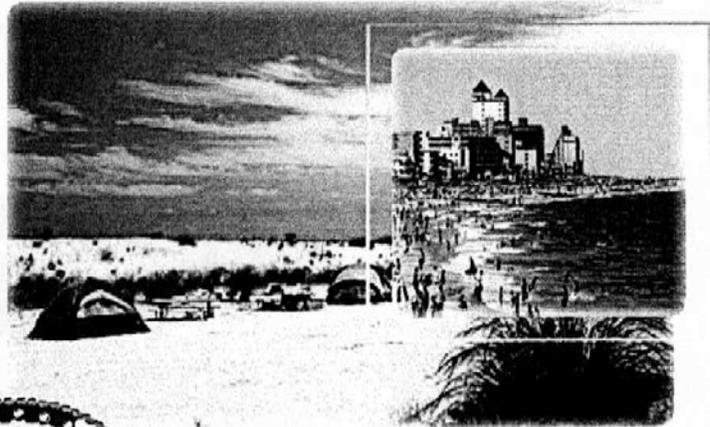
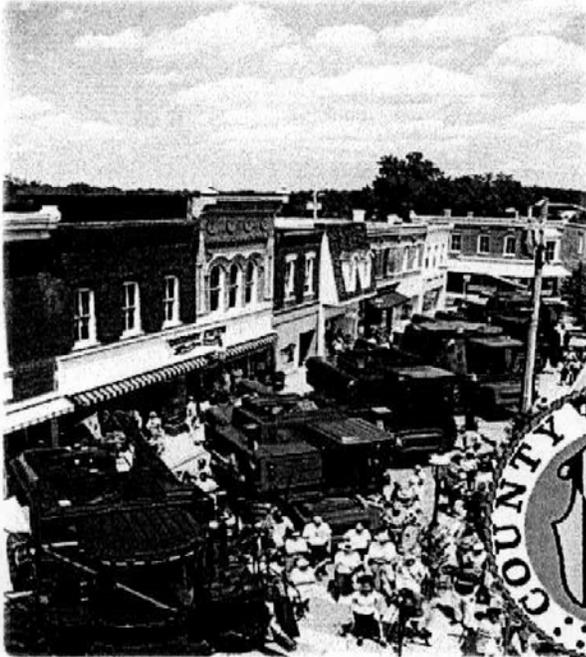


Worcester County

MARYLAND



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

PREPARED BY:
**WORCESTER COUNTY
TREASURER'S OFFICE**

www.co.worcester.md.us

INTRODUCTORY SECTION

LOCATION MAP

LETTER OF TRANSMITTAL

ORGANIZATION CHART

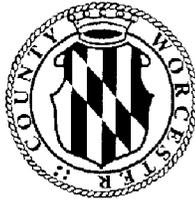
LIST OF PRINCIPAL OFFICERS

WORCESTER COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2007
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Worcester County

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P.O. Box 248
SNOW HILL, MARYLAND
21863

HAROLD L. HIGGINS, CPA
FINANCE OFFICER

PHILLIP G. THOMPSON, CPA
ASSISTANT FINANCE OFFICER

December 21, 2007

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, 2007 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.

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 of Trice, Geary and Myers, 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, 2007, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Worcester County, Maryland's financial statements for the fiscal year ended June 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's 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, including the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," 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 2,400 to about 4,100 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 fastest growing area. The Town's major industry is tourism. Tourists spent over \$1.2 billion in the City during calendar year 2004. According to the 2000 Census, 7,173 persons resided on a permanent basis in Ocean City, an increase of 2,027 over the 1990 Census count. 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 Town provides its 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 agencies of the County government. The County provides a full range of municipal services including education, libraries, public safety (police, detention center, and volunteer fire services),

recreation activities, health and social services, sanitary districts, waste disposal, recycling, highways and streets, planning and zoning, and general administrative services.

Budget Process

The Board annually 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 April. 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 said 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.

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 - Worcester County currently enjoys a favorable economic environment and local indicators point to continued stability. The real estate market in the County cooled substantially in the FY 2007 year and this is evidenced by the 29.3 percent reduction in transfer and recordation tax receipts. Despite this decrease, both transfer and recordation taxes met the FY 2007 budget projections. However, room tax receipts and income taxes were stronger than expected with increases of 5.8% and 6.7% respectively. The County has a mix of service related businesses, agriculture, tourism, and light manufacturing. Its unemployment rates have been consistent in recent years, and it has favorable tax rates, including the second lowest property tax rate and the lowest income tax rate in the State.

The County has a strong tourism business, drawing visitors from all over the Country to its pristine seashore and many historic sites. 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 annually a multiyear capital budget plan, covering 10 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.

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.

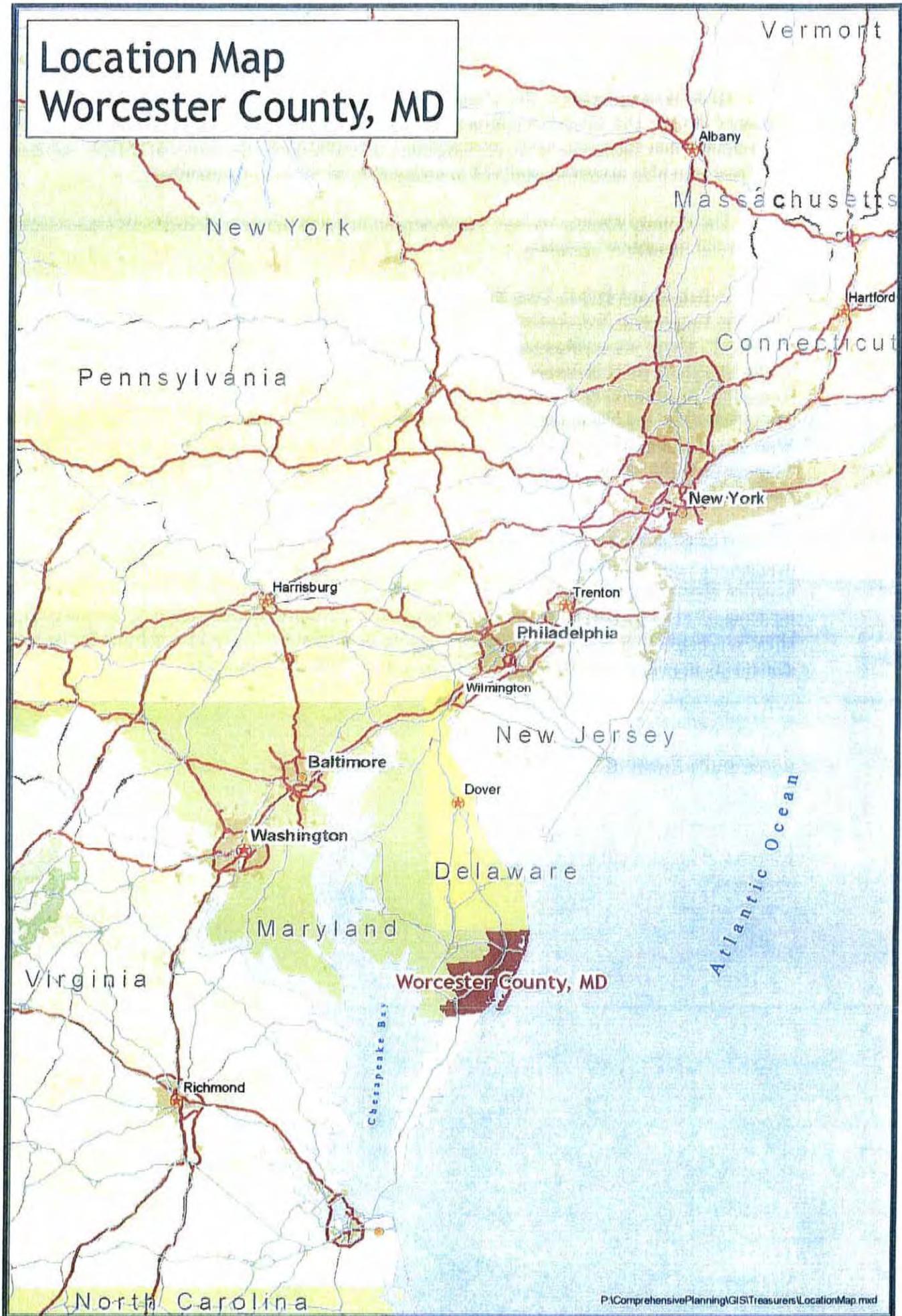
Pension and Other Post Employment Benefits – County employees are covered by either the Employees Retirement System or the Employees Pension System of the State of Maryland. These are multiple-employer public retirement systems sponsored and administered by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly. 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 post-retirement health care benefits for retirees and their dependents who meet the Maryland State Retirement System qualifications for full retirement benefits. Retirees pay a portion of the cost of the benefits based on their length of service with the County. The County’s portion of these costs is currently funded on a pay-as-you-go basis. However, beginning in FY 2009, GAAP require governments to report a liability in the financial statements in connection with their obligation to provide these benefits.

