852,010)	-	(63,708,647)
Machinery and equipment	(3,238,678)	(178,627)	73,748	(3,343,557)
Total accumulated depreciation	(63,095,315)	(4,030,637)	73,748	(67,052,204)
Total depreciable capital assets, net	116,802,311	3,759,439	40,382,777	160,944,527
Governmental activities capital assets, net	\$ 159,291,562	\$ 4,465,035	\$ (4,469)	\$ 163,752,128
Business-type activities:				
Depreciable capital assets:				
Machinery and equipment	\$ 262,982	\$ 7,975	\$ (5,000)	\$ 265,957
Less accumulated depreciation for:				
Machinery and equipment	(224,701)	(17,230)	5,000	(236,931)
Total depreciable capital assets, net	38,281	(9,255)	-	29,026
Business-type activities capital assets, net	\$ 38,281	\$ (9,255)	\$ -	\$ 29,026

Long-Term Debt

The following is a summary of long-term debt transactions of the BOE for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Other post-employment benefits	\$ 70,087,178	\$ 18,002,075	\$ -	\$ 88,089,253
Net pension liability	4,917,743	696,833	-	5,614,576
Retirement incentive and severance	-	29,530	-	29,530
Long-term portion of accrued compensated absences	292,801	33,054	(36,424)	289,431
	\$ 75,297,722	\$ 18,761,492	\$ (36,424)	\$ 94,022,790

NOTES TO FINANCIAL STATEMENTS

Note 15. Component Units (continued)

Post-Retirement Benefits

The BOE currently funds 90% of the healthcare insurance premiums for retirees hired prior to July 1, 2015 (and 80% of the premiums for retirees hired subsequent to June 30, 2015) who have accumulated the required number of years of service with the BOE prior to their retirement. The BOE's OPEB Trust currently pays for the cost of these benefits on a pay-as-you-go basis. For the year ended June 30, 2017, the BOE's OPEB Trust paid for coverage of approximately 573 retirees at a total cost, net of retiree contributions, of approximately \$5,500,000. For the year ended June 30, 2017, the County contributed \$2,375,000 to the BOE's OPEB Trust to fund the ARC and the pay-as-you-go post-retirement healthcare benefits.

Commitments and Contingencies

The BOE regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The BOE entered into a contract for the construction of Snow Hill High School. The contract is for approximately \$41,000,000, of which approximately \$40,000,000 had been completed by June 30, 2017. The BOE also entered into a contract for the construction of Showell Elementary School. The contract is for approximately \$42,400,000, of which approximately \$900,000 had been completed by June 30, 2017. Both contracts are being funded by the County and the State of Maryland.

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

Risk Management

The BOE is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In July 1995, the BOE joined the Maryland Association of Boards of Education Workers' Compensation Group Insurance Fund (the "Fund"), a public entity risk pool currently providing workers' compensation coverage for participating boards of education in the State of Maryland. The BOE pays an annual premium to the Fund calculated based on projected payroll. The agreement with the Fund provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Fund encounter deficits in its casualty and/or property funds, this deficit may be made up from additional assessments of boards participating in the deficit Fund. The BOE continues to carry commercial insurance for all other risks of loss, including general liability, employee health, and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage limits for the three most recent fiscal years.

On-Behalf Payments

On-behalf payments for fringe benefits represent the pension contribution by the State of Maryland to the State Retirement System for applicable employees of the BOE. The amount recognized as revenue and expenditures for the year ended June 30, 2017 was \$6,929,246 for the BOE, which is included in intergovernmental revenues and education expenditures, respectively, in the BOE's separately issued financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 16. Subsequent Events

The County ended wholesale operations associated with the Department of Liquor Control on September 30, 2016. The County ceased substantially all of its retail operations as of June 30, 2017 by liquidating nearly all of its liquor inventory and selling three of its four retail liquor store locations during fiscal year 2017. The County has entered into a contract to sell its sole remaining retail location and associated inventory in Pocomoke City. Due to licensing matters, the sale has yet to be finalized. Final settlement is expected to occur in fiscal year 2018.

REQUIRED SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes:				
Real and personal property:				
Real property:				
Full-year levy	\$ 123,623,278	\$ 123,623,278	\$ 123,597,658	\$ (25,620)
Semi-year levy	167,000	167,000	144,448	(22,552)
Personal property	336,453	336,453	395,287	58,834
Corporations and utilities	6,916,599	6,916,599	7,285,485	368,886
Net additions and abatements	(358,200)	(358,200)	(247,405)	110,795
	130,685,130	130,685,130	131,175,473	490,343
Interest on delinquent taxes	750,000	750,000	734,866	(15,134)
Discounts allowed on taxes	(400,000)	(400,000)	(421,376)	(21,376)
Tax credits for assessment increase	(1,243,925)	(1,243,925)	(1,218,161)	25,764
Total real and personal property	129,791,205	129,791,205	130,270,802	479,597
Local income tax	18,300,000	18,300,000	22,891,694	4,591,694
Other local taxes:				
Room tax	13,112,583	13,112,583	16,398,656	3,286,073
Admission and amusement	500,000	500,000	544,237	44,237
Recordation	5,500,000	5,500,000	7,250,500	1,750,500
Trailer park excise tax	100,000	100,000	118,317	18,317
Transfer tax	3,250,000	3,250,000	4,271,320	1,021,320
Food tax	1,050,000	1,050,000	1,553,867	503,867
State shared:				
Highway user revenue	519,513	519,513	509,121	(10,392)
911 State fees	450,000	450,000	427,414	(22,586)
Total taxes	172,573,301	172,573,301	184,235,928	11,662,627
Licenses and permits:				
Business:				
Liquor licenses	775,000	775,000	840,444	65,444
Vending machine licenses	116,000	116,000	89,480	(26,520)
Traders' licenses	85,000	85,000	108,993	23,993
Occupational licenses	4,000	4,000	5,425	1,425
Bingo permits	16,000	16,000	17,640	1,640
Tourist and trailer park permits	9,000	9,000	10,960	1,960

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Licenses and permits, continued:				
Other:				
Building permits	\$ 200,000	\$ 200,000	\$ 231,593	\$ 31,593
Electrical permits	16,000	16,000	18,600	2,600
Marriage licenses	24,000	24,000	24,510	510
Civil ceremony licenses	1,500	1,500	1,420	(80)
Shoreline construction permits	13,000	13,000	15,150	2,150
Timber harvest permits	2,000	2,000	3,400	1,400
Sediment erosion control permits	15,000	15,000	22,358	7,358
Environmental permits	61,975	61,975	48,950	(13,025)
EDU transfer fee	2,000	2,000	600	(1,400)
Health permits	380,000	380,000	383,531	3,531
Raffle permits	1,800	1,800	1,825	25
Plumbing permits	40,000	40,000	68,785	28,785
Gas permits	18,000	18,000	22,670	4,670
Planning and zoning permits	35,700	35,700	48,504	12,804
Total licenses and permits	1,815,975	1,815,975	1,964,838	148,863
Intergovernmental:				
Federal grants:				
Payments in lieu of taxes	18,690	18,690	19,458	768
CDBG housing rehab grant	150,000	150,000	124,802	(25,198)
Homeland security grant	229,890	229,890	183,302	(46,588)
Bulletproof vest program	4,000	4,000	-	(4,000)
Emergency shelter grant	95,760	95,760	78,830	(16,930)
MDE beach monitoring grant	3,100	3,100	3,261	161
Traffic safety - State Highway Administration	720	720	2,343	1,623
Library federal grant	-	-	14,893	14,893
Child support enforcement	7,000	7,000	21,180	14,180
US Fish and Wildlife Service	-	-	8,044	8,044
State grants:				
VOLT administration income	17,010	17,010	8,505	(8,505)
Maryland State Police grants	-	-	1,790	1,790
Police protection	166,108	166,108	165,782	(326)
GOCCP grant	-	-	14,987	14,987
State park revenues	399,442	399,442	512,706	113,264
Open space program - parks	315,000	315,000	96,759	(218,241)
Department of Environmental Training - LEPC	-	-	593	593
Library aid	150,271	150,271	150,271	-
Other housing rehab income	2,500	2,500	-	(2,500)
Share of State forest land	75,000	75,000	67,344	(7,656)
BJAG - sheriff grant	-	-	2,067	2,067
SHA - Route 113 easement right-of-way	-	-	39,608	39,608
Eastern Shore library grant	75,000	75,000	75,000	-
Other grants	74,964	74,964	87,538	12,574

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental, continued:				
State grants, continued:				
Family support services MACRO grant	\$ 13,800	\$ 13,800	\$ 11,100	\$ (2,700)
Homeless women grant	24,557	24,557	24,557	-
Sheriff - sex offender grant	9,444	9,444	24,844	15,400
Sheriff - health tobacco enforcement	-	-	10,000	10,000
Sheriff - health underage drinking	2,000	2,000	16,000	14,000
Heroin coordinator	-	-	56,531	56,531
Senator Amoss grant	344,034	344,034	383,763	39,729
Tourism	140,127	140,127	125,788	(14,339)
State aid for bridges	293,917	293,917	634,143	340,226
Critical area grant	13,000	13,000	13,000	-
MALPF administrative fees	5,000	5,000	5,636	636
DHCD housing administration fees	7,000	7,000	8,930	1,930
Conservation easement admin fee	20,000	20,000	780	(19,220)
Conservation easement reimbursements	60,000	60,000	37,550	(22,450)
Rental assistance program	40,000	40,000	40,000	-
Water system monitoring	17,560	17,560	18,805	1,245
Trial jury reimbursement	54,000	54,000	54,195	195
Family support grant	184,820	184,820	217,478	32,658
Drug court coordinator	218,109	218,109	223,476	5,367
Waterway improvement grants	130,000	130,000	68,135	(61,865)
Septic system BRF grants	240,000	240,000	122,630	(117,370)
MD Coastal Bays	10,000	10,000	6,673	(3,327)
Economic development grant	-	-	9,300	9,300
Bay Restoration operations and maintenance	50,000	50,000	50,000	-
MD Department of Aging grant	25,000	25,000	83,251	58,251
911 systems grant	-	-	90,569	90,569
Total intergovernmental	3,686,823	3,686,823	4,016,197	329,374
Service charges and fees:				
Liquor advertising fees	2,500	2,500	2,220	(280)
Donation sponsorship program	4,400	4,400	108	(4,292)
Dental program reimbursement	22,220	22,220	22,138	(82)
Commercial plumbing plan review	2,500	2,500	2,125	(375)
Sheriff fees	81,500	81,500	81,318	(182)
Sales of publications and copies	5,700	5,700	1,825	(3,875)
Library use charges	35,000	35,000	39,298	4,298
Library Erate reimbursements	12,500	12,500	8,797	(3,703)
First offender program fees	10,000	10,000	5,100	(4,900)
Mosquito control charges	50,000	50,000	47,363	(2,637)
Casino security	15,000	15,000	10,910	(4,090)
Seacrets security	97,696	97,696	121,912	24,216
Purnell Properties security	-	-	16,800	16,800
Sunset Marina security	-	-	3,225	3,225

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Service charges and fees, continued:				
Vehicle tag fees	\$ 4,500	\$ 4,500	\$ 3,438	\$ (1,062)
Salary reimbursement	500	500	3,723	3,223
Recreation center fees	90,000	90,000	146,961	56,961
Critical area review fees	20,000	20,000	39,388	19,388
Tourism programs and events	-	-	1,500	1,500
Forestry review fees	3,000	3,000	8,394	5,394
Shared facility fees	500	500	-	(500)
Stormwater management review fees	42,000	42,000	78,753	36,753
Tourism co-op advertising	-	-	1,337	1,337
Economic development program and events	10,000	10,000	5,150	(4,850)
Roads department fees	35,000	35,000	57,345	22,345
Bay restoration administration fees	20,500	20,500	22,893	2,393
Shoreline Commission application fees	11,000	11,000	12,975	1,975
Park fees	28,640	28,640	27,694	(946)
Concession stand fees	20,000	20,000	44,016	24,016
Environmental fees	18,300	18,300	20,930	2,630
Recreation fees	50,000	50,000	70,857	20,857
Solar renewable energy credits	10,000	10,000	1,290	(8,710)
Water and sewer plan amendment fees	2,000	2,000	1,000	(1,000)
Circuit Court bar library	5,000	5,000	1,361	(3,639)
Firearms training center fees	3,000	3,000	-	(3,000)
Payments for jail use	5,323,000	5,323,000	5,664,767	341,767
Fire inspection fees	50,000	50,000	131,727	81,727
Family services legal fees	3,000	3,000	1,800	(1,200)
Community service fees	65,000	65,000	56,475	(8,525)
Public Works	10,000	10,000	29,775	19,775
Franchise fees	22,500	22,500	21,266	(1,234)
Housing program fees	-	-	698	698
Motor coach fees	28,000	28,000	22,922	(5,078)
Total service charges and fees	6,214,456	6,214,456	6,841,574	627,118
Miscellaneous:				
Court fines	55,000	55,000	51,382	(3,618)
Civil infraction fines	2,500	2,500	3,500	1,000
Retiree drug subsidy	226,000	226,000	260,902	34,902
Interest on investments	100,000	100,000	404,551	304,551
Rent revenue	112,384	112,384	115,585	3,201
Sale of fixed assets	25,000	25,000	51,504	26,504
Miscellaneous	50,000	50,000	144,874	94,874
MSRS library on-behalf payments	-	-	247,092	247,092
Total miscellaneous	570,884	570,884	1,279,390	708,506
Total revenues	184,861,439	184,861,439	198,337,927	13,476,488

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
EXPENDITURES:				
General government:				
County Commissioners' office:				
Salaries	\$ 875,775	\$ 875,775	\$ 871,764	\$ 4,011
Benefits	464,914	463,300	447,626	15,674
Administrative	14,328	13,828	13,674	154
Other supplies and equipment	7,120	7,120	5,364	1,756
Equipment maintenance	13,200	13,700	13,616	84
Legal	9,145	9,145	(5,153)	14,298
Vehicle operating expense	4,000	4,000	3,055	945
Building site	4,820	4,820	1,309	3,511
Advertising	13,300	13,300	10,734	2,566
Training and travel	40,805	40,805	36,705	4,100
Enterprise fund credits	(103,252)	(103,252)	(103,247)	(5)
Capital equipment	38,000	38,000	37,258	742
	1,382,155	1,380,541	1,332,705	47,836
Circuit Court:				
Salaries	876,643	876,643	866,248	10,395
Benefits	472,807	463,759	444,794	18,965
Administrative	24,732	24,231	19,135	5,096
Other supplies and equipment	8,375	8,375	9,997	(1,622)
Equipment maintenance	18,270	18,270	16,287	1,983
Uniforms and personal equipment	-	501	500	1
Grant services	130,967	130,967	158,147	(27,180)
Legal	107,000	107,000	104,617	2,383
Consulting services	14,000	14,000	13,805	195
Building site	16,000	16,000	6,216	9,784
Other maintenance and services	1,800	1,800	-	1,800
Advertising	398	398	372	26
Training and travel	10,625	10,625	5,657	4,968
	1,681,617	1,672,569	1,645,775	26,794
Orphans' Court:				
Salaries	21,000	21,000	19,115	1,885
Benefits	11,148	11,109	9,815	1,294
Training and travel	7,294	7,294	4,927	2,367
	39,442	39,403	33,857	5,546

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government, continued:				
State's Attorney's office:				
Salaries	\$ 1,189,128	\$ 1,189,128	\$ 1,154,255	\$ 34,873
Overtime pay	5,000	5,000	-	5,000
Benefits	633,915	631,714	592,677	39,037
Administrative	26,800	30,117	28,164	1,953
Other supplies and equipment	9,030	16,402	19,799	(3,397)
Equipment maintenance	9,234	9,388	9,352	36
Uniforms and personal equipment	1,000	1,000	-	1,000
Legal	5,800	8,725	8,090	635
Consulting services	-	350	350	-
Vehicle operating expense	11,500	11,500	7,998	3,502
Building site	12,000	12,000	9,615	2,385
Advertising	-	443	442	1
Training and travel	29,500	14,939	13,489	1,450
	1,932,907	1,930,706	1,844,231	86,475
Treasurer's office:				
Salaries	1,136,018	1,136,018	1,112,348	23,670
Benefits	603,067	600,973	571,159	29,814
Administrative	44,700	43,430	40,054	3,376
Other supplies and equipment	7,480	5,480	4,212	1,268
Equipment maintenance	68,218	70,788	69,161	1,627
Legal	1,500	1,500	1,493	7
Consulting services	500	1,200	1,200	-
Building site	16,000	16,000	2,345	13,655
Training and travel	6,300	6,300	10,838	(4,538)
Enterprise fund credits	(278,409)	(278,409)	(277,809)	(600)
Capital equipment	-	-	3,545	(3,545)
	1,605,374	1,603,280	1,538,546	64,734
Elections office:				
State employees' salaries and benefits	383,831	413,331	413,197	134
Salaries	15,000	15,000	15,000	-
Benefits	7,963	7,935	7,702	233
Administrative	11,865	11,865	7,948	3,917
Other supplies and equipment	284,880	201,029	81,190	119,839
Voting machines and poll expenses	163,125	217,476	162,655	54,821
Equipment maintenance	7,187	7,187	1,996	5,191
Consulting services	17,500	17,500	9,296	8,204
Building site	18,734	18,734	16,913	1,821
Training and travel	7,196	7,196	4,260	2,936
	917,281	917,253	720,157	197,096

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government, continued:				
Human resources:				
Salaries	\$ 338,590	\$ 338,590	\$ 338,588	\$ 2
Benefits	179,744	179,120	173,855	5,265
Administrative	9,440	9,440	9,373	67
Other supplies and equipment	5,414	8,106	8,103	3
Equipment maintenance	3,795	3,795	2,192	1,603
Program expense	3,000	3,000	3,000	-
Legal	500	500	373	127
Consulting services	17,800	15,108	8,362	6,746
Vehicle operating expense	6,550	6,550	4,739	1,811
Building site	2,200	2,200	360	1,840
Advertising	200	200	150	50
Training and travel	1,705	1,705	1,574	131
Enterprise fund credits	(67,292)	(67,292)	(67,293)	1
	501,646	501,022	483,376	17,646
Development review and permitting:				
Salaries	1,273,186	1,273,186	1,229,337	43,849
Benefits	675,884	673,537	631,229	42,308
Administrative	11,414	11,064	8,800	2,264
Other supplies and equipment	6,200	6,200	4,336	1,864
Equipment maintenance	7,993	8,343	8,338	5
Program expense	22,000	22,000	21,510	490
Housing rehabilitation program	214,900	214,900	185,248	29,652
Legal	28,250	28,250	24,226	4,024
Vehicle operating expense	19,000	19,000	13,652	5,348
Building site	8,000	8,000	2,544	5,456
Other maintenance and services	375	375	-	375
Advertising	9,000	12,360	12,357	3
Training and travel	17,440	14,080	11,607	2,473
Enterprise fund credits	(70,004)	(70,004)	(70,003)	(1)
	2,223,638	2,221,291	2,083,181	138,110

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
General government, continued:				
Environmental programs:				
Salaries	\$ 926,720	\$ 926,720	\$ 923,295	\$ 3,425
Benefits	491,959	490,251	474,086	16,165
Administrative	5,840	5,840	5,300	540
Other supplies and equipment	8,395	7,447	5,733	1,714
Equipment maintenance	2,400	2,468	2,467	1
Uniforms and personal equipment	-	880	880	-
Grant programs	240,000	240,000	106,304	133,696
Legal	2,750	2,750	714	2,036
Consulting services	39,900	39,900	77,948	(38,048)
Vehicle operating expense	17,843	17,843	17,911	(68)
Building site	5,500	5,500	1,006	4,494
Other maintenance and services	500	500	425	75
Advertising	3,200	3,200	676	2,524
Training and travel	3,305	3,305	4,019	(714)
Interfund	(23,138)	(23,138)	(23,138)	-
Capital equipment	-	-	143,253	(143,253)
	1,725,174	1,723,466	1,740,879	(17,413)
Other general government:				
Administrative	176,005	176,005	157,856	18,149
Other supplies and equipment	41,925	41,925	35,653	6,272
Equipment maintenance	475,146	475,146	369,017	106,129
Systems maintenance	4,500	4,500	560	3,940
Consulting services	45,000	45,000	39,270	5,730
Energy	15,000	15,000	-	15,000
Building site	767,565	767,565	645,647	121,918
Other maintenance and services	3,000	3,000	2,753	247
Training and travel	6,500	6,500	30,576	(24,076)
Tri-County Council	359,305	359,305	359,305	-
Other non-matching expenses - Briddletown	26,000	26,000	26,000	-
Other non-matching expenses - SDAT	640,630	640,630	607,796	32,834
Property-liability insurance	390,000	390,000	393,332	(3,332)
Other expenses	63,797	63,797	23,883	39,914
Capital equipment	137,100	137,100	356,648	(219,548)
	3,151,473	3,151,473	3,048,296	103,177
Total general government	15,160,707	15,141,004	14,471,003	670,001

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public safety:				
Sheriff's office:				
Salaries	\$ 5,214,626	\$ 5,110,216	\$ 5,007,029	\$ 103,187
Overtime pay	424,808	631,423	718,325	(86,902)
Benefits	2,993,751	3,037,427	2,939,805	97,622
Administrative	27,247	31,488	31,002	486
Other supplies and equipment	269,925	207,682	175,677	32,005
Equipment maintenance	109,389	111,784	111,784	-
Uniforms and personal equipment	182,389	178,122	172,939	5,183
Grant programs	720	720	29,561	(28,841)
Legal	6,000	19,562	19,061	501
Consulting services	21,715	29,818	25,059	4,759
Vehicle operating expense	473,435	427,607	427,452	155
Building site	51,297	52,643	52,530	113
Training and travel	91,364	84,728	74,322	10,406
Capital equipment	330,395	317,517	319,359	(1,842)
	10,197,061	10,240,737	10,103,905	136,832
Emergency services:				
Salaries	1,242,666	1,242,666	1,149,405	93,261
Overtime pay	20,000	20,000	56,294	(36,294)
Benefits	670,299	667,972	619,091	48,881
Administrative	4,821	4,821	3,642	1,179
Other supplies and equipment	83,852	83,852	71,468	12,384
Equipment maintenance	435,976	435,976	337,328	98,648
Uniforms and personal equipment	4,000	4,000	2,507	1,493
Grant programs	107,390	107,390	44,887	62,503
Legal	1,000	1,000	1,612	(612)
Consulting services	2,001	2,001	1,004	997
Vehicle operating expense	9,800	9,800	10,639	(839)
Building site	185,750	185,750	161,012	24,738
Advertising	-	-	75	(75)
Training and travel	7,000	7,000	5,855	1,145
Capital equipment	24,000	24,000	24,308	(308)
Information technology operations	615,114	614,355	604,111	10,244
	3,413,669	3,410,583	3,093,238	317,345

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public safety, continued:				
Jail:				
Salaries	\$ 5,511,475	\$ 5,511,475	\$ 5,436,175	\$ 75,300
Overtime pay	20,556	20,556	21,508	(952)
Benefits	2,936,737	2,926,540	2,802,364	124,176
Administrative	6,850	6,850	6,394	456
Other supplies and equipment	12,020	12,020	5,626	6,394
Equipment maintenance	25,355	31,054	30,521	533
Uniforms and personal equipment	45,700	45,700	45,236	464
Inmate supplies and services	2,314,104	2,302,882	2,050,845	252,037
Legal	250	250	194	56
Consulting services	4,325	6,375	4,550	1,825
Vehicle operating expense	13,800	13,800	7,911	5,889
Building site	761,625	761,625	731,703	29,922
Other maintenance and services	7,950	11,314	10,837	477
Advertising	-	109	109	-
Training and travel	15,350	15,350	12,042	3,308
Capital equipment	136,185	136,185	140,176	(3,991)
	11,812,282	11,802,085	11,306,191	495,894
Fire Marshal:				
Salaries	361,261	361,261	328,355	32,906
Overtime pay	10,000	10,000	9,389	611
Benefits	197,088	196,403	173,422	22,981
Administrative	4,699	4,579	4,235	344
Supplies and equipment	19,995	19,931	14,268	5,663
Equipment maintenance	5,081	5,145	5,144	1
Uniforms and personal equipment	3,500	3,500	3,348	152
Legal	-	120	119	1
Consulting services	600	600	350	250
Vehicle operating expense	15,100	15,100	18,303	(3,203)
Building site	1,500	1,500	751	749
Training and travel	22,635	22,635	6,900	15,735
	641,459	640,774	564,584	76,190

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public safety, continued:				
Volunteer fire departments:				
County grant to fire companies	\$ 2,350,000	\$ 2,350,000	\$ 2,350,000	\$ -
Fireman's Training Center	30,850	30,850	28,042	2,808
State grant for fire companies	344,034	344,034	383,763	(39,729)
County grant to ambulance companies	3,611,474	3,611,474	3,621,473	(9,999)
Training and travel - transportation expense	3,000	3,000	-	3,000
Volunteer firemen worker's compensation	166,526	166,526	155,100	11,426
LOSAP appropriation	112,000	112,000	86,600	25,400
	6,617,884	6,617,884	6,624,978	(7,094)
Total public safety	32,682,355	32,712,063	31,692,896	1,019,167
Public works:				
Maintenance:				
Salaries	763,238	763,238	700,142	63,096
Overtime pay	3,500	3,500	5,277	(1,777)
Benefits	407,031	405,618	362,212	43,406
Administrative	1,200	1,200	633	567
Other supplies and equipment	61,051	57,610	57,155	455
Equipment maintenance	6,370	6,689	6,689	-
Uniforms and personal equipment	6,650	6,650	5,306	1,344
Consulting services	-	45	45	-
Vehicle operating expense	45,000	42,472	36,249	6,223
Building site	26,347	28,545	19,469	9,076
Advertising	500	700	699	1
Training and travel	3,000	6,207	3,806	2,401
	1,323,887	1,322,474	1,197,682	124,792
Roads department:				
Salaries	1,255,772	1,255,772	1,240,132	15,640
Overtime pay	12,000	12,000	11,225	775
Benefits	673,010	670,673	642,536	28,137
Administrative	1,800	1,800	1,696	104
Other supplies and equipment	73,060	65,060	34,962	30,098
Equipment maintenance	2,000	2,000	1,813	187
Road maintenance materials	1,067,000	1,067,000	1,060,999	6,001
Uniforms and personal equipment	10,850	10,850	9,102	1,748
Grant services	74,964	74,964	82,770	(7,806)
Consulting services	1,000	1,000	625	375
Vehicle operating expense	277,300	246,195	253,094	(6,899)

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Public works, continued:				
Roads department, continued:				
Building site	\$ 36,400	\$ 44,221	\$ 30,524	\$ 13,697
Road maintenance	546,863	632,172	1,073,576	(441,404)
Advertising	1,600	1,600	1,244	356
Training and travel	1,045	1,224	1,224	-
Capital equipment	304,284	250,080	250,080	-
	4,338,948	4,336,611	4,695,602	(358,991)
Public works administration:				
Salaries	525,603	525,603	520,706	4,897
Benefits	279,022	278,053	267,368	10,685
Administrative	2,965	2,965	1,627	1,338
Other supplies and equipment	10,995	10,995	9,312	1,683
Equipment maintenance	6,150	6,150	3,994	2,156
Uniforms and personal equipment	1,050	1,050	1,025	25
Program expense	225	225	-	225
Legal	2,700	2,700	179	2,521
Consulting services	100,300	100,300	85,926	14,374
Vehicle operating expense	9,500	7,213	6,058	1,155
Building site	8,700	10,987	10,986	1
Other maintenance and services	1,700	1,700	1,611	89
Fleet services	(82,124)	(82,124)	(58,456)	(23,668)
Custodial services	5,000	5,000	(3,746)	8,746
Central fuel facility	-	-	4,415	(4,415)
Advertising	300	300	99	201
Training and travel	2,385	2,385	1,361	1,024
Enterprise fund credits	(151,893)	(151,893)	(151,892)	(1)
	722,578	721,609	700,573	21,036
Total public works	6,385,413	6,380,694	6,593,857	(213,163)

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Health and hospitals:				
Health department:				
Administrative	\$ 3,000	\$ 3,000	\$ 228	\$ 2,772
Health clinic's building expenses	416,152	413,314	396,143	17,171
Other non-matching expenses	159,666	162,504	162,503	1
Matching appropriation	5,127,821	5,127,821	5,127,821	-
	5,706,639	5,706,639	5,686,695	19,944
Mosquito control:				
Salaries	39,773	39,773	39,773	-
Benefits	21,114	21,041	20,422	619
Administrative	600	600	153	447
Other supplies and equipment	500	500	423	77
Equipment maintenance	506	512	512	-
Uniforms and personal equipment	350	350	350	-
Vehicle operating expense	13,000	12,486	11,330	1,156
Building site	4,050	4,050	6,419	(2,369)
Other maintenance and services	-	508	508	-
Appropriation for spraying	90,000	90,000	64,244	25,756
	169,893	169,820	144,134	25,686
Other health and hospitals:				
Worcester County Developmental Center	219,497	219,497	219,497	-
Hartley Hall	11,250	11,250	11,250	-
Atlantic General Hospital	75,000	75,000	75,000	-
	305,747	305,747	305,747	-
Total health and hospitals	6,182,279	6,182,206	6,136,576	45,630
Social services:				
Commission on Aging:				
Administrative	2,500	2,500	2,500	-
Other supplies and equipment	1,000	1,000	1,000	-
Grant services	25,000	25,000	83,251	(58,251)
Consulting services	300	300	300	-
Senior transportation	1,500	1,500	1,500	-
Senior center building expenses	219,550	219,550	220,032	(482)
Training and travel	2,000	2,000	2,000	-
Appropriation for Commission on Aging	717,900	717,900	717,500	400
	969,750	969,750	1,028,083	(58,333)

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Social services, continued:				
Other social services:				
State pass-through grant Diakonia	\$ 94,762	\$ 94,762	\$ 61,394	\$ 33,368
State pass-through grant Samaritan Shelter	25,555	25,555	41,993	(16,438)
State pass-through grant Social Services	40,000	40,000	40,000	-
Social Services Pharmacy grant	15,000	15,000	15,000	-
Maryland Food Bank	1,500	1,500	1,500	-
Life Crisis Center	8,500	8,500	8,500	-
Worcester Youth and Family Counseling	91,710	91,710	91,710	-
Diakonia	45,000	45,000	45,000	-
Samaritan shelter	20,000	20,000	20,000	-
Save the Youth programs	18,000	18,000	18,000	-
Drug and alcohol council	9,000	9,000	9,000	-
Oasis Ministries, Inc.	9,000	9,000	9,000	-
Salvation Army Lower Eastern Shore	9,000	9,000	9,000	-
Big Brothers / Big Sisters	1,000	1,000	1,000	-
Coastal Hospice at the Ocean	10,000	10,000	10,000	-
The Cricket Center	10,000	10,000	10,000	-
Matching appropriation - DHMH - WCDC	28,871	28,871	28,871	-
BRAVE program	3,500	3,500	3,500	-
Jesse Klump Memorial Fund	1,000	1,000	1,000	-
Worcester County G.O.L.D.	9,000	9,000	9,000	-
	450,398	450,398	433,468	16,930
Total social services	1,420,148	1,420,148	1,461,551	(41,403)
Education:				
Board of Education:				
Retirement	456,337	456,337	439,282	17,055
Post-retirement benefits	2,000,000	2,000,000	2,375,000	(375,000)
School building improvements	100,000	100,000	100,000	-
Operating appropriations	80,893,802	80,893,802	80,893,802	-
Technology program	200,000	200,000	200,000	-
	83,650,139	83,650,139	84,008,084	(357,945)
Wor-Wic Community College:				
Operating appropriation	1,781,798	1,781,798	1,956,998	(175,200)
	1,781,798	1,781,798	1,956,998	(175,200)
Total education	85,431,937	85,431,937	85,965,082	(533,145)

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Libraries, recreation, parks and culture:				
Recreation department:				
Salaries	\$ 631,918	\$ 631,918	\$ 613,151	\$ 18,767
Benefits	335,460	334,296	314,835	19,461
Administrative	22,900	20,880	20,128	752
Other supplies and equipment	20,430	35,229	34,921	308
Equipment maintenance	5,100	4,383	4,288	95
Uniforms and personal equipment	1,200	1,200	1,099	101
Grant programs	-	-	96,474	(96,474)
Recreation programs	125,010	119,916	106,853	13,063
Consulting services	250	250	16	234
Vehicle and equipment operating expense	5,500	5,500	2,698	2,802
Building site	155,948	145,669	147,663	(1,994)
Advertising	4,000	4,000	3,961	39
Training and travel	7,300	10,611	10,611	-
	1,315,016	1,313,852	1,356,698	(42,846)
Parks department:				
Salaries	270,830	270,830	263,222	7,608
Benefits	143,773	143,274	135,157	8,117
Administrative	966	932	615	317
Supplies and equipment	14,826	14,826	14,536	290
Uniforms and personal equipment	1,820	1,820	1,810	10
Grant programs	350,000	350,000	14,400	335,600
Other supplies and materials	24,646	24,783	24,624	159
Vehicle and equipment operating expense	24,500	24,500	20,357	4,143
Park expenses	64,821	64,659	57,438	7,221
Other maintenance and services	1,650	1,675	1,285	390
Advertising	200	200	-	200
Training and travel	280	314	314	-
Capital equipment	-	-	18,298	(18,298)
	898,312	897,813	552,056	345,757
Boat landings:				
Grant programs	130,000	130,000	54,879	75,121
Landing expenses	19,342	19,342	23,497	(4,155)
Advertising	900	900	127	773
Capital equipment	-	-	27,444	(27,444)
	150,242	150,242	105,947	44,295

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Libraries, recreation, parks and culture, continued:				
Library:				
Salaries	\$ 1,555,468	\$ 1,555,468	\$ 1,508,093	\$ 47,375
Overtime pay	2,000	2,000	1,538	462
Benefits	826,798	823,927	775,152	48,775
Administrative	43,000	40,691	33,088	7,603
Other supplies and equipment	246,934	246,934	233,391	13,543
Equipment maintenance	62,400	62,400	58,782	3,618
Grant services	77,000	77,000	93,812	(16,812)
Legal	500	1,538	1,538	-
Building site	340,872	340,872	306,129	34,743
Training and travel	7,100	8,371	8,370	1
Capital equipment	21,600	21,600	-	21,600
MSRS library on-behalf payments	-	-	247,092	(247,092)
	3,183,672	3,180,801	3,266,985	(86,184)
Other recreation and culture:				
Furnace Town	30,000	30,000	30,000	-
Pocomoke marketing partnership	45,000	45,000	45,000	-
Art League of Ocean City	20,000	20,000	20,000	-
	95,000	95,000	95,000	-
Total libraries, recreation, parks and culture	5,642,242	5,637,708	5,376,686	261,022
Conservation of natural resources:				
Extension service:				
Administrative	7,613	7,613	7,558	55
Other supplies and equipment	9,360	9,360	9,360	-
Equipment maintenance	6,200	6,200	6,284	(84)
Building site	2,500	2,500	2,545	(45)
Operating appropriation	144,850	144,850	144,850	-
	170,523	170,523	170,597	(74)
Other natural resources:				
Gypsy moth control	1,500	1,500	1,725	(225)
Soil Conservation District	34,950	34,950	6,916	28,034
Maryland agricultural land preservation fund	6,000	6,000	-	6,000
Conservation easements	-	-	33,050	(33,050)
Matching appropriation - beach maintenance	225,000	225,000	207,746	17,254
	267,450	267,450	249,437	18,013
Total conservation of natural resources	437,973	437,973	420,034	17,939