Respectfully Submitted,

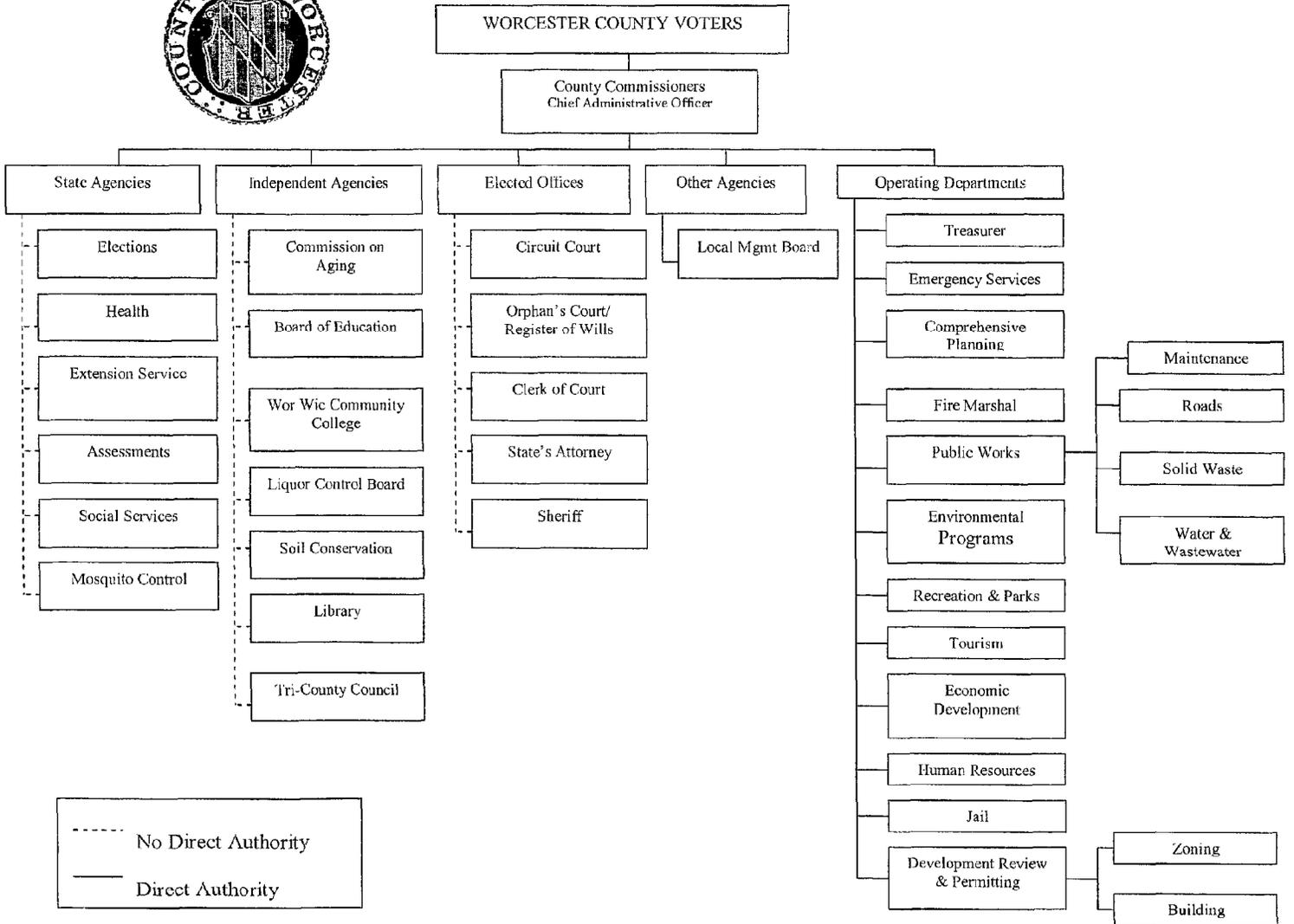
Harold L. Higgins, CPA
Treasurer

Location Map Worcester County, MD





Worcester County Organization Chart



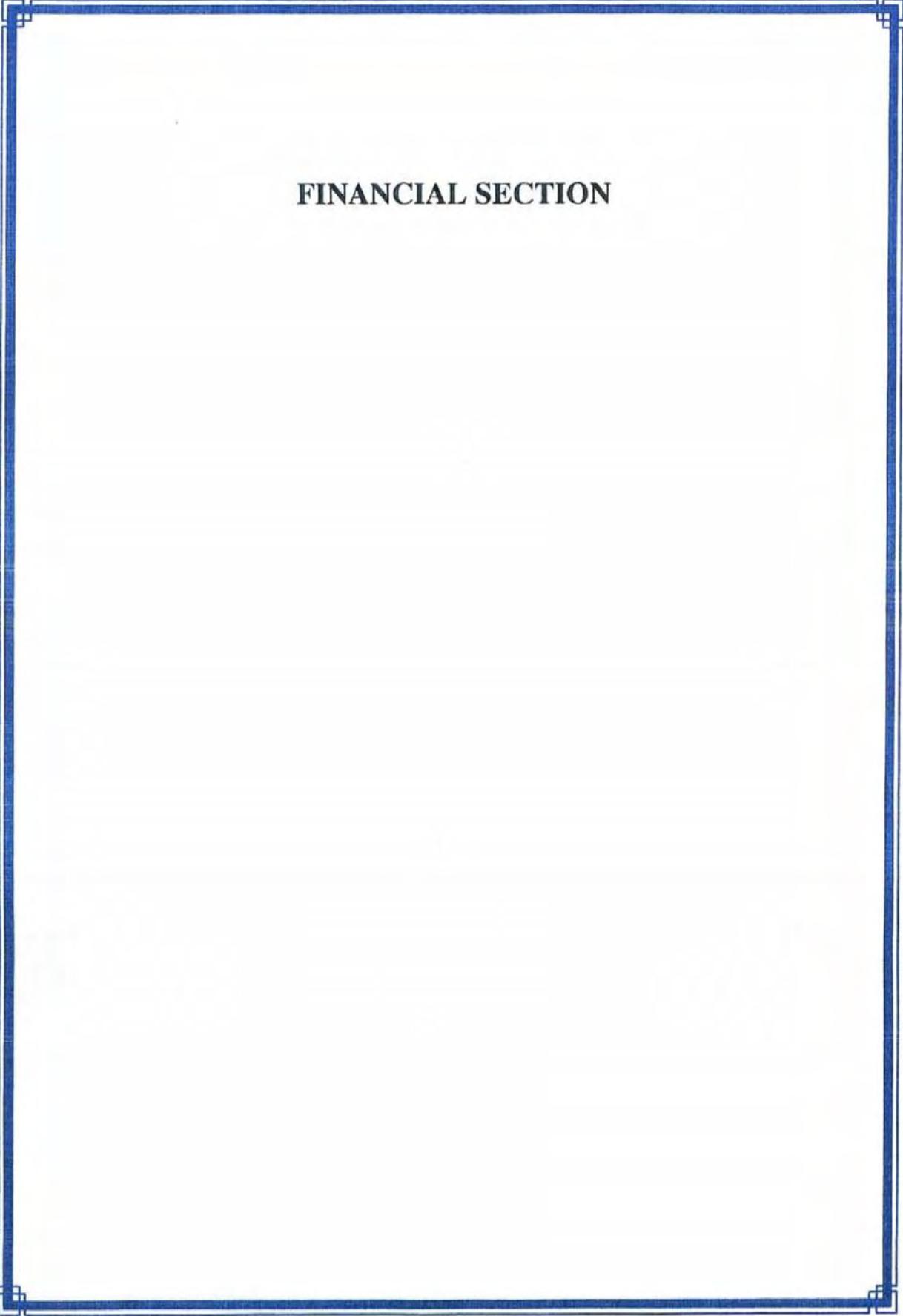
Worcester County, Maryland
List of Principal Officials and Directors
June 30, 2007

Elected Officials

County Commissioners	James L. Purnell, Jr., President Louise L. Guylas, Vice President Judith O. Boggs Linda C. Busick James C. Church Robert L. Cowger, Jr. Virgil L. Shockley
Sheriff	Charles T. Martin
State's Attorney	Joel J. Todd

Appointed Officials

County Administrator	Gerald T. Mason
Assistant County Administrator	Kelly Shannahan
Attorney	Edward H. Hammond, Jr.
Comprehensive Planning Director	Sandy Coyman
Jail Warden	Ira F. Shockley
Economic Development Director	Gerald Redden
Emergency Services Director	Teresa A. Owens
Environmental Programs Director	Robert Mitchell
Finance Director	Harold L. Higgins
Fire Marshal	Jeff McMahan
Human Resources Director	Deedee Rouse
Library Director	Mark Thomas
Local Management Bd. Director	Michael Dyer
Development Review and Permitting	Edward Tudor
Public Works Director	John Tustin
Recreation and Parks Director	Sharon Reilly
Tourism Director	Lisa Challenger



FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

County Commissioners of
Worcester County, Maryland
Snow Hill, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Worcester County, Maryland as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Worcester County, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Worcester County. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion insofar as it relates to the amounts included for the Board of Education of Worcester County, is based solely upon the report of the other auditors.

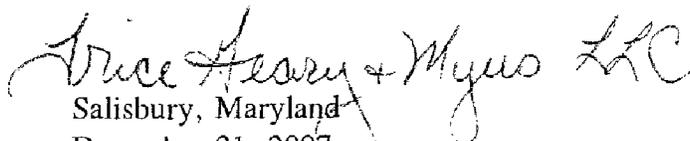
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 11 - 21 and 69 - 88, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Worcester County, Maryland's basic financial statements. The additional supplementary information and schedules listed in the financial section of the table of contents and the statistical section as identified in the statistical section of the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Worcester County, Maryland. Such information, except for the statistical tables on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, based upon our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.


Salisbury, Maryland
December 21, 2007

MANAGEMENT DISCUSSION AND ANALYSIS

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, 2007. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and footnotes. 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.

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 assets* and a *statement of activities*.

- The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 inter-governmental.
- The *business-type activities* of the County include solid waste and water and sewer utility operations.