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Economic development:				
Economic development department:				
Salaries	\$ 155,197	\$ 155,197	\$ 155,598	\$ (401)
Benefits	82,388	82,102	79,895	2,207
Administrative	20,051	20,323	22,943	(2,620)
Other supplies and equipment	3,500	3,500	2,715	785
Equipment maintenance	1,200	1,200	1,065	135
Program expense	77,000	86,059	79,880	6,179
Consulting services	34,500	23,457	16,073	7,384
Vehicle operating expense	1,500	1,500	1,359	141
Building site	3,000	3,000	2,477	523
Other maintenance and services	20,000	20,000	20,000	-
Advertising	13,000	14,712	14,711	1
Training and travel	12,725	12,725	9,544	3,181
	424,061	423,775	406,260	17,515
Tourism:				
Salaries	213,260	213,260	208,018	5,242
Benefits	113,211	112,818	106,811	6,007
Administrative	3,935	3,935	3,066	869
Other supplies and equipment	55,000	55,710	57,102	(1,392)
Equipment maintenance	1,094	1,094	975	119
Grant programs	140,127	137,712	134,106	3,606
Legal	-	-	134	(134)
Consulting services	20,000	19,570	19,570	-
Vehicle operating expense	1,500	1,492	1,209	283
Building site	18,580	17,200	16,104	1,096
Advertising	653,500	655,915	655,915	-
Training and travel	3,800	4,908	4,908	-
Capital equipment	-	-	10,574	(10,574)
	1,224,007	1,223,614	1,218,492	5,122
Total economic development	1,648,068	1,647,389	1,624,752	22,637

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND BALANCE - BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2017
 (CONTINUED)

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Intergovernmental:				
Towns' share county room tax	\$ 12,507,583	\$ 12,507,583	\$ 15,573,683	\$ (3,066,100)
Towns' share county bingo fees	2,800	2,800	3,400	(600)
Towns' share county income tax	1,500,000	1,500,000	2,032,097	(532,097)
Towns' share county food tax	997,500	997,500	1,422,769	(425,269)
Towns' share liquor license fees	331,970	331,970	362,625	(30,655)
Grants to towns - conditional grants	20,000	20,000	20,000	-
Grants to towns for police	459,500	459,500	459,500	-
Grants to towns for fire	403,000	403,000	412,000	(9,000)
Grants to towns for tourism	50,000	50,000	50,000	-
Other grants to towns	4,491,956	4,491,956	4,491,956	-
Total intergovernmental	20,764,309	20,764,309	24,828,030	(4,063,721)
Total expenditures	175,755,431	175,755,431	178,570,467	(2,815,036)
Excess of revenues over expenditures	9,106,008	9,106,008	19,767,460	10,661,452
OTHER FINANCING (SOURCES) USES:				
Transfer to Debt Service Fund	11,949,425	11,949,425	11,940,710	8,715
Transfer from Capital Projects Fund	(354,605)	(354,605)	(1,143,421)	788,816
Transfer to Capital Projects Fund	-	-	1,896,803	(1,896,803)
Transfer from Casino Fund	(2,488,812)	(2,488,812)	(2,488,812)	-
Transfer to Department of Solid Waste	1,167,799	1,167,799	1,167,799	-
Transfer to Department of Liquor Control	-	-	419,378	(419,378)
Budget stabilization	(1,167,799)	(1,167,799)	-	(1,167,799)
Total other financing uses	9,106,008	9,106,008	11,792,457	(2,686,449)
Net change in fund balance	\$ -	\$ -	7,975,003	\$ 7,975,003
Fund balance, beginning			49,954,585	
Fund balance, ending			\$ 57,929,588	

WORCESTER COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year	Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportionate Share of the Collective NPL B	Employer's Covered Employee Payroll C	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position (in \$000's) D	Plan's Total Pension Liability (in \$000's) E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
2015	June 30, 2014	0.1160133%	\$20,588,571	\$23,419,512	87.91%	45,339,988	63,086,719	71.87%
2016	June 30, 2015	0.1316800%	27,365,360	23,922,358	114.39%	45,789,840	66,571,552	68.78%
2017	June 30, 2016	0.1366138%	32,232,695	23,537,007	136.94%	45,365,927	68,959,954	65.79%

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

WORCESTER COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Measurement Date	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	June 30, 2014	\$ 2,703,529	\$ 2,703,529	\$ -	\$ 23,419,512	11.54%
2016	June 30, 2015	2,775,459	2,775,459	-	23,922,358	11.60%
2017	June 30, 2016	2,661,350	2,661,350	-	23,537,007	11.31%

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

WORCESTER COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

ACTUARIAL ASSUMPTIONS - PENSION PLAN

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: 8 years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000, and 25 years from each subsequent valuation date for each year's additional UAAL for the State Systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuation: 25 years for the State Systems, 26 years for the LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: 7 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL. In the 2014 actuarial valuation: 24 years for the State Systems, 25 years for LEOPS Muni, and 31 years for CORS Muni. For ECS Muni: 6 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
Asset Valuation Method	Five-year smoothed market; 20% collar.
Inflation	In the 2012 actuarial valuation, 3.00% general, 3.50% wage. In the 2013 actuarial valuation, 2.95% general, 3.45% wage. In the 2014 actuarial valuation, 2.90% general, 3.40% wage.
Salary Increases	In the 2012 actuarial valuation, 3.50% to 10.75% including inflation. In the 2013 actuarial valuation, 3.45% to 10.70% including inflation. In the 2014 actuarial valuation, 3.40% to 10.65% including inflation.
Investment Rate of Return	In the 2012 actuarial valuation, 7.75%. In the 2013 actuarial valuation, 7.70%. In the 2014 actuarial valuation, 7.65%.
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

WORCESTER COUNTY, MARYLAND
OTHER POST-EMPLOYMENT BENEFITS TRUST
June 30, 2017

Schedule of Funding Progress

Entity	Actuarial Valuation Date July 1,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
County	2012	\$ 33,410,580	\$ 63,963,271	52.23%	\$ 30,552,691	\$ 27,838,991	109.75%
County	2014	43,063,473	51,051,706	84.35%	7,988,233	29,382,181	27.19%
County	2016	45,741,273	75,459,618	60.62%	29,718,345	28,913,779	102.78%
Board of Education	2012	25,928,324	163,448,619	15.86%	137,520,295	64,475,676	213.29%
Board of Education	2014	26,202,743	146,113,607	17.93%	119,910,864	65,912,693	181.92%
Board of Education	2016	20,953,941	181,522,466	11.54%	160,568,525	60,714,236	264.47%

Schedule of Employer Contributions

Entity	Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Net OPEB (Asset) Obligation
County	2009	\$ 2,862,792	955%	\$ (24,483,919)
County	2010	2,862,792	255%	(28,924,711)
County	2011	3,865,862	70%	(27,472,816)
County	2012	3,865,862	82%	(26,473,184)
County	2013	4,958,096	30%	(22,684,729)
County	2014	4,958,096	50%	(19,896,274)
County	2015	2,677,608	56%	(18,612,929)
County	2016	2,677,608	56%	(17,329,584)
County	2017	4,673,970	51%	(14,938,518)
Board of Education	2009	12,499,017	235%	(16,862,411)
Board of Education	2010	12,499,017	78%	(14,141,595)
Board of Education	2011	15,872,679	32%	(3,175,256)
Board of Education	2012	15,872,679	35%	7,313,344
Board of Education	2013	19,035,256	8%	24,786,922
Board of Education	2014	19,035,256	13%	41,260,500
Board of Education	2015	16,132,614	9%	55,673,839
Board of Education	2016	16,132,614	9%	70,087,178
Board of Education	2017	20,749,547	11%	88,089,253

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Basis

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered part of the basic financial statements. Such information includes budgetary comparison schedules for the General Fund. The budgetary information is prepared and adopted on a basis that is consistent with generally accepted accounting principles.

Note 2. Pensions

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption change in the 2016 valuation:

- Inflation assumption changed from 2.90% to 2.70%

Methods and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: 8 years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000, and 25 years from each subsequent valuation date for each year's additional UAAL for the State Systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuation: 25 years for the State Systems, 26 years for the LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: 7 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL. In the 2014 actuarial valuation: 24 years for the State Systems, 25 years for LEOPS Muni, and 31 years for CORS Muni. For ECS Muni: 6 years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
Asset Valuation Method	Five-year smoothed market; 20% collar.
Inflation	In the 2012 actuarial valuation, 3.00% general, 3.50% wage. In the 2013 actuarial valuation, 2.95% general, 3.45% wage. In the 2014 actuarial valuation, 2.90% general, 3.40% wage.
Salary Increases	In the 2012 actuarial valuation, 3.50% to 10.75% including inflation. In the 2013 actuarial valuation, 3.45% to 10.70% including inflation. In the 2014 actuarial valuation, 3.40% to 10.65% including inflation.
Investment Rate of Return	In the 2012 actuarial valuation, 7.75%. In the 2013 actuarial valuation, 7.70%. In the 2014 actuarial valuation, 7.65%.
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 3. Actual Expenditures over Budget

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

OTHER SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Department of Social Services <u>Fund</u>	Local Management Board <u>Board</u>	Casino <u>Fund</u>	Energy Service <u>Fund</u>	<u>Total</u>
ASSETS					
Cash and short-term investments	\$ 120,359	\$ 201,975	\$ 1,011,161	\$ -	\$ 1,333,495
Accounts receivable	-	555	-	-	555
Due from other funds	-	-	8,019	432,019	440,038
Total assets	\$ 120,359	\$ 202,530	\$ 1,019,180	\$ 432,019	\$ 1,774,088
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 133,347	\$ -	\$ -	\$ 133,347
Unearned revenue	-	62,329	-	-	62,329
Total liabilities	-	195,676	-	-	195,676
Fund balances:					
Assigned	120,359	6,854	1,019,180	432,019	1,578,412
Total liabilities and fund balances	\$ 120,359	\$ 202,530	\$ 1,019,180	\$ 432,019	\$ 1,774,088

WORCESTER COUNTY, MARYLAND
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2017

	Department of Social Services <u>Fund</u>	Local Management Board <u>Board</u>	Casino <u>Fund</u>	Energy Service <u>Fund</u>	<u>Total</u>
REVENUES:					
Intergovernmental	\$ 73,093	\$ 537,947	\$ 2,165,762	\$ -	\$ 2,776,802
Interest income	-	4	6,924	-	6,928
Total revenues	73,093	537,951	2,172,686	-	2,783,730
EXPENDITURES:					
Social services	56,226	393,525	-	-	449,751
Administrative expenses	-	124,115	-	5,637	129,752
Total expenditures	56,226	517,640	-	5,637	579,503
Excess (deficiency) of revenues over expenditures	16,867	20,311	2,172,686	(5,637)	2,204,227
OTHER FINANCING USES:					
Transfers out	-	-	(2,488,812)	-	(2,488,812)
Excess (deficiency) of revenues and other financing uses over expenditures	16,867	20,311	(316,126)	(5,637)	(284,585)
Fund balances (deficits), beginning	103,492	(13,457)	1,335,306	437,656	1,862,997
Fund balances, ending	\$ 120,359	\$ 6,854	\$ 1,019,180	\$ 432,019	\$ 1,578,412

WORCESTER COUNTY, MARYLAND
BALANCE SHEET
LOCAL MANAGEMENT BOARD - NONMAJOR GOVERNMENTAL FUND
June 30, 2017

ASSETS

Cash	\$ 189,735
Cash - earned reinvestment	12,240
Accounts receivable	555
<hr/>	
Total assets	202,530

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	133,347
Unearned revenue	62,329
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Total liabilities	195,676
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Fund balance	6,854
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Total liabilities and fund balance	\$ 202,530

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
LOCAL MANAGEMENT BOARD - NONMAJOR GOVERNMENTAL FUND
Year Ended June 30, 2017

REVENUES:

Community partnership grant	\$	413,832
Administrative receipts		124,115
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Total revenues		537,947
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EXPENDITURES:

Administrative:		
Salaries		74,210
Benefits		27,256
Communications		776
Consultants		2,845
Indirect administrative expenses		11,283
Postage		186
Printing		4,400
Supplies		1,678
Conferences/conventions		657
Travel		824
Community partnership grant:		
Children's Resource - Cricket Center		30,000
Community Service Centers		112,956
Comprehensive Parenting Program Initiative		52,000
Integrated Services for Child Maltreatment		46,500
System/Family Navigation - Local Access Mechanism		110,876
Youth as One		34,000
Non-Community Partnership - Children's Cabinet interagency:		
Resource Development		7,193
<hr/>		
Total expenditures		517,640
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Change in fund balance before other financing sources		20,307
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OTHER FINANCING SOURCES:

Interest income		4
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Change in fund balance		20,311
Fund deficit, beginning		(13,457)
<hr/>		
Fund balance, ending	\$	6,854
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WORCESTER COUNTY, MARYLAND
 COMBINING SCHEDULE OF FUND NET POSITION - OPERATING FUNDS
 DEPARTMENT OF WATER AND WASTEWATER SERVICES
 June 30, 2017

	West Ocean City S.A.	Ocean Pines S.A.	Newark Service Area	Bridgetown Service Area	Shared Facilities	Edgewater Acres S.A.
ASSETS						
Current assets:						
Cash and short-term investments	\$1,338,889	\$ 369,309	\$ (85,014)	\$ 20,676	\$36,001	\$(39,809)
Accounts receivable - usage billings	405,159	1,392,140	32,798	4,434	-	53,142
Total current assets	1,744,048	1,761,449	(52,216)	25,110	36,001	13,333
Capital assets:						
Land and land rights	47,037	63,319	4,527	-	-	-
Water and sewer systems	10,688,760	47,248,481	1,480,788	341,349	-	94,806
Machinery and equipment	-	3,051,798	-	-	-	81,156
Construction-in-progress	141,411	-	33,200	-	-	-
	10,877,208	50,363,598	1,518,515	341,349	-	175,962
Less: accumulated depreciation	(8,170,396)	(21,542,914)	(707,688)	(238,173)	-	(127,873)
	2,706,812	28,820,684	810,827	103,176	-	48,089
Total assets	4,450,860	30,582,133	758,611	128,286	36,001	61,422
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	20,171	666,961	7,110	4,774	(8)	2,822
Due to other funds	99,320	2,917,928	42,062	2,643	-	22,654
Interfund payable	-	1,014,652	5,834	-	-	-
Total current liabilities	119,491	4,599,541	55,006	7,417	(8)	25,476
NET POSITION						
Unrestricted net position	\$4,331,369	\$25,982,592	\$ 703,605	\$ 120,869	\$36,009	\$ 35,946

Assateague Pointe S.A.	River Run S.A.	Mystic Harbour S.A.	Lighthouse Sound S.A.	Riddle Farm S.A.	The Landings S.A.	Support Groups	Total
\$ 409,091	\$ 362,967	\$ 443,355	\$ 151,656	\$ (1,053,562)	\$ (5,784)	\$ 597,006	\$ 2,544,781
56,742	28,816	233,870	24,520	798,695	64,830	-	3,095,146
465,833	391,783	677,225	176,176	(254,867)	59,046	597,006	5,639,927
-	-	-	-	-	-	-	114,883
1,159,451	-	15,398,162	-	19,559,608	9,052,381	-	105,023,786
-	128,233	493,873	-	-	-	1,127,227	4,882,287
-	-	-	-	-	-	-	174,611
1,159,451	128,233	15,892,035	-	19,559,608	9,052,381	1,127,227	110,195,567
(764,967)	(123,202)	(1,958,985)	-	(5,207,724)	(2,272,631)	(757,027)	(41,871,580)
394,484	5,031	13,933,050	-	14,351,884	6,779,750	370,200	68,323,987
860,317	396,814	14,610,275	176,176	14,097,017	6,838,796	967,206	73,963,914
7,395	3,645	48,853	2,849	15,599	7,950	9,794	797,915
49,284	35,416	231,118	22,982	140,510	279,990	587,158	4,431,065
41,552	-	(566,869)	-	-	-	-	495,169
98,231	39,061	(286,898)	25,831	156,109	287,940	596,952	5,724,149
\$ 762,086	\$ 357,753	\$14,897,173	\$ 150,345	\$13,940,908	\$ 6,550,856	\$ 370,254	\$ 68,239,765