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

The government-wide financial statements can be found on pages 24 - 26 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, government 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 eight 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 balance for the general, capital project, Department of Social Services, reserve, Local Management Board, Energy Service Fund, Other Post Employment Benefits Fund and debt 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 29 - 32 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 Assets 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 both its solid waste and its water and sewer 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 33 - 37 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 statement 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 38 - 39 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 41 - 67 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 on page 69 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$206,021,610 as of June 30, 2007 compared to \$176,369,172 for the year ended June 30, 2006. The majority of this increase is attributable to the Governmental activities. Key elements of this increase are as follows:

- Real property tax revenue increased by \$13,888,415 or 16.2% over the prior fiscal year. This is due to new growth in the County and increases in property tax values as assessed by the State of Maryland Department of Taxation and Assessment.
- Local income tax revenue increased by \$1,531,607 or 10.7% from the prior fiscal year.

Worcester County, Maryland

Net Assets

	June 30, 2007			June 30, 2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other						
assets	\$ 117,112,533	\$ 35,359,133	\$ 152,471,666	\$ 77,532,525	\$ 39,743,366	\$ 117,275,891
Capital assets	95,720,475	79,278,542	174,999,017	91,591,818	64,670,271	156,262,089
Total assets:	212,833,008	114,637,675	327,470,683	169,124,343	104,413,637	273,537,980
Liabilities:						
Current and other						
liabilities	12,940,287	21,961,916	34,902,203	13,950,628	21,452,593	35,403,221
Long-term liabilities	66,854,462	19,692,408	86,546,870	42,278,094	19,487,493	61,765,587
Total liabilities:	79,794,749	41,654,324	121,449,073	56,228,722	40,940,086	97,168,808
Net assets:						
Invested in capital assets						
net of related debt	24,759,961	57,150,700	81,910,661	44,018,302	42,728,506	86,746,808
Restricted						
Unrestricted	108,278,298	15,832,651	124,110,949	68,877,319	20,745,045	89,622,364
Total net assets:	\$ 133,038,259	\$ 72,983,351	\$ 206,021,610	\$ 112,895,621	\$ 63,473,551	\$ 176,369,172

One of the largest portions of the County's net assets (39.7 percent) 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 \$81,910,661 at June 30, 2007. 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, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted assets (\$124,110,949) may be used to meet the County's ongoing obligations to citizens and creditors.