WORCESTER COUNTY, MARYLAND

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

June 30, 2017

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Oyster Harbor <u>S.A.</u>	Newark Service <u>Area</u>
ASSETS				
Current assets:				
Cash and short-term investments	\$ 105,039	\$ 2,930,368	\$ 21,553	\$ 1,620
Accounts receivable - EDU	89,311	2,129,737	57,470	35,918
Interfund receivable	-	1,014,652	12,811	5,834
Total current assets	194,350	6,074,757	91,834	43,372
Other assets:				
Long-term EDU receivable	-	7,202,536	145,260	221,147
Construction-in-progress	-	-	-	-
Total other assets	-	7,202,536	145,260	221,147
Total assets	194,350	13,277,293	237,094	264,519
LIABILITIES				
Current liabilities:				
Interfund payable	-	-	-	-
Due to other funds	-	-	44,709	-
Bonds payable - current portion	61,131	1,535,991	-	30,216
Accrued bond interest payable	1,082	120,955	-	2,623
Bond (costs) premium deferred	(230)	13,719	-	(31)
Total current liabilities	61,983	1,670,665	44,709	32,808
Other liabilities:				
Unearned revenue	-	8,223,487	189,969	251,362
Due to General Fund	-	-	145,260	-
Bonds payable	-	7,199,246	-	221,147
Bond (costs) premium deferred	(920)	478,516	-	3
Total other liabilities	(920)	15,901,249	335,229	472,512
Total liabilities	61,063	17,571,914	379,938	505,320
NET POSITION				
Unrestricted net position (deficit)	\$ 133,287	\$ (4,294,621)	\$ (142,844)	\$ (240,801)

South Point <u>S.A.</u>	Sunset Village <u>S.A.</u>	Mystic Harbour <u>S.A.</u>	Snug Harbor <u>S.A.</u>	<u>Total</u>
\$ 6,686	\$ (5,611)	\$ 97,434	\$ -	\$ 3,157,089
6,897	22,459	201,431	40,994	2,584,217
-	20,240	-	41,552	1,095,089
13,583	37,088	298,865	82,546	6,836,395
-	-	7,403,028	247,161	15,219,132
-	-	2,189,680	-	2,189,680
-	-	9,592,708	247,161	17,408,812
13,583	37,088	9,891,573	329,707	24,245,207
-	-	599,920	-	599,920
-	-	-	-	44,709
6,897	18,411	206,518	31,254	1,890,418
138	367	20,578	2,159	147,902
(18)	(43)	6,595	-	19,992
7,017	18,735	833,611	33,413	2,702,941
6,897	18,411	7,544,547	278,416	16,513,089
-	-	1,132,297	-	1,277,557
-	-	8,558,029	247,162	16,225,584
3	-	79,142	-	556,744
6,900	18,411	17,314,015	525,578	34,572,974
13,917	37,146	18,147,626	558,991	37,275,915
\$ (334)	\$ (58)	\$ (8,256,053)	\$ (229,284)	\$ (13,030,708)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - OPERATING FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2017

	West Ocean City Service Area			Ocean Pines Service Area		
	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
OPERATING REVENUES:						
Charges for service	\$1,350,000	\$1,434,137	\$ 84,137	\$5,824,600	\$ 5,849,865	\$ 25,265
Interest and penalties	18,000	17,347	(653)	80,000	85,439	5,439
Other revenue	-	3,017	3,017	141,000	411,148	270,148
Total operating revenues	1,368,000	1,454,501	86,501	6,045,600	6,346,452	300,852
OPERATING EXPENSES:						
Personnel services	183,080	157,317	25,763	3,324,352	3,301,782	22,570
Supplies and materials	15,243	23,005	(7,762)	447,957	473,186	(25,229)
Maintenance and services	864,696	823,156	41,540	1,878,845	1,782,881	95,964
Other charges	10,770	16,331	(5,561)	73,023	88,707	(15,684)
Interfund charges	101,600	100,241	1,359	422,190	416,547	5,643
Total operating expenses	1,175,389	1,120,050	55,339	6,146,367	6,063,103	83,264
Operating income (loss) before depreciation	192,611	334,451	141,840	(100,767)	283,349	384,116
Depreciation	-	305,451	(305,451)	-	1,327,326	(1,327,326)
Net operating income (loss)	192,611	29,000	(163,611)	(100,767)	(1,043,977)	(943,210)
NONOPERATING REVENUES (EXPENSES):						
Transfer from (to) reserves	(67,611)	-	67,611	457,767	4,522,941	4,065,174
Sale of fixed assets	-	-	-	-	-	-
Operating grants	-	-	-	-	-	-
Interest income	-	3,242	3,242	-	18	18
Net nonoperating revenues (expenses)	(67,611)	3,242	70,853	457,767	4,522,959	4,065,192
Net income (loss)	\$ 125,000	\$ 32,242	\$ (92,758)	\$ 357,000	\$ 3,478,982	\$ 3,121,982
OTHER BUDGETED EXPENDITURES:						
Capital outlay	\$ (125,000)			\$ (357,000)		
Total other budgeted expenditures	(125,000)			(357,000)		
Budgeted net income (loss)	\$ -			\$ -		

<u>Newark Service Area</u>			<u>Bridletown Service Area</u>			<u>Edgewater Acres Service Area</u>		
Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
\$ 119,700	\$ 128,427	\$ 8,727	\$ 13,485	\$ 15,700	\$ 2,215	\$205,900	\$ 213,541	\$ 7,641
2,500	2,427	(73)	1,000	675	(325)	1,500	1,698	198
-	219	219	-	90	90	850	874	24
<u>122,200</u>	<u>131,073</u>	<u>8,873</u>	<u>14,485</u>	<u>16,465</u>	<u>1,980</u>	<u>208,250</u>	<u>216,113</u>	<u>7,863</u>
63,308	66,234	(2,926)	9,847	4,127	5,720	32,460	36,897	(4,437)
15,365	16,057	(692)	840	688	152	3,636	3,899	(263)
41,988	37,650	4,338	29,282	27,665	1,617	159,007	140,670	18,337
1,329	1,396	(67)	356	193	163	1,675	1,944	(269)
5,348	5,276	72	1,315	1,298	17	10,624	10,482	142
<u>127,338</u>	<u>126,613</u>	<u>725</u>	<u>41,640</u>	<u>33,971</u>	<u>7,669</u>	<u>207,402</u>	<u>193,892</u>	<u>13,510</u>
(5,138)	4,460	9,598	(27,155)	(17,506)	9,649	848	22,221	21,373
-	28,716	(28,716)	-	11,317	(11,317)	-	4,370	(4,370)
<u>(5,138)</u>	<u>(24,256)</u>	<u>(19,118)</u>	<u>(27,155)</u>	<u>(28,823)</u>	<u>(1,668)</u>	<u>848</u>	<u>17,851</u>	<u>17,003</u>
5,138	-	(5,138)	1,155	-	(1,155)	(848)	-	848
-	-	-	-	-	-	-	-	-
-	-	-	26,000	26,000	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>5,138</u>	<u>-</u>	<u>(5,138)</u>	<u>27,155</u>	<u>26,000</u>	<u>(1,155)</u>	<u>(848)</u>	<u>-</u>	<u>848</u>
<u>\$ -</u>	<u>\$ (24,256)</u>	<u>\$ (24,256)</u>	<u>\$ -</u>	<u>\$ (2,823)</u>	<u>\$ (2,823)</u>	<u>\$ -</u>	<u>\$ 17,851</u>	<u>\$ 17,851</u>
<u>\$ -</u>			<u>\$ -</u>			<u>\$ -</u>		
<u>-</u>			<u>-</u>			<u>-</u>		
<u>\$ -</u>			<u>\$ -</u>			<u>\$ -</u>		

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - OPERATING FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2017
(CONTINUED)

	<u>Assateague Pointe Service Area</u>			<u>River Run Service Area</u>		
	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
OPERATING REVENUES:						
Charges for service	\$ 219,800	\$ 221,992	\$ 2,192	\$ 153,000	\$ 157,092	\$ 4,092
Interest and penalties	4,000	4,048	48	500	564	64
Other revenue	-	1,260	1,260	-	451	451
Total operating revenues	223,800	227,300	3,500	153,500	158,107	4,607
OPERATING EXPENSES:						
Personnel services	71,542	75,955	(4,413)	33,455	49,768	(16,313)
Supplies and materials	20,265	18,790	1,475	14,280	19,899	(5,619)
Maintenance and services	74,416	91,053	(16,637)	73,986	77,451	(3,465)
Other charges	4,364	4,914	(550)	1,021	1,311	(290)
Interfund charges	28,115	27,739	376	8,217	8,107	110
Total operating expenses	198,702	218,451	(19,749)	130,959	156,536	(25,577)
Operating income (loss) before depreciation	25,098	8,849	(16,249)	22,541	1,571	(20,970)
Depreciation	-	86,053	(86,053)	-	2,013	(2,013)
Net operating income (loss)	25,098	(77,204)	(102,302)	22,541	(442)	(22,983)
NONOPERATING REVENUES (EXPENSES):						
Transfer from (to) reserves	(25,098)	-	25,098	(22,541)	-	22,541
Sale of fixed assets	-	-	-	-	-	-
Operating grants	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Net nonoperating revenues (expenses)	(25,098)	-	25,098	(22,541)	-	22,541
Net income (loss)	\$ -	\$ (77,204)	\$ (77,204)	\$ -	\$ (442)	\$ (442)
OTHER BUDGETED EXPENDITURES:						
Capital outlay	\$ -			\$ -		
Total other budgeted expenditures	-			-		
Budgeted net income (loss)	\$ -			\$ -		

<u>Mystic Harbour Service Area</u>			<u>Lighthouse Sound Service Area</u>			<u>Riddle Farm Service Area</u>		
Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
\$ 893,000	\$ 1,002,998	\$ 109,998	\$ 95,800	\$ 96,200	\$ 400	\$422,000	\$ 437,730	\$ 15,730
14,000	13,567	(433)	700	714	14	4,500	3,908	(592)
-	1,124,720	1,124,720	-	229	229	-	868,048	868,048
<u>907,000</u>	<u>2,141,285</u>	<u>1,234,285</u>	<u>96,500</u>	<u>97,143</u>	<u>643</u>	<u>426,500</u>	<u>1,309,686</u>	<u>883,186</u>
423,360	373,153	50,207	46,858	36,229	10,629	185,123	219,187	(34,064)
187,773	229,813	(42,040)	12,020	8,592	3,428	49,649	57,117	(7,468)
506,187	500,219	5,968	28,484	26,019	2,465	176,478	195,919	(19,441)
17,254	15,851	1,403	1,245	699	546	4,050	5,095	(1,045)
76,825	75,797	1,028	3,191	3,148	43	20,101	19,833	268
<u>1,211,399</u>	<u>1,194,833</u>	<u>16,566</u>	<u>91,798</u>	<u>74,687</u>	<u>17,111</u>	<u>435,401</u>	<u>497,151</u>	<u>(61,750)</u>
(304,399)	946,452	1,250,851	4,702	22,456	17,754	(8,901)	812,535	821,436
-	425,900	(425,900)	-	-	-	-	493,831	(493,831)
<u>(304,399)</u>	<u>520,552</u>	<u>824,951</u>	<u>4,702</u>	<u>22,456</u>	<u>17,754</u>	<u>(8,901)</u>	<u>318,704</u>	<u>327,605</u>
304,399	1,224,076	919,677	(4,702)	-	4,702	18,901	-	(18,901)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	11	11	-	-	-	-	-	-
<u>304,399</u>	<u>1,224,087</u>	<u>919,688</u>	<u>(4,702)</u>	<u>-</u>	<u>4,702</u>	<u>18,901</u>	<u>-</u>	<u>(18,901)</u>
<u>\$ -</u>	<u>\$ 1,744,639</u>	<u>\$ 1,744,639</u>	<u>\$ -</u>	<u>\$ 22,456</u>	<u>\$ 22,456</u>	<u>\$ 10,000</u>	<u>\$ 318,704</u>	<u>\$ 308,704</u>
<u>\$ -</u>			<u>\$ -</u>			<u>\$ (10,000)</u>		
<u>-</u>			<u>-</u>			<u>(10,000)</u>		
<u>\$ -</u>			<u>\$ -</u>			<u>\$ -</u>		

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - OPERATING FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2017
(CONTINUED)

	<u>The Landings Service Area</u>			<u>Support Group</u>		
	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
OPERATING REVENUES:						
Charges for service	\$ 272,000	\$ 272,840	\$ 840	\$ -	\$ -	\$ -
Interest and penalties	4,000	5,346	1,346	-	-	-
Other revenue	-	249	249	-	151,407	151,407
Total operating revenues	276,000	278,435	2,435	-	151,407	151,407
OPERATING EXPENSES:						
Personnel services	125,844	152,789	(26,945)	-	13,466	(13,466)
Supplies and materials	20,805	68,623	(47,818)	-	-	-
Maintenance and services	103,387	150,703	(47,316)	-	3,051	(3,051)
Other charges	2,700	3,710	(1,010)	-	-	-
Interfund charges	7,231	7,134	97	-	3,311	(3,311)
Total operating expenses	259,967	382,959	(122,992)	-	19,828	(19,828)
Operating income (loss) before depreciation	16,033	(104,524)	(120,557)	-	131,579	131,579
Depreciation	-	231,475	(231,475)	-	81,412	(81,412)
Net operating income (loss)	16,033	(335,999)	(352,032)	-	50,167	50,167
NONOPERATING REVENUES (EXPENSES):						
Transfer from (to) reserves	43,967	-	(43,967)	-	-	-
Sale of fixed assets	-	-	-	-	-	-
Operating grants	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Net nonoperating revenues (expenses)	43,967	-	(43,967)	-	-	-
Net income (loss)	\$ 60,000	\$ (335,999)	\$(395,999)	\$ -	\$ 50,167	\$ 50,167
OTHER BUDGETED EXPENDITURES:						
Capital outlay	\$ (60,000)			\$ -		
Total other budgeted expenditures	(60,000)			-		
Budgeted net income (loss)	\$ -			\$ -		

<u>Shared Facilities</u>			<u>Combined Totals</u>		
<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Original/ Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
\$ -	\$ -	\$ -	\$9,569,285	\$ 9,830,522	\$ 261,237
-	-	-	130,700	135,733	5,033
-	15,068	15,068	141,850	2,576,780	2,434,930
-	15,068	15,068	9,841,835	12,543,035	2,701,200
-	5,597	(5,597)	4,499,229	4,492,501	6,728
-	500	(500)	787,833	920,169	(132,336)
-	8,345	(8,345)	3,936,756	3,864,782	71,974
-	-	-	117,787	140,151	(22,364)
-	-	-	684,757	678,913	5,844
-	14,442	(14,442)	10,026,362	10,096,516	(70,154)
-	626	626	(184,527)	2,446,519	2,631,046
-	-	-	-	2,997,864	(2,997,864)
-	626	626	(184,527)	(551,345)	(366,818)
-	-	-	710,527	5,747,017	5,036,490
-	-	-	-	-	-
-	-	-	26,000	26,000	-
-	-	-	-	3,271	3,271
-	-	-	736,527	5,776,288	5,039,761
\$ -	\$ 626	\$ 626	\$ 552,000	\$ 5,224,943	\$ 4,672,943

\$ -	\$ (552,000)
-	(552,000)
\$ -	\$ -

WORCESTER COUNTY, MARYLAND
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - CAPITAL PROJECTS FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2017

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Oyster Harbor <u>S.A.</u>	Newark Service <u>Area</u>
Revenues:				
Debt service revenue	\$ (86,728)	\$ 1,149,043	\$ 51,408	\$ 22,329
Other revenues	-	52,252	-	-
Total revenues	(86,728)	1,201,295	51,408	22,329
Operating income (loss)	(86,728)	1,201,295	51,408	22,329
Nonoperating income (expense):				
Interest on investments	583	16,526	98	3
Bond interest expense	(3,036)	(359,270)	(8,892)	(4,386)
Transfers from (to) other funds	-	(4,522,941)	-	-
Total nonoperating income (expense)	(2,453)	(4,865,685)	(8,794)	(4,383)
Change in net position	(89,181)	(3,664,390)	42,614	17,946
Net position (deficit), beginning	222,468	(630,231)	(185,458)	(258,747)
Net position (deficit), ending	\$ 133,287	\$ (4,294,621)	\$ (142,844)	\$ (240,801)

South Point <u>S.A.</u>	Sunset Village <u>S.A.</u>	Mystic Harbour <u>S.A.</u>	Snug Harbor <u>S.A.</u>	<u>Total</u>
\$ (4,995)	\$ 16,192	\$ 217,152	\$ 34,450	\$ 1,398,851
-	-	287,073	2,775	342,100
(4,995)	16,192	504,225	37,225	1,740,951
(4,995)	16,192	504,225	37,225	1,740,951
3	-	6,655	-	23,868
(337)	(910)	(217,083)	(2,778)	(596,692)
-	-	(1,224,076)	-	(5,747,017)
(334)	(910)	(1,434,504)	(2,778)	(6,319,841)
(5,329)	15,282	(930,279)	34,447	(4,578,890)
4,995	(15,340)	(7,325,774)	(263,731)	(8,451,818)
\$ (334)	\$ (58)	\$ (8,256,053)	\$ (229,284)	\$ (13,030,708)

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
 NET POSITION BY OPERATING FUND - BUDGET AND ACTUAL
 DEPARTMENT OF SOLID WASTE
 Year Ended June 30, 2017

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Operating revenues:			
Licenses and permits	\$ 390,000	\$ 340,740	\$ (49,260)
Recycling charges	174,000	221,733	47,733
Stump, yard waste, and mulch revenue	30,000	34,150	4,150
Interest and penalties on overdue accounts	2,000	1,625	(375)
Other revenue	138,000	24,766	(113,234)
Tipping fees	3,700,000	3,134,071	(565,929)
Total operating revenues	4,434,000	3,757,085	(676,915)
Total operating expenses	4,426,354	3,630,417	795,937
Operating income before depreciation	7,646	126,668	119,022
Depreciation	600,000	617,266	(17,266)
Operating loss	(592,354)	(490,598)	101,756
Nonoperating income (expense):			
Interest on investments	5,000	48,933	43,933
Sale of fixed assets	-	-	-
Transfer from other funds	1,180,354	1,167,799	(12,555)
Interest expense	(593,000)	(119,364)	473,636
Total nonoperating income (expense)	592,354	1,097,368	505,014
Change in net position	\$ -	606,770	\$ 606,770
Net deficit, beginning		(712,763)	
Net deficit, ending		\$ (105,993)	

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
 NET POSITION BY OPERATING FUND - BUDGET AND ACTUAL
 DEPARTMENT OF SOLID WASTE
 Year Ended June 30, 2017
 (CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Expenses:			
Department: Administration			
Salaries	\$ 103,533	\$ 102,496	\$ 1,037
Benefits	71,805	62,507	9,298
Salaries and benefits - Treasurer's support	84,331	84,370	(39)
Salaries and benefits - Public Works and administrative support	178,928	178,889	39
Administrative expenses	15,575	14,212	1,363
Audit services	8,000	8,400	(400)
Insurance	14,500	9,963	4,537
Solid waste committee	1,200	1,000	200
Supplies and equipment	790	37	753
Uniforms	700	461	239
	<u>479,362</u>	<u>462,335</u>	<u>17,027</u>
Department: Solid Waste			
Salaries	853,378	825,612	27,766
Benefits	591,421	604,807	(13,386)
Buildings and grounds	120,000	123,692	(3,692)
Capital equipment	326,000	-	326,000
Closure and post-closure costs	400,000	334,545	65,455
Consulting services	250,000	112,444	137,556
Fuel	200,000	111,449	88,551
Leachate expense	180,000	150,579	29,421
Safety expense	500	119	381
Supplies and equipment	25,000	22,801	2,199
Telephone	5,000	3,615	1,385
Training	800	1,500	(700)
Uniforms	8,750	6,673	2,077
Utilities	20,000	24,269	(4,269)
Vehicle expense	170,000	137,558	32,442
	<u>3,150,849</u>	<u>2,459,663</u>	<u>691,186</u>

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2017

(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Department: Recycling			
Salaries	\$ 294,580	\$ 285,829	\$ 8,751
Benefits	207,283	203,401	3,882
Buildings and grounds	20,000	28,744	(8,744)
Capital equipment	40,000	-	40,000
Fuel	50,000	32,166	17,834
Removal expenses	62,000	41,433	20,567
Safety expense	1,500	498	1,002
Special events	47,000	31,608	15,392
Supplies and equipment	3,080	477	2,603
Telephone	2,900	1,809	1,091
Training	1,800	1,024	776
Uniforms	3,500	2,475	1,025
Utilities	30,000	28,575	1,425
Vehicle expense	32,500	50,380	(17,880)
	<u>796,143</u>	<u>708,419</u>	<u>87,724</u>
Total operating expenses	\$ 4,426,354	\$ 3,630,417	\$ 795,937

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
 NET POSITION BY OPERATING STORE - BUDGET AND ACTUAL
 DEPARTMENT OF LIQUOR CONTROL
 Year Ended June 30, 2017

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Sales:			
Wholesale	\$ 1,630,000	\$ 1,732,675	\$ 102,675
Pocomoke City	1,050,000	1,046,697	(3,303)
Gold Coast Mall	985,000	700,630	(284,370)
Northern Worcester	1,180,000	1,179,566	(434)
16th Street - Ocean City	750,000	533,492	(216,508)
Total sales	5,595,000	5,193,060	(401,940)
Miscellaneous revenues	-	43,387	43,387
Total operating revenues	5,595,000	5,236,447	(358,553)
Cost of goods sold	4,207,700	4,115,183	92,517
Gross profit	1,387,300	1,121,264	(266,036)
Total operating expenses	1,152,821	1,148,554	4,267
Operating income before general expenses	234,479	(27,290)	(261,769)
General expenses	614,603	627,212	(12,609)
Operating income (loss)	(380,124)	(654,502)	(274,378)
Nonoperating income (expenses):			
Sale of fixed assets	-	(403,623)	(403,623)
Write-off of OPEB liability	-	588,168	588,168
Interest expense	(54,000)	(32,987)	21,013
Transfers from other funds	-	419,378	419,378
Total nonoperating income (expenses)	(54,000)	570,936	624,936
Change in net position before distributions	(434,124)	(83,566)	350,558
Distributions to municipalities	434,124	-	(434,124)
Change in net position after distributions	\$ -	(83,566)	\$ (83,566)
Net deficit, beginning		(398,746)	
Net deficit, ending		\$ (482,312)	

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION BY OPERATING STORE - BUDGET AND ACTUAL
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2017
(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Expenses:			
Store: Wholesale			
Salaries	\$ 153,696	\$ 181,865	\$ (28,169)
Payroll taxes and benefits	89,839	91,973	(2,134)
Bank fees	5,400	1,655	3,745
Outsourced labor	8,000	15,261	(7,261)
Rent	17,082	16,453	629
Repairs and maintenance	2,900	2,934	(34)
Supplies	11,400	3,733	7,667
Truck expense	13,000	13,281	(281)
Telephone	200	368	(168)
Utilities	5,900	1,928	3,972
	<u>307,417</u>	<u>329,451</u>	<u>(22,034)</u>
Store: Pocomoke City			
Salaries	75,094	69,955	5,139
Payroll taxes and benefits	37,098	39,509	(2,411)
Bank fees	14,000	16,372	(2,372)
Outsourced labor	10,000	11,478	(1,478)
Repairs and maintenance	1,000	4,664	(3,664)
Security	500	216	284
Supplies	3,000	1,407	1,593
Telephone	4,000	4,139	(139)
Utilities	9,500	10,952	(1,452)
	<u>154,192</u>	<u>158,692</u>	<u>(4,500)</u>
Store: Gold Coast Mall			
Salaries	59,258	30,722	28,536
Payroll taxes and benefits	35,702	16,296	19,406
Bank fees	15,000	12,929	2,071
Outsourced labor	30,000	21,395	8,605
Rent	50,000	26,582	23,418
Repairs and maintenance	1,000	2,039	(1,039)
Security	500	108	392
Supplies	2,000	834	1,166
Telephone	2,750	1,401	1,349
Utilities	6,700	3,303	3,397
	<u>202,910</u>	<u>115,609</u>	<u>87,301</u>

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION BY OPERATING STORE - BUDGET AND ACTUAL
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2017
(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Store: Northern Worcester			
Salaries	\$ 70,702	\$ 142,332	\$ (71,630)
Payroll taxes and benefits	36,461	77,248	(40,787)
Advertising	5,000	-	5,000
Bank fees	18,000	21,522	(3,522)
Outsourced labor	30,000	36,771	(6,771)
Rent	92,352	92,638	(286)
Repairs and maintenance	2,000	2,368	(368)
Security	1,000	495	505
Supplies	1,000	1,017	(17)
Telephone	4,000	3,146	854
Utilities	10,000	7,312	2,688
	<u>270,515</u>	<u>384,849</u>	<u>(114,334)</u>
Store: 16th Street - Ocean City			
Salaries	49,320	20,613	28,707
Payroll taxes and benefits	30,697	12,943	17,754
Bank fees	10,500	8,648	1,852
Outsourced labor	30,000	24,616	5,384
Rent	85,770	83,697	2,073
Repairs and maintenance	2,000	2,445	(445)
Security	1,000	724	276
Supplies	1,000	440	560
Telephone	2,000	1,698	302
Utilities	5,500	4,129	1,371
	<u>217,787</u>	<u>159,953</u>	<u>57,834</u>
Total expenses	\$ 1,152,821	\$ 1,148,554	\$ 4,267

WORCESTER COUNTY, MARYLAND
SCHEDULE OF GENERAL EXPENSES - BUDGET AND ACTUAL
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2017

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
General and administrative expenses:			
Salaries	\$ 276,164	\$ 295,827	\$ (19,663)
Payroll taxes and benefits	145,647	111,931	33,716
Group insurance	10,000	13,461	(3,461)
Advertising	5,000	19,715	(14,715)
Depreciation	105,000	92,960	12,040
Dues	-	183	(183)
Electric and heating	25,000	19,550	5,450
Internet access	2,000	1,814	186
Office expense	13,292	10,947	2,345
Professional fees	25,000	38,554	(13,554)
Repairs and maintenance	3,500	13,394	(9,894)
Security	1,000	3,759	(2,759)
Telephone	3,000	5,117	(2,117)
Total general and administrative expenses	\$ 614,603	\$ 627,212	\$ (12,609)



WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES BY STORE
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2017

	2017 Total	Percentage
Sales:		
Retail, less discounts	\$ 3,460,385	
Wholesale, less discounts	1,732,675	
Net sales	5,193,060	
Miscellaneous revenues	43,387	
Net revenues	5,236,447	100.00%
Cost of sales	4,115,183	78.59%
Gross profit	1,121,264	21.41%
Store expenses:		
Salaries	445,487	8.51%
Credit card and bank fees	61,126	1.17%
Utilities	27,624	0.53%
Payroll taxes and benefits	237,969	4.54%
Outsourced labor	109,521	2.09%
Rent	219,370	4.19%
Repairs and maintenance	14,450	0.28%
Security	1,543	0.03%
Supplies	7,431	0.14%
Truck expense	13,281	0.25%
Telephone	10,752	0.21%
	1,148,554	21.93%
Income after store expenses	(27,290)	-0.52%
General expenses	627,212	11.98%
Loss from operations	(654,502)	-12.50%
Other income (expenses):		
Sale of fixed assets	(403,623)	-7.71%
Writedown of OPEB liability	588,168	11.23%
Financial expense, net	(32,987)	-0.63%
Transfers from other funds	419,378	8.01%
	570,936	10.90%
Net income (loss)	\$ (83,566)	-1.60%

Total Wholesale	Total Retail	Pocomoke City	Gold Coast Mall	Northern Worcester	16th Street
\$ -	\$ 3,460,385	\$ 1,046,697	\$ 700,630	\$ 1,179,566	\$ 533,492
1,732,675	-	-	-	-	-
1,732,675	3,460,385	1,046,697	700,630	1,179,566	533,492
3,185	40,202	1,924	1,288	2,169	34,821
1,735,860	3,500,587	1,048,621	701,918	1,181,735	568,313
1,428,718	2,686,465	786,302	546,447	937,994	415,722
307,142	814,122	262,319	155,471	243,741	152,591
181,865	263,622	69,955	30,722	142,332	20,613
1,655	59,471	16,372	12,929	21,522	8,648
1,928	25,696	10,952	3,303	7,312	4,129
91,973	145,996	39,509	16,296	77,248	12,943
15,261	94,260	11,478	21,395	36,771	24,616
16,453	202,917	-	26,582	92,638	83,697
2,934	11,516	4,664	2,039	2,368	2,445
-	1,543	216	108	495	724
3,733	3,698	1,407	834	1,017	440
13,281	-	-	-	-	-
368	10,384	4,139	1,401	3,146	1,698
329,451	819,103	158,692	115,609	384,849	159,953
(22,309)	(4,981)	103,627	39,862	(141,108)	(7,362)
209,270	417,942	126,419	84,621	142,467	64,435
(231,579)	(422,923)	(22,792)	(44,759)	(283,575)	(71,797)
(250,913)	(152,710)	-	(44,695)	13,303	(121,318)
588,168	-	-	-	-	-
(10,746)	(22,241)	(7,272)	(4,345)	(7,315)	(3,309)
419,378	-	-	-	-	-
745,887	(174,951)	(7,272)	(49,040)	5,988	(124,627)
\$ 514,308	\$ (597,874)	\$ (30,064)	\$ (93,799)	\$ (277,587)	\$ (196,424)

WORCESTER COUNTY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 June 30, 2017

	State of Maryland Property Taxes	Maryland Department of Motor Vehicles - License Fees	Tax Sale Fund	Development Taxes	Performance Bonds	Personal Property Tax Liability	Forest Conservation
ASSETS							
Cash and short-term investments	\$ -	\$ 18,060	\$776,216	\$ 106,742	\$ 991,156	\$ 153,191	\$ 115,349
Taxes receivable	412,979	-	-	-	-	-	-
Due from other funds	87,261	-	2,894	-	-	-	-
Total assets	500,240	18,060	779,110	106,742	991,156	153,191	115,349
LIABILITIES							
Due to other governmental units	500,240	18,060	-	-	-	-	-
Other liabilities	-	-	779,110	106,742	991,156	153,191	115,349
Total liabilities	500,240	18,060	779,110	106,742	991,156	153,191	115,349
NET POSITION							
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<u>Bay Restoration</u>	<u>Snow Hill Property Tax</u>	<u>Berlin Property Tax</u>	<u>Pocomoke Property Tax</u>	<u>Ocean City Property Tax</u>	<u>Special Loans</u>	<u>Critical Areas</u>	<u>Seized Funds Pending Forfeiture</u>	<u>Total</u>
\$ 85,972	\$ -	\$ -	\$ -	\$ -	\$ 5,807	\$ 80,075	\$ 43,520	\$ 2,376,088
95,704	35,771	82,744	193,067	763,320	-	-	-	1,583,585
-	6,269	30,861	22,149	181,028	-	-	-	330,462
181,676	42,040	113,605	215,216	944,348	5,807	80,075	43,520	4,290,135
181,676	42,040	113,605	215,216	944,348	-	-	-	2,015,185
-	-	-	-	-	5,807	80,075	43,520	2,274,950
181,676	42,040	113,605	215,216	944,348	5,807	80,075	43,520	4,290,135
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WORCESTER COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2017

	Cash	Taxes Receivable	Due from	Total Assets
STATE OF MARYLAND PROPERTY TAXES				
Balance 7/1/2016	\$ -	\$ 445,934	\$ 13,023	\$ 458,957
Additions	-	17,001,141	16,980,580	33,981,721
Deductions	-	(17,034,096)	(16,906,342)	(33,940,438)
Balance 6/30/2017	<u>\$ -</u>	<u>\$ 412,979</u>	<u>\$ 87,261</u>	<u>\$ 500,240</u>
MARYLAND DEPT. OF MOTOR VEHICLES - LICENSE FEES				
Balance 7/1/2016	\$ 14,935	\$ -	\$ -	\$ 14,935
Additions	338,241	-	-	338,241
Deductions	(335,116)	-	-	(335,116)
Balance 6/30/2017	<u>\$ 18,060</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,060</u>
TAX SALE FUND				
Balance 7/1/2016	\$ 768,873	\$ -	\$ -	\$ 768,873
Additions	682,004	-	323,368	1,005,372
Deductions	(674,661)	-	(320,474)	(995,135)
Balance 6/30/2017	<u>\$ 776,216</u>	<u>\$ -</u>	<u>\$ 2,894</u>	<u>\$ 779,110</u>
DEVELOPMENT TAXES				
Balance 7/1/2016	\$ 122,801	\$ -	\$ -	\$ 122,801
Additions	10,972	-	-	10,972
Deductions	(27,031)	-	-	(27,031)
Balance 6/30/2017	<u>\$ 106,742</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,742</u>
PERFORMANCE BONDS				
Balance 7/1/2016	\$ 990,071	\$ -	\$ -	\$ 990,071
Additions	363,320	-	-	363,320
Deductions	(362,235)	-	-	(362,235)
Balance 6/30/2017	<u>\$ 991,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 991,156</u>

<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other Liabilities</u>	<u>Total Liabilities</u>
\$ -	\$ 458,957	\$ -	\$ 458,957
-	16,964,255	-	16,964,255
-	(16,922,972)	-	(16,922,972)
<u>\$ -</u>	<u>\$ 500,240</u>	<u>\$ -</u>	<u>\$ 500,240</u>
\$ -	\$ 14,935	\$ -	\$ 14,935
-	357,757	-	357,757
-	(354,632)	-	(354,632)
<u>\$ -</u>	<u>\$ 18,060</u>	<u>\$ -</u>	<u>\$ 18,060</u>
\$ -	\$ -	\$ 768,873	\$ 768,873
-	-	998,026	998,026
-	-	(987,789)	(987,789)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 779,110</u>	<u>\$ 779,110</u>
\$ -	\$ -	\$ 122,801	\$ 122,801
-	-	10,972	10,972
-	-	(27,031)	(27,031)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,742</u>	<u>\$ 106,742</u>
\$ -	\$ -	\$ 990,071	\$ 990,071
-	-	361,284	361,284
-	-	(360,199)	(360,199)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 991,156</u>	<u>\$ 991,156</u>

WORCESTER COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2017
 (CONTINUED)