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 Assets

	June 30, 2007			June 30, 2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 4,897,072	\$ 16,898,715	\$ 21,795,787	\$ 5,326,727	\$ 16,236,252	\$ 21,562,979
Operating grants and contributions	5,675,002	30,000	5,705,002	5,518,848	55,000	5,573,848
Capital grants and contributions	1,908,265	8,983,508	10,891,773	2,006,905	18,490,430	20,497,335
General revenues:						
Real and personal property taxes	99,594,792		99,594,792	85,706,377		85,706,377
Income taxes	15,842,045		15,842,045	14,310,438		14,310,438
Other local taxes	30,073,645		30,073,645	36,183,091		36,183,091
State shared taxes	6,194,180		6,194,180	5,703,290		5,703,290
Franchise fees	21,713		21,713	20,808		20,808
Distribution - WCLCB	363,442		363,442	460,862		460,862
Interest income	5,069,327	600,400	5,669,727	3,246,509	539,437	3,785,946
Gain(loss) on sale of capital asset	(643,251)		(643,251)			
Other income	562,566		562,566	394,839		394,839
Total revenues:	169,558,798	26,512,623	196,071,421	158,878,694	35,321,119	194,199,813
Expenses:						
General government	9,695,262		9,695,262	9,517,392		9,517,392
Public safety	19,260,096		19,260,096	15,274,912		15,274,912
Public works	12,977,393		12,977,393	10,448,454		10,448,454
Health and hospitals	4,751,608		4,751,608	4,098,782		4,098,782
Social services	1,321,765		1,321,765	940,841		940,841
Education	65,947,811		65,947,811	58,884,554		58,884,554
Libraries, recreation and culture	4,289,428		4,289,428	3,846,651		3,846,651
Conservation of natural resources	561,242		561,242	598,504		598,504
Economic development	1,821,965		1,821,965	2,189,436		2,189,436
Distribution to municipalities	16,856,357		16,856,357	14,681,488		14,681,488
Interest charges	1,848,694		1,848,694	1,938,493		1,938,493
Miscellaneous	10,084,539		10,084,539	13,882,170		13,882,170
Landfill		6,071,486	6,071,486		6,982,920	6,982,920
Water and wastewater		10,931,337	10,931,337		8,404,660	8,404,660
Total expenses:	149,416,160	17,002,823	166,418,983	136,301,677	15,387,580	151,689,257
Increase in net assets	20,142,638	9,509,800	29,652,438	22,577,017	19,933,539	42,510,556
Net assets, beginning	112,895,621	63,473,551	176,369,172	90,318,604	43,540,012	133,858,616
Net assets, ending	<u>\$ 133,038,259</u>	<u>\$ 72,983,351</u>	<u>\$ 206,021,610</u>	<u>\$ 112,895,621</u>	<u>\$ 63,473,551</u>	<u>\$ 176,369,172</u>

Financial Analysis on Government Fund Financial Statements

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

Governmental Funds:

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. In particular 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, 2007 and 2006:

<u>Governmental Activities - Fund Statements</u>	<u>2007</u>	<u>2006</u>	<u>Net Change in Fund Balance</u>
General Fund	\$ 36,393,808	\$ 43,179,302	\$ (6,785,494)
Capital Projects Fund	34,080,904	7,766,594	26,314,310
Debt Service Fund	5,217	5,141	76
Other Governmental Funds	36,120,683	16,831,338	19,289,345
Total	<u>\$ 106,600,612</u>	<u>\$ 67,782,375</u>	<u>\$ 38,818,237</u>

At the end of the current fiscal year, the County's governmental funds reported combined fund balance of \$106,600,612, an increase of \$67,782,375 in comparison with the prior year.

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 \$36,393,808. This fund balance includes designations of \$4,600,378 for encumbrances, \$106,510 for prepaid expenses, \$31,186,920 for future capital projects, and \$500,000 as undesignated fund balance. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 22.8% of total general fund expenditures, while total fund balance represents 26.2% of that same amount.

The general fund balance of the County decreased by \$6,785,494 during the current fiscal year. This decrease was related to approved capital construction projects.

The **Capital Projects Fund** is used to account for major capital acquisition and construction of County facilities. Major sources for these projects are pay-as-you-go funding, debt proceeds, and federal and state grants. The fund balance of the County's Capital Projects Fund increased by \$26.3 million during the current fiscal year. This increase was associated with debt proceeds from the 2007 General Obligation Bond issue totaling \$28.1 million, which will be utilized to construct the new Worcester Career and Technology School.

The **Debt Service Fund** is used to account for the accumulation of resources for, and the payment of, general long-term debt, including capital lease obligations, principal, interest and related costs. The fund balance of the Debt Service Fund increased by \$76 during the current fiscal year. The entire fund balance is reserved for fund purposes.

The **Other Governmental Funds** show an increase of \$19,289,345 in fund balance over the prior year. The majority of this increase is due to the creation of an Other Post Employment Benefits or "OPEB" Fund, which was created in order to prepare for the Governmental Accounting Standards Board Statement 45. The County contributed \$17,015,000 in FY 07 to this fund, which will require public sector employers to account differently for certain non-pension benefits.

Proprietary funds:

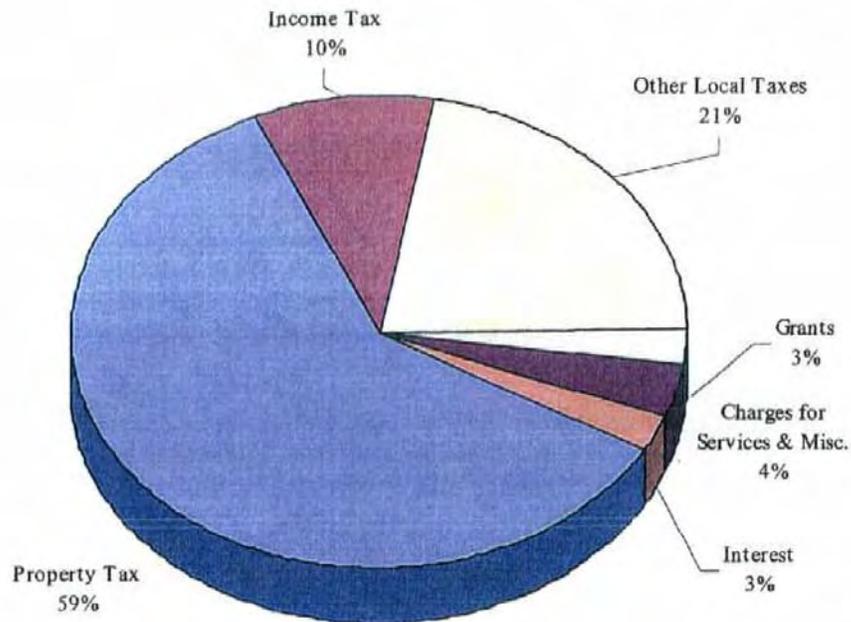
<u>Enterprise Fund Statements</u>	<u>2007</u>	<u>2006</u>	<u>Net Change in Fund Balance</u>
Water and Sewer Utilities	\$ 60,738,191	\$ 52,184,914	\$ 8,553,277
Solid Waste	<u>12,245,160</u>	<u>11,288,637</u>	<u>956,523</u>
Total	<u>\$ 72,983,351</u>	<u>\$ 63,473,551</u>	<u>\$ 9,509,800</u>

Solid Waste total net assets were \$12,245,160 as of June 30, 2007 representing a \$956,523 increase. The budget included approximately \$1,300,000 for capital purchases and lease payments on financed equipment and approximately \$300,000 for transfers from reserves. Tipping fees were under budget by approximately \$1.5 million due to a slowdown in volume brought in. Interest income was over budget by \$340,890. Leachate expense, vehicle/equipment maintenance, depreciation, and closure/post closure costs were under budget by \$95,718, \$244,836, \$510,794 and \$189,343 respectively.