	Cash	Taxes Receivable	Due from	Total Assets
PERSONAL PROPERTY TAX LIABILITY				
Balance 7/1/2016	\$ 210,605	\$ -	\$ -	\$ 210,605
Additions	35,836	-	-	35,836
Deductions	(93,250)	-	-	(93,250)
Balance 6/30/2017	<u>\$ 153,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,191</u>
FOREST CONSERVATION				
Balance 7/1/2016	\$ 121,750	\$ -	\$ -	\$ 121,750
Additions	237	-	-	237
Deductions	(6,638)	-	-	(6,638)
Balance 6/30/2017	<u>\$ 115,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,349</u>
BAY RESTORATION				
Balance 7/1/2016	\$ 78,280	\$ 97,169	\$ -	\$ 175,449
Additions	492,462	697,667	-	1,190,129
Deductions	(484,770)	(699,132)	-	(1,183,902)
Balance 6/30/2017	<u>\$ 85,972</u>	<u>\$ 95,704</u>	<u>\$ -</u>	<u>\$ 181,676</u>
SNOW HILL PROPERTY TAX				
Balance 7/1/2016	\$ -	\$ 50,863	\$ 6,805	\$ 57,668
Additions	-	896,001	904,938	1,800,939
Deductions	-	(911,093)	(905,474)	(1,816,567)
Balance 6/30/2017	<u>\$ -</u>	<u>\$ 35,771</u>	<u>\$ 6,269</u>	<u>\$ 42,040</u>
BERLIN PROPERTY TAX				
Balance 7/1/2016	\$ -	\$ 67,711	\$ 12,388	\$ 80,099
Additions	-	2,722,249	2,640,533	5,362,782
Deductions	-	(2,707,216)	(2,622,060)	(5,329,276)
Balance 6/30/2017	<u>\$ -</u>	<u>\$ 82,744</u>	<u>\$ 30,861</u>	<u>\$ 113,605</u>

<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other Liabilities</u>	<u>Total Liabilities</u>
\$ -	\$ -	\$ 210,605	\$ 210,605
-	-	35,836	35,836
-	-	(93,250)	(93,250)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 153,191</u>	<u>\$ 153,191</u>
\$ -	\$ -	\$ 121,750	\$ 121,750
-	-	142	142
-	-	(6,543)	(6,543)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,349</u>	<u>\$ 115,349</u>
\$ -	\$ 175,449	\$ -	\$ 175,449
-	561,808	-	561,808
-	(555,581)	-	(555,581)
<u>\$ -</u>	<u>\$ 181,676</u>	<u>\$ -</u>	<u>\$ 181,676</u>
\$ -	\$ 57,668	\$ -	\$ 57,668
-	901,097	-	901,097
-	(916,725)	-	(916,725)
<u>\$ -</u>	<u>\$ 42,040</u>	<u>\$ -</u>	<u>\$ 42,040</u>
\$ -	\$ 80,099	\$ -	\$ 80,099
-	2,728,977	-	2,728,977
-	(2,695,471)	-	(2,695,471)
<u>\$ -</u>	<u>\$ 113,605</u>	<u>\$ -</u>	<u>\$ 113,605</u>

WORCESTER COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2017
 (CONTINUED)

	Cash	Taxes Receivable	Due from	Total Assets
POCOMOKE PROPERTY TAX				
Balance 7/1/2016	\$ -	\$ 177,227	\$ 7,867	\$ 185,094
Additions	-	2,569,934	2,580,165	5,150,099
Deductions	-	(2,554,094)	(2,565,883)	(5,119,977)
Balance 6/30/2017	<u>\$ -</u>	<u>\$ 193,067</u>	<u>\$ 22,149</u>	<u>\$ 215,216</u>
OCEAN CITY PROPERTY TAX				
Balance 7/1/2016	\$ -	\$ 909,865	\$ 76,905	\$ 986,770
Additions	-	40,970,495	41,015,125	81,985,620
Deductions	-	(41,117,040)	(40,911,002)	(82,028,042)
Balance 6/30/2017	<u>\$ -</u>	<u>\$ 763,320</u>	<u>\$ 181,028</u>	<u>\$ 944,348</u>
SPECIAL LOANS				
Balance 7/1/2016	\$ 47,795	\$ -	\$ -	\$ 47,795
Additions	163,961	-	-	163,961
Deductions	(205,949)	-	-	(205,949)
Balance 6/30/2017	<u>\$ 5,807</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,807</u>
CRITICAL AREAS				
Balance 7/1/2016	\$ 79,995	\$ -	\$ -	\$ 79,995
Additions	80	-	-	80
Deductions	-	-	-	-
Balance 6/30/2017	<u>\$ 80,075</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,075</u>
SEIZED FUNDS PENDING FORFEITURE				
Balance 7/1/2016	\$ -	\$ -	\$ -	\$ -
Additions	68,363	-	-	68,363
Deductions	(24,843)	-	-	(24,843)
Balance 6/30/2017	<u>\$ 43,520</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,520</u>
TOTALS				
Balance 7/1/2016	\$ 2,435,105	\$ 1,748,769	\$ 116,988	\$ 4,300,862
Additions	2,155,476	64,857,487	64,444,709	131,457,672
Deductions	(2,214,493)	(65,022,671)	(64,231,235)	(131,468,399)
Balance 6/30/2017	<u>\$ 2,376,088</u>	<u>\$ 1,583,585</u>	<u>\$ 330,462</u>	<u>\$ 4,290,135</u>

Due to Other Funds	Due to Other Governments	Other Liabilities	Total Liabilities
\$ -	\$ 185,094	\$ -	\$ 185,094
-	2,601,252	-	2,601,252
-	(2,571,130)	-	(2,571,130)
<u>\$ -</u>	<u>\$ 215,216</u>	<u>\$ -</u>	<u>\$ 215,216</u>
\$ -	\$ 986,770	\$ -	\$ 986,770
-	41,186,784	-	41,186,784
-	(41,229,206)	-	(41,229,206)
<u>\$ -</u>	<u>\$ 944,348</u>	<u>\$ -</u>	<u>\$ 944,348</u>
\$ -	\$ -	\$ 47,795	\$ 47,795
-	-	163,634	163,634
-	-	(205,622)	(205,622)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,807</u>	<u>\$ 5,807</u>
\$ -	\$ -	\$ 79,995	\$ 79,995
-	-	80	80
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 80,075</u>	<u>\$ 80,075</u>
\$ -	\$ -	\$ -	\$ -
-	-	68,363	68,363
-	-	(24,843)	(24,843)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,520</u>	<u>\$ 43,520</u>
\$ -	\$ 1,958,972	\$ 2,341,890	\$ 4,300,862
-	65,301,930	1,638,337	66,940,267
-	(65,245,717)	(1,705,277)	(66,950,994)
<u>\$ -</u>	<u>\$ 2,015,185</u>	<u>\$ 2,274,950</u>	<u>\$ 4,290,135</u>

WORCESTER COUNTY, MARYLAND
 SCHEDULE OF ASSESSABLE BASE
 GENERAL FUND
 Year Ended June 30, 2017

	<u>Full-Year Assessment</u>	<u>Half-Year Assessment</u>	<u>Total</u>
Real property	\$ 14,791,077,756	\$ 34,598,300	\$ 14,825,676,056
Personal property - individuals and firms - all districts	18,977,901	-	18,977,901
Railroads and public utilities	142,117,960	-	142,117,960
Railroads and public utilities - reduced rate	469,230	-	469,230
Ordinary business corporations	206,699,642	-	206,699,642
Total	\$ 15,159,342,489	\$ 34,598,300	\$ 15,193,940,789

Computation of Taxes for County Purposes

\$14,791,077,756 assessable base at \$0.835 per \$100 base (full-year)	\$ 123,505,499
\$367,795,503 assessable base at \$2.0875 per \$100 base (full-year)	7,677,731
\$469,230 assessable base at \$0.835 per \$100 base (full-year)	3,918
\$34,598,300 assessable base at \$0.4175 per \$100 base (half-year)	144,448
	131,331,596
Adjustment for deferred property taxes receivable	91,282
Net additions and abatements	(247,405)
Total County taxes for the year ended June 30, 2017	\$ 131,175,473

WORCESTER COUNTY, MARYLAND
SCHEDULE OF ASSESSABLE BASES AND TAX LEVIES
GENERAL FUND
Fiscal Years Ended June 30, 2017

<u>Fiscal Year</u>	<u>Assessable Base at June 30</u>	<u>Percentage Change From Prior Year</u>	<u>Tax Rate</u>	<u>Taxes</u>	<u>Percentage Change From Prior Year</u>
1992 - 1993	\$ 2,150,811,675	5.14%	1.62	\$ 34,752,125	7.14%
1993 - 1994	2,250,431,661	4.63%	1.68	37,729,271	8.57%
1994 - 1995	2,288,466,700	1.69%	1.68	38,367,332	1.69%
1995 - 1996	2,309,492,502	0.92%	1.68	38,687,619	0.83%
1996 - 1997	2,380,191,243	3.06%	1.68	39,864,643	3.04%
1997 - 1998	2,426,505,995	1.95%	1.72	41,606,010	4.37%
1998 - 1999	2,491,029,177	2.66%	1.72	42,705,429	2.64%
1999 - 2000	2,586,502,181	3.83%	1.74	44,830,570	4.98%
2000 - 2001	2,712,238,607	4.86%	1.74	46,883,527	4.58%
2001 - 2002	6,748,561,217 *	148.82%	.73 - 1.825	52,068,932	11.06%
2002 - 2003	7,264,345,677	7.64%	.73 - 1.825	56,057,444	7.66%
2003 - 2004	8,441,544,002	16.21%	.73 - 1.825	64,473,123	15.01%
2004 - 2005	10,074,216,702	19.34%	.73 - 1.825	76,196,731	18.18%
2005 - 2006	11,906,248,133	18.19%	.73 - 1.825	89,397,911	17.33%
2006 - 2007	14,580,162,820	22.46%	.70 - 1.750	104,613,265	17.02%
2007 - 2008	17,371,368,530	19.14%	.70 - 1.750	124,489,545	19.00%
2008 - 2009	20,247,338,533	16.56%	.70 - 1.750	144,925,736	16.42%
2009 - 2010	19,301,510,253	(4.67)%	.70 - 1.750	138,391,588	(4.51)%
2010 - 2011	18,130,187,255	(6.07)%	.70 - 1.750	130,012,598	(6.05)%
2011 - 2012	17,522,393,962	(3.35)%	.70 - 1.750	125,901,362	(3.16)%
2012 - 2013	15,775,515,175	(9.97)%	.77 - 1.925	125,175,667	(0.58)%
2013 - 2014	15,069,853,304	(4.47)%	.77 - 1.925	119,266,630	(4.72)%
2014 - 2015	14,888,348,699	(1.20)%	.77 - 1.925	119,042,321	(0.19)%
2015 - 2016	14,885,658,093	(0.02)%	.835 - 2.0875	128,059,010	7.57%
2016 - 2017	15,193,940,789	2.07%	.835 - 2.0875	131,175,473	2.43%

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

WORCESTER COUNTY, MARYLAND

TAXES RECEIVABLE

GENERAL FUND

June 30, 2017

Levies of years ended June 30:

2017	\$ 3,024,434
2016	179,280
2015	103,965
2014	82,398
2013 and prior	310,125
Total	\$ 3,700,202

NOTES TO OTHER SUPPLEMENTARY INFORMATION

Note 1. Budgetary Basis

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

Budgetary Comparison Schedules:

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

STATISTICAL SECTION

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

<u>Contents</u>	<u>Schedule</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i>	1 – 4
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.</i>	5 – 11
Debt Capacity <i>These schedules contain information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.</i>	12 – 15
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place and to help make comparisons over time with other governments.</i>	16 – 17
Operating Information <i>These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.</i>	18 – 20

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	\$ 88,196,133	\$ 104,308,508	\$ 104,803,212	\$ 100,290,019	\$ 99,870,348	\$ 90,110,170	\$ 86,424,881	\$ 86,671,386	\$ 77,759,097	\$ 82,846,858
Restricted	1,500,000	1,500,000	-	-	-	-	-	-	-	-
Unrestricted	46,462,418	5,485,842	3,776,962	4,029,977	11,260,873	21,389,838	(5,573,996)	(28,314,942)	(22,728,680)	(25,490,273)
Total governmental activities net position	<u>136,158,551</u>	<u>111,294,350</u>	<u>108,580,174</u>	<u>104,319,996</u>	<u>111,131,221</u>	<u>111,500,008</u>	<u>80,850,885</u>	<u>58,356,444</u>	<u>55,030,417</u>	<u>57,356,585</u>
Business-type activities										
Net investment in capital assets	58,545,520	57,477,462	56,312,951	55,935,777	54,334,765	59,302,023	53,642,591	55,184,962	53,420,609	58,358,305
Unrestricted	11,339,193	8,382,036	4,250,752	1,158,971	1,912,977	27,420	4,651,348	571,926	30,886	(3,737,553)
Total business-type activities net position	<u>69,884,713</u>	<u>65,859,498</u>	<u>60,563,703</u>	<u>57,094,748</u>	<u>56,247,742</u>	<u>59,329,443</u>	<u>58,293,939</u>	<u>55,756,888</u>	<u>53,451,495</u>	<u>54,620,752</u>
Primary government										
Net investment in capital assets	146,741,653	161,785,970	161,116,163	156,225,796	154,205,113	149,412,193	140,067,472	141,856,348	131,179,706	141,205,163
Restricted	1,500,000	1,500,000	-	-	-	-	-	-	-	-
Unrestricted	57,801,611	13,867,878	8,027,714	5,188,948	13,173,850	21,417,258	(922,648)	(27,743,016)	(22,697,794)	(29,227,826)
Total primary government net position	<u>\$ 206,043,264</u>	<u>\$ 177,153,848</u>	<u>\$ 169,143,877</u>	<u>\$ 161,414,744</u>	<u>\$ 167,378,963</u>	<u>\$ 170,829,451</u>	<u>\$ 139,144,824</u>	<u>\$ 114,113,332</u>	<u>\$ 108,481,912</u>	<u>\$ 111,977,337</u>

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

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 32,663,595	\$ 47,083,442	\$ 35,859,173	\$ 37,627,186	\$ 38,001,439	\$ 38,915,371	\$ 41,815,245	\$ 38,635,684	\$ 44,076,570	\$ 44,311,285
Public safety	23,542,080	36,283,485	28,381,381	28,164,200	29,409,797	33,952,043	31,088,753	31,973,300	31,539,249	33,626,987
Public works	12,833,648	15,599,323	9,985,598	10,211,713	6,579,810	6,582,195	6,843,212	5,217,371	5,567,728	4,850,672
Health and hospitals	5,335,022	6,012,215	5,889,198	4,841,634	5,414,163	5,379,303	6,003,573	6,551,417	6,377,497	6,657,023
Social services	1,634,695	3,448,378	2,606,989	2,138,165	1,861,337	1,799,550	1,879,944	1,946,138	2,075,471	2,035,417
Education	88,762,738	127,128,498	91,515,958	85,169,388	75,683,870	77,254,710	84,004,053	100,313,254	93,437,468	94,649,729
Libraries, recreation and culture	5,882,121	9,031,660	6,141,887	5,479,418	5,301,793	5,322,151	5,438,515	6,092,227	5,258,231	5,905,393
Conservation of natural resources	584,921	858,559	233,393	587,200	661,679	226,121	241,883	375,697	497,939	425,671
Economic development	2,461,997	1,978,375	1,409,693	1,755,183	2,094,400	1,947,815	1,667,636	1,932,046	1,631,443	1,686,229
Interest on long-term debt	2,477,071	3,049,378	3,693,496	3,411,269	3,092,624	2,601,958	2,428,386	4,891,421	3,874,043	4,076,145
Total governmental activities expenses	<u>176,177,888</u>	<u>250,473,313</u>	<u>185,716,766</u>	<u>179,385,356</u>	<u>168,100,912</u>	<u>173,981,217</u>	<u>181,411,200</u>	<u>197,928,555</u>	<u>194,335,639</u>	<u>198,224,551</u>
Business-type activities:										
Department of Solid Waste	7,639,296	6,760,109	6,910,451	5,460,265	5,307,959	5,424,173	5,513,619	5,638,012	4,183,293	4,367,047
Department of Water and Wastewater	11,860,477	12,009,174	11,849,234	11,925,133	11,671,743	11,502,025	12,351,756	13,409,381	14,035,346	13,691,072
Department of Liquor Control	-	-	-	-	15,213,363	15,102,811	15,518,122	10,477,998	7,929,512	6,076,646
Total business-type activities expenses	<u>19,499,773</u>	<u>18,769,283</u>	<u>18,759,685</u>	<u>17,385,398</u>	<u>32,193,065</u>	<u>32,029,009</u>	<u>33,383,497</u>	<u>29,525,391</u>	<u>26,148,151</u>	<u>24,134,765</u>
Total primary government expenses	<u>\$ 195,677,661</u>	<u>\$ 269,242,596</u>	<u>\$ 204,476,451</u>	<u>\$ 196,770,754</u>	<u>\$ 200,293,977</u>	<u>\$ 206,010,226</u>	<u>\$ 214,794,697</u>	<u>\$ 227,453,946</u>	<u>\$ 220,483,790</u>	<u>\$ 222,359,316</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,948,504	\$ 1,693,885	\$ 1,697,109	\$ 1,758,641	\$ 1,873,888	\$ 1,932,275	\$ 2,010,031	\$ 2,081,072	\$ 2,053,695	\$ 2,087,794
Public safety	1,636,510	2,268,650	2,817,223	4,955,974	6,025,129	6,182,160	5,616,912	5,143,953	5,513,482	6,030,900
Public works	37,233	31,372	131,126	85,384	79,893	75,543	79,207	87,884	75,713	88,721
Health and hospitals	503,239	486,954	429,184	418,806	457,086	434,917	435,267	431,421	431,643	430,894
Libraries, recreation and culture	294,456	328,879	252,138	191,097	182,130	196,705	236,546	312,460	349,348	361,834
Economic development	19,983	7,377	31,886	25,935	49,840	17,833	22,230	38,184	8,747	17,615
Operating grants and contributions	4,036,459	31,044,359	10,138,302	5,243,439	4,257,505	4,181,653	4,154,275	5,132,554	5,244,177	5,559,621
Capital grants and contributions	1,463,798	11,157,620	4,613,990	4,446,811	2,078,722	1,546,506	1,220,927	1,861,970	1,936,382	1,984,522
Total governmental activities program revenues	<u>9,940,182</u>	<u>47,019,096</u>	<u>20,110,958</u>	<u>17,126,087</u>	<u>15,004,193</u>	<u>14,567,592</u>	<u>13,775,395</u>	<u>15,089,498</u>	<u>15,613,187</u>	<u>16,561,901</u>
Business-type activities:										
Charges for services:										
Department of Solid Waste	6,048,653	5,049,021	3,847,393	3,805,409	4,590,998	4,182,238	3,783,926	4,060,039	4,004,384	3,757,085
Department of Water and Wastewater	9,919,770	9,556,043	9,570,821	10,068,811	11,107,727	15,766,173	13,013,971	12,885,762	12,160,567	14,283,986
Department of Liquor Control	-	-	-	-	15,888,520	15,414,939	15,476,906	9,985,444	7,623,320	5,236,447
Operating grants and contributions	25,000	22,000	22,000	22,000	22,000	47,000	25,000	49,202	26,000	26,000
Total business-type activities program revenues	<u>15,993,423</u>	<u>14,627,064</u>	<u>13,440,214</u>	<u>13,896,220</u>	<u>31,609,245</u>	<u>35,410,350</u>	<u>32,299,803</u>	<u>26,980,447</u>	<u>23,814,271</u>	<u>23,303,518</u>
Total primary government program revenues	<u>\$ 25,933,605</u>	<u>\$ 61,646,160</u>	<u>\$ 33,551,172</u>	<u>\$ 31,022,307</u>	<u>\$ 46,613,438</u>	<u>\$ 49,977,942</u>	<u>\$ 46,075,198</u>	<u>\$ 42,069,945</u>	<u>\$ 39,427,458</u>	<u>\$ 39,865,419</u>
Net (expense)/revenue										
Governmental activities	\$ (166,237,706)	\$ (203,454,217)	\$ (165,605,808)	\$ (162,259,269)	\$ (153,096,719)	\$ (159,413,625)	\$ (167,635,805)	\$ (182,839,057)	\$ (178,722,452)	\$ (181,662,650)
Business-type activities	(3,506,350)	(4,142,219)	(5,319,471)	(3,489,178)	(583,820)	3,381,341	(1,083,694)	(2,544,944)	(2,333,880)	(831,247)
Total primary government net expense	<u>\$ (169,744,056)</u>	<u>\$ (207,596,436)</u>	<u>\$ (170,925,279)</u>	<u>\$ (165,748,447)</u>	<u>\$ (153,680,539)</u>	<u>\$ (156,032,284)</u>	<u>\$ (168,719,499)</u>	<u>\$ (185,384,001)</u>	<u>\$ (181,056,332)</u>	<u>\$ (182,493,897)</u>

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General revenues and other changes in net position										
Governmental activities:										
Property taxes	\$ 116,778,663	\$ 134,015,561	\$ 127,176,751	\$ 121,990,826	\$ 121,290,966	\$ 121,348,615	\$ 117,173,133	\$ 117,097,119	\$ 127,411,911	\$ 130,179,520
Local income tax	13,684,600	13,062,134	10,921,118	10,459,699	12,900,072	12,676,852	13,673,793	13,690,331	17,931,884	22,891,694
Other local taxes	26,305,749	23,221,489	23,115,287	23,513,666	23,111,431	25,047,347	24,324,762	25,418,688	28,239,135	30,136,897
State shared	5,654,165	4,809,446	724,582	804,689	687,960	904,365	891,106	931,712	942,464	936,535
Department of Liquor Control distribution	415,403	168,625	55,853	363,568	103,626	620,428	284,609	9,005	-	-
Gain (loss) on sale of capital assets	-	-	-	-	-	(1,665,007)	(250,000)	-	-	-
Transfers in (out)	(38,860)	(81,154)	635,708	649,917	-	-	-	-	-	(1,336,264)
Interest	5,980,550	2,597,658	262,333	216,726	283,728	193,101	194,221	180,030	207,071	476,064
Other	577,728	796,257	-	-	1,530,161	656,711	690,527	3,017,731	663,960	704,372
Total governmental activities	<u>169,357,998</u>	<u>178,590,016</u>	<u>162,891,632</u>	<u>157,999,091</u>	<u>159,907,944</u>	<u>159,782,412</u>	<u>156,982,151</u>	<u>160,344,616</u>	<u>175,396,425</u>	<u>183,988,818</u>
Business-type activities:										
Transfers in (out)	38,860	-	-	-	(675,340)	(321,854)	(10,984)	-	-	1,336,264
Other	-	-	-	-	-	-	-	-	-	588,168
Interest	368,852	117,004	23,676	20,043	12,334	22,214	59,174	7,893	28,487	76,072
Total business-type activities	<u>407,712</u>	<u>117,004</u>	<u>23,676</u>	<u>20,043</u>	<u>(663,006)</u>	<u>(299,640)</u>	<u>48,190</u>	<u>7,893</u>	<u>28,487</u>	<u>2,000,504</u>
Total primary government	<u>\$ 169,765,710</u>	<u>\$ 178,707,020</u>	<u>\$ 162,915,308</u>	<u>\$ 158,019,134</u>	<u>\$ 159,244,938</u>	<u>\$ 159,482,772</u>	<u>\$ 157,030,341</u>	<u>\$ 160,352,509</u>	<u>\$ 175,424,912</u>	<u>\$ 185,989,322</u>
Change in net position										
Governmental activities	\$ 3,120,292	\$ (24,864,201)	\$ (2,714,176)	\$ (4,260,178)	\$ 6,811,225	\$ 368,787	\$ (10,653,654)	\$ (22,494,441)	\$ (3,326,027)	\$ 2,326,168
Business-type activities	(3,098,638)	(4,025,215)	(5,295,795)	(3,469,135)	(1,246,826)	3,081,701	(1,035,504)	(2,537,051)	(2,305,393)	1,169,257
Total primary government	<u>\$ 21,654</u>	<u>\$ (28,889,416)</u>	<u>\$ (8,009,971)</u>	<u>\$ (7,729,313)</u>	<u>\$ 5,564,399</u>	<u>\$ 3,450,488</u>	<u>\$ (11,689,158)</u>	<u>\$ (25,031,492)</u>	<u>\$ (5,631,420)</u>	<u>\$ 3,495,425</u>

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

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

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable	\$ 5,564,944	\$ 5,287,250	\$ 2,619,871	\$ 130,079	\$ 110,609	\$ 102,938	\$ 103,849	\$ 5,255	\$ 106,655	\$ 134,238
Restricted										
Assigned	27,991,458	17,946,506	14,201,916	14,963,906	10,821,409	15,735,019	9,662,128	8,679,957	16,315,297	23,486,890
Unassigned	500,000	500,000	500,000	26,992,224	38,855,192	40,904,499	39,833,756	33,976,802	33,532,633	34,308,460
Total General Fund	<u>34,056,402</u>	<u>23,733,756</u>	<u>17,321,787</u>	<u>42,086,209</u>	<u>49,787,210</u>	<u>56,742,456</u>	<u>49,599,733</u>	<u>42,662,014</u>	<u>49,954,585</u>	<u>57,929,588</u>
All other governmental funds										
Restricted	-	-	-	1,225,068	-	-	42,954,786	31,685,392	18,055,520	1,655,852
Assigned	65,373,635	43,039,161	35,852,877	5,801,380	2,372,247	3,670,839	3,054,848	2,249,959	1,876,454	1,578,412
Unassigned	-	-	-	-	(599,589)	(1,247,996)	-	-	(13,457)	-
Total all other governmental funds	<u>65,373,635</u>	<u>43,039,161</u>	<u>35,852,877</u>	<u>7,026,448</u>	<u>1,772,658</u>	<u>2,422,843</u>	<u>46,009,634</u>	<u>33,935,351</u>	<u>19,918,517</u>	<u>3,234,264</u>
Total governmental funds	<u>\$ 99,430,037</u>	<u>\$ 66,772,917</u>	<u>\$ 53,174,664</u>	<u>\$ 49,112,657</u>	<u>\$ 51,559,868</u>	<u>\$ 59,165,299</u>	<u>\$ 95,609,367</u>	<u>\$ 76,597,365</u>	<u>\$ 69,873,102</u>	<u>\$ 61,163,852</u>

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Property tax	\$ 116,356,479	\$ 133,037,649	\$ 127,048,961	\$ 122,233,623	\$ 121,243,588	\$ 121,570,804	\$ 117,311,193	\$ 117,963,356	\$ 127,061,276	\$ 130,270,802
Income tax	13,684,600	13,062,134	10,921,118	10,459,699	12,900,072	12,676,852	13,673,793	13,690,331	17,931,884	22,891,694
Room tax	11,284,976	11,589,393	11,808,110	12,449,817	13,262,770	13,632,599	14,127,887	14,707,093	15,564,805	16,398,656
Food tax	2,230,516	2,064,542	1,130,290	1,163,970	1,215,666	1,247,890	1,299,372	1,358,236	1,424,439	1,553,867
Transfer tax	3,984,963	2,843,502	3,254,790	3,194,074	2,595,376	2,912,623	3,165,274	3,278,524	4,158,215	4,271,320
Recordation tax	8,026,476	5,962,649	6,195,293	5,987,911	5,328,454	6,648,660	5,142,527	5,437,913	6,449,513	7,250,500
Other local taxes	778,818	761,403	726,804	717,894	709,165	605,575	589,702	636,922	642,163	662,554
State-shared taxes	5,654,165	4,809,446	724,582	804,689	687,960	904,365	891,106	931,712	942,464	936,535
Licenses and permits	2,010,919	1,668,670	1,712,306	1,735,427	1,739,111	1,756,502	1,854,757	1,917,527	1,896,140	1,964,838
Intergovernmental	5,505,717	13,807,495	8,643,309	8,085,938	6,393,147	5,747,750	5,402,866	7,015,992	7,215,195	7,585,022
Service charges	2,704,784	3,145,711	3,490,909	6,002,590	6,833,192	7,513,274	6,630,311	5,984,170	6,322,840	6,841,574
Miscellaneous	1,854,426	2,058,850	863,649	817,611	1,673,075	830,237	869,043	741,127	894,974	946,352
Interest income	4,838,017	1,505,668	194,455	214,732	283,183	190,069	187,775	180,035	155,069	404,551
Total revenues	<u>178,914,856</u>	<u>196,317,112</u>	<u>176,714,576</u>	<u>173,867,975</u>	<u>174,864,759</u>	<u>176,237,200</u>	<u>171,145,606</u>	<u>173,842,938</u>	<u>190,658,977</u>	<u>201,978,265</u>
Expenditures										
General government	14,010,326	24,865,890	15,855,802	13,315,008	13,272,863	12,850,452	14,134,546	13,296,067	13,817,335	14,471,003
Public safety	21,552,888	34,370,015	27,534,380	25,877,097	26,513,127	31,157,171	28,621,374	29,173,284	30,032,349	31,692,896
Public works	8,136,481	10,026,907	5,246,775	5,569,252	4,273,829	4,641,049	4,726,992	5,104,405	5,533,978	6,593,857
Health and hospitals	5,066,899	5,588,851	5,494,946	4,937,219	4,900,545	5,060,999	5,472,143	6,083,778	5,972,819	6,136,576
Social services	2,822,890	3,448,378	2,606,989	2,138,165	1,861,337	1,799,550	1,879,944	1,946,138	2,075,471	2,035,417
Education	73,140,412	104,090,392	80,309,872	74,817,429	75,683,870	77,254,710	80,510,956	100,313,254	93,437,468	85,965,082
Libraries, recreation and culture	6,136,628	8,772,282	5,504,621	5,141,859	5,133,304	4,674,945	5,517,089	6,052,818	6,041,560	5,376,686
Conservation of natural resources	584,921	858,559	233,393	587,200	661,679	226,121	241,883	375,697	497,939	425,671
Economic development	2,096,997	1,613,375	1,081,193	1,426,683	1,762,761	1,897,159	1,610,180	1,874,591	1,590,410	1,624,752
Distributions to municipalities	17,249,935	19,570,744	18,770,287	19,357,791	20,317,357	20,450,152	21,871,051	22,572,176	23,471,593	24,828,030
Debt service interest	2,500,068	3,108,154	3,767,529	3,485,302	3,166,657	2,675,991	2,908,091	4,249,246	3,540,622	3,742,724
Debt service principal	4,026,300	5,219,231	7,271,910	7,522,974	7,824,044	7,393,498	7,628,103	9,487,482	7,940,134	8,197,986
Capital projects	28,721,826	42,970,601	16,635,132	13,754,003	7,046,175	3,084,228	7,788,332	2,005,481	3,431,562	18,009,658
Total expenditures	<u>186,046,571</u>	<u>264,503,379</u>	<u>190,312,829</u>	<u>177,929,982</u>	<u>172,417,548</u>	<u>173,166,025</u>	<u>182,910,684</u>	<u>202,534,417</u>	<u>197,383,240</u>	<u>209,100,338</u>
Excess of revenues over (under) expenditures	<u>(7,131,715)</u>	<u>(68,186,267)</u>	<u>(13,598,253)</u>	<u>(4,062,007)</u>	<u>2,447,211</u>	<u>3,071,175</u>	<u>(11,765,078)</u>	<u>(28,691,479)</u>	<u>(6,724,263)</u>	<u>(7,122,073)</u>
Other financing sources (uses)										
Issuance of long-term debt	-	35,610,301	-	-	-	14,212,936	48,209,146	37,437,354	-	-
Payment to bond refunding escrow agent	-	-	-	-	-	(9,678,680)	-	(27,757,877)	-	-
Transfers:										
Transfers in	31,704,276	20,289,317	20,328,314	20,328,314	11,214,335	11,467,814	14,458,054	19,908,436	17,469,180	17,469,746
Transfers out	(31,743,136)	(20,370,471)	(20,328,314)	(20,328,314)	(11,214,335)	(11,467,814)	(14,458,054)	(19,908,436)	(17,469,180)	(19,056,923)
Total other financing sources (uses)	<u>(38,860)</u>	<u>35,529,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,534,256</u>	<u>48,209,146</u>	<u>9,679,477</u>	<u>-</u>	<u>(1,587,177)</u>
Net change in fund balances	<u>\$ (7,170,575)</u>	<u>\$ (32,657,120)</u>	<u>\$ (13,598,253)</u>	<u>\$ (4,062,007)</u>	<u>\$ 2,447,211</u>	<u>\$ 7,605,431</u>	<u>\$ 36,444,068</u>	<u>\$ (19,012,002)</u>	<u>\$ (6,724,263)</u>	<u>\$ (8,709,250)</u>
Debt service as a percentage of noncapital expenditures	3.80%	3.43%	6.03%	6.28%	6.52%	5.88%	5.84%	6.86%	5.97%	6.00%

Schedule 5

Worcester County, Maryland

**Assessed Value (Full Cash Value) of Taxable Property,
Last Ten Fiscal Years**

Fiscal Year	Real Property	Personal Property Individuals and Firms	Businesses, Corporations and Utilities	Total Assessable Base	County Tax Rate *	State Tax Rate
2017	\$ 14,825,676,056	\$ 18,977,901	\$ 349,286,832	\$ 15,193,940,789	\$ 0.835	\$ 0.112
2016	14,534,558,652	17,437,771	333,661,670	14,885,658,093	0.835	0.112
2015	14,556,412,647	16,548,700	315,387,352	14,888,348,699	0.77	0.112
2014	14,755,590,502	17,112,844	297,149,958	15,069,853,304	0.77	0.112
2013	15,462,442,895	15,847,573	297,224,707	15,775,515,175	0.70	0.112
2012	17,207,677,633	16,321,783	298,394,546	17,522,393,962	0.70	0.112
2011	17,829,124,045	16,428,122	284,635,088	18,130,187,255	0.70	0.112
2010	18,981,906,096	17,203,174	302,400,983	19,301,510,253	0.70	0.112
2009	19,919,553,300	19,948,057	307,837,176	20,247,338,533	0.70	0.112
2008	17,044,842,573	19,730,065	306,795,892	17,371,368,530	0.70	0.112

Source: State of Maryland, Department of Assessments and Taxation

Note: * Per \$100 of value

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

	Year Taxes Are Payable									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
County Direct Rates										
General	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.77	\$ 0.77	\$ 0.77	\$ 0.835	\$ 0.835
Town Rates										
Berlin	0.73	0.73	0.73	0.73	0.73	0.68	0.68	0.68	0.68	0.68
Ocean City	0.41	0.38	0.395	0.395	0.395	0.4585	0.472	0.4704	0.478	0.4656
Pocomoke	0.76	0.76	0.76	0.76	0.75	0.82	0.82	0.9285	0.9375	0.9375
Snow Hill	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86