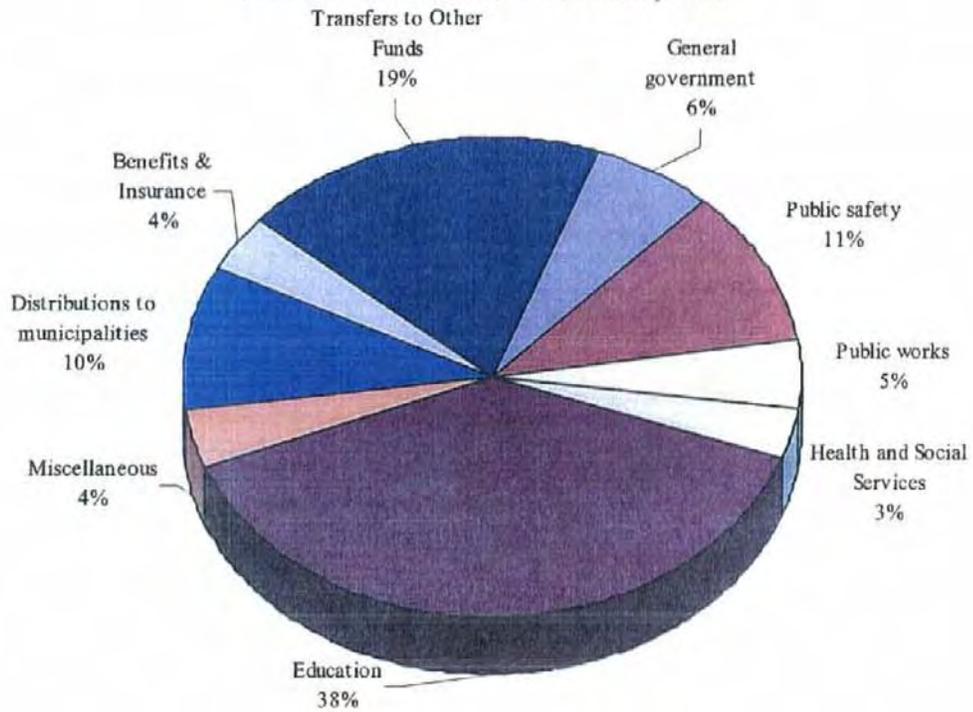
Water and Wastewater services net assets increased by \$8,553,277 for a total of \$60,738,191 at June 30, 2007. The increase is due mainly to a contribution of system assets of \$8,983,508 from the Landings developer.

Fiscal year 2007 revenues and expenses are summarized in the charts on the following pages for both the business type (proprietary) and governmental activities.

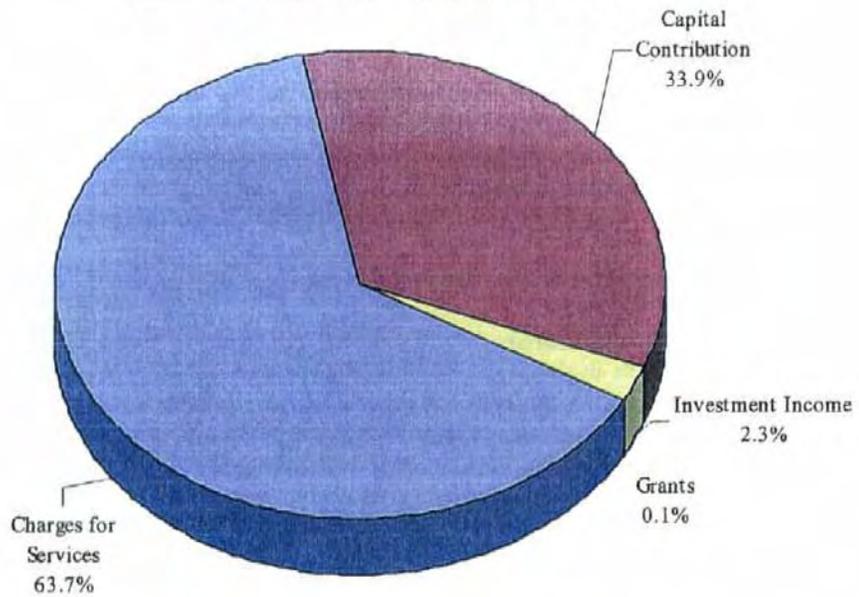
**Revenues by Source- Governmental Activities
For the Year Ended June 30, 2007**



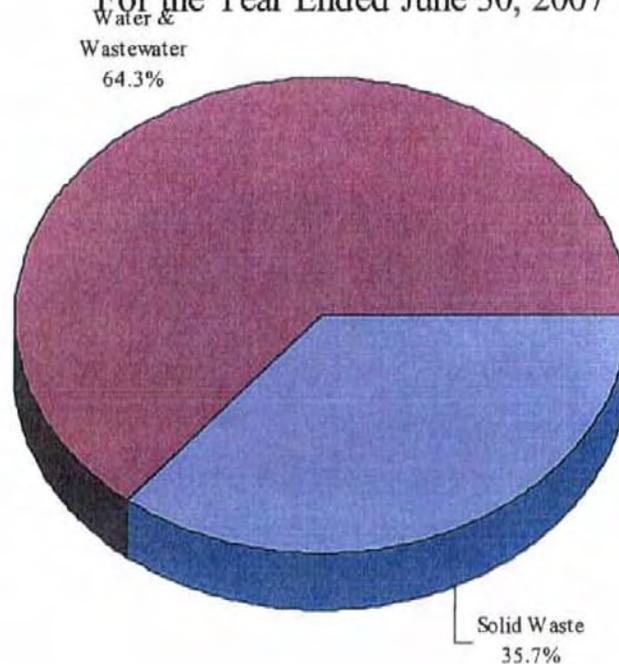
Expenses- Governmental Activities For the Year Ended June 30, 2007



Revenues by Source- Business-Type Activities For the Year Ended June 30, 2007



Expenses- Business-Type Activities For the Year Ended June 30, 2007



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, 2007, amounts to \$174,999,017 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current year was 12%. This investment in capital assets includes land, buildings, water and sewer infrastructure, improvements, machinery and equipment, park facilities, roads, highways, and bridges. Change in net assets over a period of time can be used as an indicator of the financial health of the County.

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

- To comply with Federal regulations the County completed two landfill cap and closures at Pocomoke and Snow Hill Landfills. Snow Hill cost \$1,870,548 and Pocomoke cost \$1,972,889.
- A new 8,000 square foot building with 4.8 acres of land was purchased for a north end public works facility. The facility is located on Main Street extended in Berlin, Md and will serve as additional offices for the Roads Department, Water & Wastewater satellite and other Public Works management offices as needed. The cost for the facility is \$1,158,833.
- A new 31,000 square foot parcel was purchased as the future site for a new Water tower for the Newark Service Area. Purchase price \$91,643.
- Construction began on the addition of a new Ocean City Library on Coastal Highway and 100th street. The 10,154 square foot building with an additional 1,600 sf of space on porches for expanded summer use. This modern architectural style building has a flexible open space design for both floors and incorporates Green Building features. The approximate cost for the improvements is \$6,401,224 and should be completed in December 2007.
- Construction is still underway for the addition/renovations to the Health Department. This project includes a 35,000 square foot addition and a 10,500 square foot renovation to the existing building in Snow Hill. The approximate cost for the improvements is \$9,400,000 with \$1,910,000 in State Grant funds.
- Construction began on the addition and renovation project to the Jail located in Snow Hill, Maryland. The current capacity of the Jail at 319 will be increased by 183 for a total capacity of 502 inmates. The additional square footage of 64,367 and renovation of 13,283 square foot is estimated to cost \$25,960,186 and will utilize County and State funds.

- The new state-of-the-art Fire Training Center was completed. The center sits on 14 acres on Central Site Lane and includes a 5,045 square-foot steel building to accommodate volunteer fire fighters and other emergency service providers from Worcester County and other areas of the Eastern shore as they train for various types of emergencies.
- Improvements to various County parks and Boat landings (\$452,067)
- The County contributed the following for education projects:
 - \$663,477 to Wor-Wic Community College towards campus development
 - \$390,208 for construction of a new Ocean City Elementary School
 - \$1,051,949 for construction of a new Worcester Career & Technology Center School
 - \$82,459 for administrative and engineering fees for Pocomoke High School and Snow Hill High School.