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

Taxpayer	Fiscal Year 2017			Fiscal Year 2008		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Delmarva Power	\$ 75,183,230	1	0.49%	\$ 43,583,160	2	0.25%
Harrison Inn Stardust	57,769,400	2	0.38%	55,385,966	1	0.32%
Americana Stowaway Motel Inc.	36,111,133	3	0.24%	29,100,300	5	0.17%
91st Street Joint Venture	30,299,200	4	0.20%	29,908,700	4	0.17%
Choptank Electric Cooperative	24,343,020	5	0.16%			
Individual	23,166,400	6	0.15%	18,608,800	8	0.11%
Individual	22,383,967	7	0.15%			0.00%
Sandpiper Energy	21,728,600	8	0.14%			0.00%
Harrison Hi 18 LLC	21,262,733	9	0.14%	20,678,733	7	
Harrison Inn Ocean View	20,830,033	10	0.14%	26,701,066	6	0.15%
Verizon Maryland				39,420,460	3	0.23%
Harrison Inn 66				18,548,932	9	0.11%
LPBOC Hotel				18,378,032	10	0.11%
Total	\$ 333,077,716		2.19%	\$ 300,314,149		1.62%

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

Fiscal Year	Net Taxes Levied for Fiscal Year *	Collected within the Fiscal Year of the Levy		Delinquent Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	\$ 130,113,435	\$ 127,089,001	97.68%	\$ 3,093,229	\$ 130,182,230	100.05%
2016	127,310,134	124,150,927	97.52%	2,910,349	127,061,276	99.80%
2015	116,946,415	113,877,415	97.38%	2,913,774	116,791,189	99.87%
2014	117,232,826	113,637,017	96.93%	2,865,685	116,502,702	99.38%
2013	120,978,969	118,039,082	97.57%	2,668,186	120,707,268	99.78%
2012	120,824,876	117,865,015	97.55%	2,461,933	120,326,948	99.59%
2011	122,758,482	118,346,054	96.41%	2,936,982	121,283,036	98.80%
2010	127,501,001	123,185,310	96.62%	2,842,094	126,027,404	98.84%
2009	134,758,214	129,987,549	96.46%	2,216,085	132,203,634	98.10%
2008	117,235,050	113,909,952	97.16%	2,446,527	116,356,479	99.25%

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

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

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

Tax Year	State Income Tax Rate								Worcester County Local Income Tax Direct Rate
	\$0 to \$1,000 Net Taxable Income	\$1,000 to \$2,000 Net Taxable Income	\$2,000 to \$3,000 Net Taxable Income	\$3,000 to \$100,000 Net Taxable Income	\$100,000 to \$125,000 Net Taxable Income	\$125,000 to \$150,000 Net Taxable Income	\$150,000 to \$250,000 Net Taxable Income	In excess of \$250,000 Net Taxable Income	
2016	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.75%
2015	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2014	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2013	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2012	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2011	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2010	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2009	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2008	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2007	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%

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

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

Tax Year	Number of Taxable Returns	Maryland Adjusted Gross Income	Net Taxable Income	Net State Income Tax	Local Income Tax	Total Tax Liability	Worcester County Income Tax Direct Rate
2015 *	20,882	\$ 1,545,094,426	\$ 1,249,149,607	\$ 56,496,462	\$ 15,064,794	\$ 71,561,256	1.25%
2014	20,851	1,365,308,664	1,072,579,791	47,357,771	13,075,365	60,433,136	1.25%
2013	20,617	1,286,708,049	990,978,118	43,499,534	12,128,750	55,628,284	1.25%
2012	20,440	1,290,129,238	994,950,253	43,469,925	12,174,791	55,644,716	1.25%
2011	20,024	1,217,864,067	914,819,943	38,544,724	11,193,861	49,738,585	1.25%
2010	20,005	1,210,435,351	902,488,197	38,732,378	11,049,389	49,693,809	1.25%
2009	19,568	1,134,122,027	830,593,787	35,899,902	10,154,650	46,054,552	1.25%
2008	20,223	1,227,188,627	910,200,259	39,699,296	11,184,183	50,883,479	1.25%
2007	21,233	1,334,945,488	1,026,855,196	43,562,023	12,604,859	56,166,882	1.25%
2006	21,009	1,295,487,063	1,004,316,908	42,084,216	12,342,088	54,426,304	1.25%

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

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

* Data unavailable for the 2016 filing year

Schedule 11
Worcester County, Maryland
Income Tax Filers, Net Taxable Income, and Liability by Adjusted Gross Income Level,
Last Year and Ten Years Ago

	Tax Year 2015 *					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$250,000 and higher	569	2.7%	\$ 432,778,397	34.6%	\$ 5,213,102	34.6%
\$100,000 - 249,999	2,711	13.0%	327,951,364	26.3%	4,018,471	26.7%
\$50,000 - 99,999	5,100	24.4%	271,854,412	21.8%	3,392,798	22.5%
\$25,000 - 49,999	6,492	31.1%	158,805,764	12.7%	1,839,908	12.2%
\$5,000 - 24,999	5,888	28.2%	57,547,797	4.6%	598,123	4.0%
Under \$5,000	122	0.6%	211,873	0.0%	2,392	0.0%
Totals	20,882	100.0%	\$ 1,249,149,607	100.0%	\$ 15,064,794	100.0%

	Tax Year 2006					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$250,000 and higher	488	2.3%	\$ 302,239,841	30.1%	\$ 3,777,996	30.6%
\$100,000 - 249,999	1,998	9.5%	227,720,512	22.7%	2,846,532	23.1%
\$50,000 - 99,999	4,818	22.9%	250,360,534	24.9%	3,129,088	25.4%
\$25,000 - 49,999	6,334	30.1%	154,319,011	15.4%	1,872,610	15.2%
\$5,000 - 24,999	7,179	34.2%	69,368,761	6.9%	712,547	5.8%
Under \$5,000	192	0.9%	308,249	0.0%	3,315	0.0%
Totals	21,009	100.0%	\$ 1,004,316,908	100.0%	\$ 12,342,088	100.0%

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

Note: * Data unavailable for the 2016 filing year

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

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Bond/Lease Debt Per Capita
	General Obligation Bonds	Deferred Bond Premiums	General Obligation Bonds	Capital Leases	Deferred Bond Premiums (Costs)			
2017	\$ 86,271,999	\$ 6,750,477	\$ 20,151,002	\$ 803,425	\$ 719,748	\$ 114,696,651	3.93%	2,230
2016	94,004,273	7,105,393	22,670,278	1,353,997	758,437	125,892,378	4.31%	2,447
2015	101,944,407	7,460,309	24,299,716	1,527,500	782,829	136,014,761	4.99%	2,639
2014	102,921,889	5,648,657	23,223,396	1,391,965	411,541	133,597,448	5.21%	2,585
2013	67,549,992	919,216	17,062,876	1,359,361	(173,920)	86,717,525	3.34%	1,680
2012	70,701,211	701,272	19,348,694	1,239,613	(211,545)	91,779,245	3.68%	1,779
2011	78,525,255	775,305	15,053,052	1,574,530	(249,170)	95,678,972	4.22%	1,857
2010	86,048,230	849,338	15,215,449	1,579,885	(286,795)	103,406,107	5.05%	2,105
2009	93,320,140	923,371	16,409,885	2,422,300	(324,420)	112,751,276	5.60%	2,288
2008	63,539,371	371,846	18,268,965	2,475,233	(362,078)	84,293,337	4.53%	1,711

Notes: 2017 percentage of personal income calculated using 2016 personal income data, which is the most recent available

2017 bond/lease debt per capita calculated using 2016 population data, which is the most recent available

See Schedule 16 for population and personal income data

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

Fiscal Year	General Obligation Bonds	Total Taxable Assessable Base	Percentage of Total Taxable Assessable Base	Population	Bond Debt Per Capita
2017	\$ 106,423,001	\$ 15,193,940,789	0.70%	*	\$ 2,069
2016	116,674,551	14,885,658,093	0.78%	51,444	2,268
2015	126,244,123	14,888,348,699	0.85%	51,540	2,449
2014	126,145,285	15,069,853,304	0.84%	51,675	2,441
2013	84,612,868	15,775,515,175	0.54%	51,620	1,639
2012	90,049,905	17,522,393,962	0.51%	51,578	1,746
2011	93,578,307	18,130,187,255	0.52%	51,514	1,817
2010	101,263,679	19,301,510,253	0.52%	49,122	2,061
2009	109,730,025	20,247,338,533	0.54%	49,274	2,227
2008	81,808,336	17,371,368,530	0.47%	49,270	1,660

Source: Worcester County Finance Office

Notes: * Information not yet available

2017 bond debt per capita calculated using 2016 population data, which is the most recent available

Schedule 14
Worcester County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2017

	<u>Governmental Unit</u>	<u>Debt Outstanding</u>
Direct Debt		
	Worcester County - General Government	\$ 15,176,999
	Worcester County - School Debt	<u>71,095,000</u>
	Subtotal Direct Debt	<u>86,271,999</u>
Overlapping Debt		
	Berlin	20,076,047
	Ocean City	95,080,195
	Pocomoke	4,137,314
	Snow Hill	<u>2,066,562</u>
	Subtotal Overlapping Debt	<u>121,360,118</u> *
Total Direct and Overlapping Debt		<u><u>\$ 207,632,117</u></u>

Source: Worcester County Finance Office

Note: * Municipal Financial Statements - all municipalities located wholly within Worcester County

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total Debt Outstanding Limit										
Taxable Assessable Base	\$ 17,371,369	\$ 20,247,339	\$ 19,301,510	\$ 18,130,187	\$ 17,522,394	\$ 15,775,515	\$ 15,069,853	\$ 14,888,349	\$ 14,885,658	\$ 15,193,941
Debt Limit, 1% of Assessable Base	173,714	202,473	193,015	181,302	175,224	157,755	150,699	148,883	148,857	151,939
Amount of Debt Applicable to Limit	63,539	93,320	86,048	78,525	70,701	67,550	102,922	101,944	94,004	86,272
Debt Margin	<u>\$ 110,174</u>	<u>\$ 109,153</u>	<u>\$ 106,967</u>	<u>\$ 102,777</u>	<u>\$ 104,523</u>	<u>\$ 90,205</u>	<u>\$ 47,777</u>	<u>\$ 46,939</u>	<u>\$ 54,852</u>	<u>\$ 65,667</u>
Total debt applicable to the limit as a percentage of debt limit	36.58%	46.09%	44.58%	43.31%	40.35%	42.82%	68.30%	68.47%	63.15%	56.78%
Total Debt Service Limit										
Total Governmental Fund Revenue	\$ 178,915	\$ 196,317	\$ 176,715	\$ 173,868	\$ 174,865	\$ 176,237	\$ 171,146	\$ 173,843	\$ 190,659	\$ 201,978
Debt Service Limit, 10% of Revenue	17,891	19,632	17,671	17,387	17,486	17,624	17,115	17,384	19,066	20,198
Debt Service Applicable to Limit	6,526	8,327	11,039	11,008	10,991	10,069	10,536	13,737	11,481	11,941
Debt Service Margin	<u>\$ 11,365</u>	<u>\$ 11,304</u>	<u>\$ 6,632</u>	<u>\$ 6,379</u>	<u>\$ 6,496</u>	<u>\$ 7,554</u>	<u>\$ 6,578</u>	<u>\$ 3,648</u>	<u>\$ 7,585</u>	<u>\$ 8,257</u>
Total debt service applicable to the limit as a percentage of debt service limit	36.48%	42.42%	62.47%	63.31%	62.85%	57.14%	61.56%	79.02%	60.22%	59.12%

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

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

Year	Population ^a	Personal Income ^b <i>(dollars in thousands)</i>	Per Capita Personal Income ^b	Public School Enrollment ^c	Unemployment Rate ^d
2017	*	*	*	6,667	5.7%
2016	51,444	\$ 2,919,306	\$ 56,747	6,660	6.2%
2015	51,540	2,723,740	52,847	6,654	7.9%
2014	51,675	2,562,653	49,592	6,649	7.2%
2013	51,620	2,597,794	50,325	6,650	8.5%
2012	51,578	2,493,986	48,354	6,643	8.2%
2011	51,514	2,265,940	43,987	6,699	8.9%
2010	49,122	2,045,692	41,645	6,659	8.1%
2009	49,274	2,013,834	40,870	6,673	7.5%
2008	49,270	1,860,874	37,769	6,747	4.6%

Sources: ^a U.S. Census Bureau Population Factfinder
^b U.S. Department of Commerce Bureau of Economic Analysis, November 17, 2017
^c Worcester County Board of Education
^d Maryland Department of Labor, Licensing and Regulation, as of June 30

Note: * Information not yet available

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

Employer	2017	
	Employees	Percentage of Total County Employment
Town of Ocean City	1,437	5.66%
Harrison Group	1,260	4.97%
Worcester County Board of Education	1,227	4.84%
Atlantic General Hospital	898	3.54%
Worcester County Government	671	2.64%
Bayshore Development	518	2.04%
O.C. Seacrets, Inc.	510	2.01%
Wal-Mart Super Center	493	1.94%
Dough Roller	331	1.30%
Clarion Fountainebleu Hotel	310	1.22%
	7,655	30.16%
Total Worcester County Employees		25,375

Employer	2008	
	Employees	Percentage of Total County Employment
Town of Ocean City	1,497	5.02%
Worcester County Board of Education	1,176	3.94%
Harrison Group	800	2.68%
Worcester County Government	610	2.04%
Atlantic General Hospital	599	2.01%
Wal-Mart Super Center	500	1.68%
Phillips Seafood Restaurant	327	1.10%
Clarion Fountainebleu Hotel	294	0.98%
Candy Kitchen	250	0.84%
Super Fresh	214	0.72%
	6,267	21.01%
Total Worcester County Employees		29,848

Sources: Worcester County Economic Development

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

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

Function/Program	Full-time Equivalent Employees as of June 30									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General government	149.7	153.4	137.1	127.4	125.0	124.3	122.0	121.4	122.0	120.6
Commissioners, judges, and boards	20.0	20.0	20.0	21.0	21.0	22.0	21.0	21.0	19.0	19.0
Public safety	174.4	180.3	191.5	203.3	207.1	212.1	222.3	225.2	228.7	231.7
Public works	70.0	70.6	64.8	61.9	59.7	57.7	56.9	59.1	57.2	59.8
Social services - LMB	3.8	3.5	3.0	1.0	-	-	-	-	-	-
Library and recreation	67.1	70.0	65.1	62.0	60.4	63.1	63.1	64.0	64.3	65.5
Natural resources	0.2	-	-	-	-	-	-	-	-	-
Water and wastewater	66.6	67.2	63.7	65.0	62.6	62.9	65.2	64.8	65.9	64.9
Solid waste	46.6	45.3	40.9	39.0	36.6	35.0	35.6	35.7	35.2	35.3
Liquor control	-	-	-	-	36.0	31.8	31.0	24.5	19.0	15.9
Total	598.4	610.3	586.1	580.6	608.4	608.9	617.1	615.7	611.3	612.7

Source: Worcester County Finance Office

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

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

The Department of Liquor Control was new in FY12

Part-time and temporary employees are included in this table

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

Function/Program	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government										
Building permits issued *	98	73	75	59	65	76	124	133	138	127
Value of new construction (in 000's)	31,990	17,063	17,524	13,317	14,437	20,344	31,150	26,806	29,865	29,559
Public Safety										
Detention Center										
Average daily population	274	196	267	334	375	376	335	338	344	345
Fire protection (all volunteer)										
Fire calls answered	1,526	1,425	1,370	1,490	1,539	1,612	2,164	2,673	2,436	2,181
Emergency Medical Services										
EMS calls answered	5,812	5,621	5,928	5,572	6,050	6,243	5,937	6,537	6,551	6,906
Education										
Students	6,747	6,673	6,659	6,699	6,643	6,650	6,649	6,654	6,660	6,667
Teachers	577	579	572	571	570	571	572	572	572	572
Public Works										
Centerline miles of road maintained	524	524	529	530	530	530	530	531	531	531
Wastewater treated (mgd)	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.1

Source: Worcester County Finance Office and individual County departments

Note: * Single Family Dwelling Units

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

Function/Program	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Public Safety										
Detention center capacity	300	300	507	507	507	507	507	507	507	507
Fire companies	9	9	9	9	9	9	9	9	9	9
Emergency medical services companies	6	7	7	7	7	7	7	7	7	7
Education										
Elementary schools	5	5	5	5	5	5	5	5	5	5
Intermediate schools	1	1	1	1	1	1	1	1	1	1
Middle schools	3	3	3	3	3	3	3	3	3	3
Special school	1	1	1	1	1	1	1	1	1	1
High schools	3	3	3	3	3	3	3	3	3	3
Technical high school	1	1	1	1	1	1	1	1	1	1
Public libraries	5	5	5	5	5	5	5	5	5	5
Recreation Facilities										
Recreation center	1	1	1	1	1	1	1	1	1	1
County parks	12	13	13	13	13	13	13	13	13	13
Park acreage	880	883	883	883	883	883	883	883	883	883
Public landings and wharves	9	9	9	9	9	9	9	9	9	9
Boat slips	8	8	8	8	8	8	8	8	8	8
Public Works										
Centerline miles of County roads	524	527	529	530	530	530	530	531	531	531
Public easements - Ocean Pines	64.16	64.16	64.12	64.12	64.12	64.12	64.12	64.12	64.12	64.12
Bridges	40	40	44	44	44	44	44	44	43	43
Wastewater treatment plants	8	8	8	8	8	8	8	8	8	8
Miles of sewer pipeline	187	187	187	187	187	187	190	191	191	192
Water well house facilities	5	5	5	5	5	5	5	5	5	5
Pump stations	53	53	53	54	54	54	54	55	55	55
Water tanks	5	6	6	6	6	6	6	6	6	6
Waterlines	148	149	150	150	150	151	151	151	154	156
Water treatment facilities	10	10	10	10	10	10	10	10	10	10
Recycling center	1	1	1	1	1	1	1	1	1	1

Source: Worcester County Finance Office and individual County departments