Worcester County, Maryland
Capital Assets (Net of Depreciation)

	June 30, 2007			June 30, 2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land and improvements	\$ 9,103,339	\$ 1,341,872	\$ 10,445,211	\$ 4,305,846	\$ 1,341,872	\$ 5,647,718
Building and building improvements	31,108,346	3,725,828	34,834,174	31,548,278	3,831,659	35,379,937
Improvements other than buildings	2,219,164	7,682,098	9,901,262	2,033,875	4,368,241	6,402,116
Machinery and equipment	13,650,561	4,890,075	18,540,636	13,871,417	3,791,307	17,662,724
Water and sewer systems Infrastructure	27,237,889	59,764,624	59,764,624	32,438,459	50,439,747	50,439,747
Construction in progress	12,401,176	1,874,045	14,275,221	7,393,943	897,445	8,291,388
Total:	<u>\$ 95,720,475</u>	<u>\$ 79,278,542</u>	<u>\$ 174,999,017</u>	<u>\$ 91,591,818</u>	<u>\$ 64,670,271</u>	<u>\$ 156,262,089</u>

Additional information on Worcester County's capital assets can be found in note 5 on pages 51 - 52 of this report.

Long-term debt: At the end of the current fiscal year, Worcester County had total bonded long-term debt of \$87,239,674. The total debt is backed by the full faith and credit of Worcester County. Business-type activities are directly responsible for \$19,674,003 of the total debt.

Worcester County, Maryland
Outstanding Debt/General Obligation Bonds

	June 30, 2007			June 30, 2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Bonded Debt	<u>\$ 67,565,671</u>	<u>\$ 19,674,003</u>	<u>\$ 87,239,674</u>	<u>\$ 43,843,680</u>	<u>\$ 20,556,847</u>	<u>\$ 64,400,527</u>

The County's total bonded debt increased by \$22,839,147 during the current fiscal year due to the issuance of the Consolidated Public Improvement and Refunding Bonds 2007 Series. See Note 6 of this report for details of additional debt incurred and existing debt paid.

Worcester County maintains an "AA-" rating from Fitch and an "Aa3" rating from Moody's for general obligation debt.

Additional information on the County's long-term debt can be found in note 6 on pages 53 -- 57 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the County as of June 30, 2007 is 4.0%, which is a slight decrease from a rate of 4.1% a year ago. This compares to the state's average unemployment rate of 4.0%.
- Tourism continues to increase with a steady customer base of over eight million visitors to the County annually.
- Sustained levels of transfer and recordation tax revenues.

Revenues 2008 Budget

- Real property tax revenues including reassessments increased 20.6%
- Increased local income tax

Expenditures 2008 Budget

- One-time programs for the Board of Education which include \$500,000 in technology improvements, \$500,000 for school building improvements, and \$500,000 for school construction projects
- In response to recent Government Accounting Standard Board (GASB) statements which will require public sector employers to account differently for certain non-pension benefits the County continues to fund an other post employment benefits contingency fund for County and Board of Education employees with a \$17,014,392 contribution in FY08.

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.

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GOVERNMENT WIDE FINANCIAL STATEMENTS

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET ASSETS
 PRIMARY GOVERNMENT AS OF JUNE 30, 2007
 COMPONENT UNITS AS OF JUNE 30, 2007 AND APRIL 30, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	The Board of Education of Worcester County	Liquor Control Board of Worcester County
ASSETS					
Cash and short-term investments	\$100,938,932	\$ 12,198,295	\$ 113,137,227	\$ 4,034,536	\$ 399,695
Receivables:					
Taxes	3,037,620	-	3,037,620	-	-
Federal, state, and local governments	8,782,550	-	8,782,550	2,236,702	-
Mortgage receivable	-	-	-	-	262,557
Other	3,204,384	4,132,425	7,336,809	87,542	198,941
Internal balances	1,041,602	(1,041,602)	-	(323,851)	-
Inventories, at first-in, first-out method	-	-	-	-	1,924,734
Prepaid items	106,510	-	106,510	-	48,538
Other assets	935	20,070,015	20,070,950	-	-
Nondepreciable capital assets	21,504,515	3,215,917	24,720,432	12,363,461	212,158
Depreciable capital assets, net	74,215,960	76,062,625	150,278,585	62,450,650	1,662,501
Total assets	212,833,008	114,637,675	327,470,683	80,849,040	4,709,124
LIABILITIES					
Accounts payable and accrued liabilities	7,165,251	918,071	8,083,322	4,247,514	430,698
Due to other governmental units	-	11,706	11,706	-	702,586
Unearned revenue	646,310	8,891,010	9,537,320	1,236,312	-
Due to fiduciary funds	232,674	-	232,674	-	-
Long-term liabilities					
Vacation benefits	790,000	168,071	958,071	-	-
Due within one year	4,106,052	11,973,058	16,079,110	22,555	1,955,230
Due in more than one year	66,854,462	19,692,408	86,546,870	366,808	1,220,610
Total liabilities	79,794,749	41,654,324	121,449,073	5,873,189	4,309,124
NET ASSETS					
Invested in capital assets, net of related debt	24,759,961	57,150,700	81,910,661	74,814,111	-
Restricted for:					
Capital projects	-	-	-	67,930	-
Fiscal year 2008 budget	1,500,000	-	1,500,000	52,853	-
Unrestricted	106,778,298	15,832,651	122,610,949	40,957	400,000
Total net assets	\$133,038,259	\$ 72,983,351	\$206,021,610	\$74,975,851	\$ 400,000

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants Contributions, and Interest	Capital Grants, Contributions, and Interest
<u>Governmental Activities</u>				
<i>Current:</i>				
General government	\$ 9,695,262	\$ 2,021,984	\$ 510,142	\$ -
Public safety	19,260,096	1,985,066	576,837	1,365,367
Public works	12,977,393	58,632	3,400	-
Health and hospitals	4,751,608	456,345	2,504,357	-
Social services	1,321,765	-	-	-
Education	65,947,811	-	-	-
Libraries, recreation and culture	4,289,428	327,306	647,649	387,134
Conservation of natural resources	561,242	-	12,410	-
Economic development	1,821,965	47,739	104,753	155,764
Distributions to incorporated municipalities	16,856,357	-	-	-
Interest on long-term debt	1,848,694	-	-	-
Miscellaneous	10,084,539	-	1,315,454	-
Total Governmental Activities	149,416,160	4,897,072	5,675,002	1,908,265
<u>Business-Type Activities</u>				
Landfill	6,071,486	6,587,119	-	-
Department of Water and Wastewater	10,931,337	10,311,596	30,000	8,983,508
Total Business-Type Activities	17,002,823	16,898,715	30,000	8,983,508
Total Primary Government	166,418,983	21,795,787	5,705,002	10,891,773
<u>Component Units</u>				
The Board of Education of Worcester County	94,469,262	1,260,424	89,934,852	8,189,743
The Liquor Control Board for Worcester County	12,946,842	13,649,428	-	-
Total Component Units	107,416,104	14,909,852	89,934,852	8,189,743
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				
Franchise fees				
Distribution from Worcester County Liquor Control Board				
Loss on disposal of assets				
Interest				
Other				
Total General Revenues				
Change in Net Assets				
Net Assets Beginning of Year				
Net Assets End of Year				

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	The Board of Education of Worcester County	The Liquor Control Board of Worcester County
\$ (7,163,136)	\$ -	\$ (7,163,136)	\$ -	\$ -
(15,332,826)	-	(15,332,826)	-	-
(12,915,361)	-	(12,915,361)	-	-
(1,790,906)	-	(1,790,906)	-	-
(1,321,765)	-	(1,321,765)	-	-
(65,947,811)	-	(65,947,811)	-	-
(2,927,339)	-	(2,927,339)	-	-
(548,832)	-	(548,832)	-	-
(1,513,709)	-	(1,513,709)	-	-
(16,856,357)	-	(16,856,357)	-	-
(1,848,694)	-	(1,848,694)	-	-
(8,769,085)	-	(8,769,085)	-	-
(136,935,821)	-	(136,935,821)	-	-
-	515,633	515,633	-	-
-	8,393,767	8,393,767	-	-
-	8,909,400	8,909,400	-	-
(136,935,821)	8,909,400	(128,026,421)	-	-
-	-	-	4,915,757	-
-	-	-	-	702,586
-	-	-	4,915,757	702,586
99,594,792	-	99,594,792	-	-
15,842,045	-	15,842,045	-	-
10,842,013	-	10,842,013	-	-
593,253	-	593,253	-	-
10,905,366	-	10,905,366	-	-
109,802	-	109,802	-	-
5,395,746	-	5,395,746	-	-
2,227,465	-	2,227,465	-	-
6,194,180	-	6,194,180	-	-
21,713	-	21,713	-	-
363,442	-	363,442	-	(702,586)
(643,251)	-	(643,251)	-	-
5,069,327	600,400	5,669,727	395,486	-
562,566	-	562,566	84,896	-
157,078,459	600,400	157,678,859	480,382	(702,586)
20,142,638	9,509,800	29,652,438	5,396,139	-
112,895,621	63,473,551	176,369,172	69,579,712	400,000
\$ 133,038,259	\$ 72,983,351	\$ 206,021,610	\$ 74,975,851	\$ 400,000

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FUND FINANCIAL STATEMENTS

WORCESTER COUNTY, MARYLAND

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2007

	<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	\$ 52,424,633	\$ 30,818,923	\$ 5,217	\$ 17,690,159	\$100,938,932
Receivables:					
Taxes	3,037,620	-	-	-	3,037,620
Federal, state and local governments	6,872,550	1,910,000	-	-	8,782,550
Other	2,914,430	110	-	289,844	3,204,384
Due from other funds	6,646,725	8,955,850	-	18,620,025	34,222,600
Prepaid items	106,510	-	-	-	106,510
Other assets	935	-	-	-	935
Total assets	\$ 72,003,403	\$ 41,684,883	\$ 5,217	\$ 36,600,028	\$150,293,531
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,366,736	\$ 1,968,022	\$ -	\$ 305,493	\$ 6,640,251
Due to other funds	27,777,715	5,635,957	-	-	33,413,672
Unearned revenue	2,940,144	-	-	173,852	3,113,996
Other	525,000	-	-	-	525,000
Total liabilities	35,609,595	7,603,979	-	479,345	43,692,919
FUND BALANCES					
Fund balances:					
Reserved for encumbrances	4,600,378	-	-	-	4,600,378
Reserved for prepaid items	106,510	-	-	-	106,510
Reserved for fund purposes	-	-	5,217	-	5,217
Unreserved:					
Designated for capital projects	31,186,920	34,080,904	-	-	65,267,824
Undesignated	500,000	-	-	-	500,000
Unreserved, reported in nonmajor:					
Special revenue funds	-	-	-	36,120,683	36,120,683
Total Fund Balances	36,393,808	34,080,904	5,217	36,120,683	106,600,612
Total Liabilities and Fund Balances	\$ 72,003,403	\$ 41,684,883	\$ 5,217	\$ 36,600,028	\$150,293,531

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 ASSETS

June 30, 2007

Total fund balances, governmental funds \$106,600,612

Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources and are
therefore not reported in the fund financial statements, but are reported in the
governmental activities of the Statement of Net Assets. 95,720,475

Certain revenues that do not provide current financial resources are reported as
unearned revenue in the fund financial statements, but are reported as revenue in
the governmental activities of the Statement of Net Assets. 2,467,686

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 Assets. Those liabilities consist of:

Bond, notes and capital leases payable (70,960,514)
Compensated absences (790,000)

Total long-term liabilities (71,750,514)

Net assets of governmental activities in the Statement of Net Assets \$133,038,259

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, 2007

	General	Capital Projects	Debt Service	Other Governmental Funds	Total
REVENUES:					
Taxes and special assessments	\$151,011,920	\$ -	\$ -	\$ -	\$151,011,920
Licenses and permits	2,000,074	-	-	-	2,000,074
Intergovernmental	4,198,186	2,081,813	-	1,315,454	7,595,453
Service charges and fees	3,097,255	-	-	-	3,097,255
Miscellaneous	4,907,657	482,436	77	-	5,390,170
Other	-	-	-	414,435	414,435
Total revenues	165,215,092	2,564,249	77	1,729,889	169,509,307
EXPENDITURES:					
Current:					
General government	10,790,257	-	-	-	10,790,257
Public safety	18,451,149	-	-	-	18,451,149
Public works	8,044,885	-	-	-	8,044,885
Health and hospitals	4,578,348	-	-	-	4,578,348
Social services	1,164,542	-	-	157,223	1,321,765
Education	65,947,811	-	-	-	65,947,811
Libraries, recreation and culture	4,256,144	-	-	-	4,256,144
Conservation of natural resources	561,242	-	-	-	561,242
Economic development	1,821,965	-	-	-	1,821,965
Distributions to incorporated municipalities	16,856,357	-	-	-	16,856,357
Miscellaneous	6,350,657	-	-	1,178,939	7,529,596
Capital projects	-	11,919,855	-	-	11,919,855
Debt service:					
Principal retirement	-	-	5,047,700	-	5,047,700
Interest and other charges	-	114,299	1,757,392	-	1,871,691
Total expenditures	138,823,357	12,034,154	6,805,092	1,336,162	158,998,765
Excess (deficiency) of revenues over expenditures	26,391,735	(9,469,905)	(6,805,015)	393,727	10,510,542
OTHER FINANCING SOURCES (USES):					
Proceeds from long-term debt	-	28,307,695	-	-	28,307,695
Transfers in	-	7,476,520	6,805,091	18,895,618	33,177,229
Transfers out	(33,177,229)	-	-	-	(33,177,229)
Total other financing sources (uses)	(33,177,229)	35,784,215	6,805,091	18,895,618	28,307,695
Net change in fund balances	(6,785,494)	26,314,310	76	19,289,345	38,818,237
Fund balances, beginning	43,179,302	7,766,594	5,141	16,831,338	67,782,375
Fund balances, ending	\$ 36,393,808	\$34,080,904	\$ 5,217	\$36,120,683	\$106,600,612

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, 2007

Net change in fund balances, governmental funds \$ 38,818,237

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	13,375.105	
Loss on disposal of asset	(643,251)	
Depreciation expense	(8,603,197)	
Excess of capital outlay over depreciation expense	4,128,657	4,128,657

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. 692,742

Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, bonds and notes of this amount were issued, net of deferred bond discount. (28,284,698)

Governmental funds report repayment of debt principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. 5,047,700

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. (150,000)

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 activities consist of:

Increase in compensated absences	(110,000)
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Change in net assets of governmental activities \$ 20,142,638

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF FUND NET ASSETS
BUSINESS - TYPE ACTIVITIES

June 30, 2007

	Landfill	Department of Water and Wastewater Services	Total
ASSETS			
<u>Current assets</u>			
Cash and short-term investments	\$ 8,707,750	\$ 3,490,545	\$ 12,198,295
Accounts receivable	503,383	3,629,042	4,132,425
Total current assets	9,211,133	7,119,587	16,330,720
<u>Noncurrent assets</u>			
<u>Capital assets</u>			
Land, land rights and improvements	1,226,989	114,883	1,341,872
Construction in progress	-	1,874,045	1,874,045
Buildings and building improvements	4,233,213	-	4,233,213
Improvements other than buildings	24,843,425	-	24,843,425
Water and sewer systems	-	75,154,474	75,154,474
Machinery and equipment	6,361,042	4,218,486	10,579,528
	36,664,669	81,361,888	118,026,557
<u>Less accumulated depreciation</u>	<u>(20,900,998)</u>	<u>(17,847,017)</u>	<u>(38,748,015)</u>
	15,763,671	63,514,871	79,278,542
<u>Other assets</u>			
Long-term edu receivable	-	20,070,015	20,070,015
Total noncurrent assets	15,763,671	83,584,886	99,348,557
Total assets	24,974,804	90,704,473	115,679,277

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

	<u>Landfill</u>	Department of Water and Wastewater Services	<u>Total</u>
LIABILITIES			
<u>Current liabilities</u>			
Accounts payable and accrued expenses	239,501	517,720	757,221
Due to state	-	11,706	11,706
Bonds payable - current	-	1,395,443	1,395,443
Capital leases payable - current	639,562	46,128	685,690
Landfill - closure and postclosure costs	9,937,324	-	9,937,324
Accrued bond interest payable	-	160,850	160,850
Due to other funds	177,883	802,047	979,930
Total current liabilities	10,994,270	2,933,894	13,928,164
<u>Noncurrent liabilities</u>			
Unearned revenues	3,675	8,887,335	8,891,010
Vacation benefits	61,855	106,216	168,071
Bonds payable	-	18,278,558	18,278,558
Bond costs deferred	-	(399,700)	(399,700)
Capital leases payable	1,669,844	98,307	1,768,151
Due to other funds	-	61,672	61,672
Total noncurrent liabilities	1,735,374	27,032,388	28,767,762
Total liabilities	12,729,644	29,966,282	42,695,926
NET ASSETS			
Invested in capital assets, net of related debt	13,454,265	43,696,435	57,150,700
Unrestricted (deficit)	(1,209,105)	17,041,756	15,832,651
Total net assets	\$ 12,245,160	\$ 60,738,191	\$ 72,983,351

WORCESTER COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
BUSINESS - TYPE ACTIVITIES

Year Ended June 30, 2007

	<u>Landfill</u>	Department of Water and Wastewater <u>Services</u>	<u>Total</u>
OPERATING REVENUES:			
Domestic charges	\$ -	\$ 6,129,791	\$ 6,129,791
Commercial charges	-	250,783	250,783
Swimming pool charges	-	3,307	3,307
Hook-up charges	-	105,560	105,560
Water and sewer revenue	-	287,799	287,799
Future capital development	-	153,780	153,780
Interest and penalties on overdue accounts	1,008	73,492	74,500
Additional assessments	-	170,690	170,690
Front foot revenue	-	2,623	2,623
Payment by developers	-	92,491	92,491
Other revenue	2,843	1,367,593	1,370,436
Edu revenue	-	1,495,887	1,495,887
Tank fee revenue	-	10,400	10,400
White Horse Park revenue	-	167,400	167,400
Recycling charges	199,808	-	199,808
Stump removal charges	70,559	-	70,559
Licenses and permits	276,396	-	276,396
Landfill fees	6,036,505	-	6,036,505
Operating grants	-	30,000	30,000
Total operating revenues	6,587,119	10,341,596	16,928,715
Total operating expenses	4,095,056	7,901,212	11,996,268
Operating income before depreciation	2,492,063	2,440,384	4,932,447
Depreciation	1,889,206	2,221,591	4,110,797
Operating income	602,857	218,793	821,650
NONOPERATING INCOME (EXPENSE):			
Interest on investments	440,890	159,510	600,400
Contribution of system assets from developer	-	8,983,508	8,983,508
Interest expense	(87,224)	(808,534)	(895,758)
Total nonoperating income	353,666	8,334,484	8,688,150
Change in net assets	956,523	8,553,277	9,509,800
Net assets, beginning	11,288,637	52,184,914	63,473,551
Net assets, ending	\$ 12,245,160	\$ 60,738,191	\$ 72,983,351

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, 2007

	Landfill	Department of Water and Wastewater	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received for services	\$ 6,568,364	\$ 9,394,171	\$ 15,962,535
Cash received from other revenues	3,851	1,367,593	1,371,444
Cash received for future capital development	-	153,780	153,780
Cash received for operating grants	-	30,000	30,000
Cash payments to employees	(1,529,467)	(2,643,263)	(4,172,730)
Cash payments for fringe benefits	(520,896)	(1,056,912)	(1,577,808)
Cash payments for materials, supplies, and services	(1,966,079)	(4,426,821)	(6,392,900)
Net cash provided by operating activities	2,555,773	2,818,548	5,374,321
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Purchases of property and equipment	(6,365,474)	(3,660,087)	(10,025,561)
Proceeds from sales of property and equipment	290,000	-	290,000
Proceeds from capital leases	1,721,291	-	1,721,291
Principal paid on capital lease maturities	(566,357)	(86,012)	(652,369)
Proceeds from bonds and notes	-	8,350,187	8,350,187
Principal paid on bond and note maturities	-	(9,233,032)	(9,233,032)
Interest paid on bonds and notes	(87,224)	(808,534)	(895,758)
Bond costs deferred	-	3,936	3,936
Front foot assessments deferred	-	448,722	448,722
Net cash used by capital and related financing activities	(5,007,764)	(4,984,820)	(9,992,584)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	440,890	159,510	600,400
Net decrease in cash and short-term investments	(2,011,101)	(2,006,762)	(4,017,863)
Cash and short-term investments, beginning	10,718,851	5,497,307	16,216,158
Cash and short-term investments, ending	\$ 8,707,750	\$ 3,490,545	\$ 12,198,295

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF CASH FLOWS
 BUSINESS-TYPE ACTIVITIES (Continued)
 Year Ended June 30, 2007

	<u>Landfill</u>	Department of <u>Water and Wastewater</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 602,857	\$ 218,793	\$ 821,650
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	1,889,206	2,221,591	4,110,797
Changes in assets and liabilities:			
Accounts receivable	(14,254)	(22,772)	(37,026)
Due to state	-	(10,534)	(10,534)
Due from/to other funds	37,481	(60,567)	(23,086)
Deferred revenue	(650)	626,720	626,070
Vacation benefits	24,271	13,853	38,124
Accounts payable and accrued expenses	16,862	(168,536)	(151,674)
Net cash provided by operating activities	<u>\$ 2,555,773</u>	<u>\$ 2,818,548</u>	<u>\$ 5,374,321</u>
NON-CASH ACTIVITIES:			
Contribution of system assets from developer	-	8,983,508	8,983,508
Total non-cash activities	<u>\$ -</u>	<u>\$ 8,983,508</u>	<u>\$ 8,983,508</u>

WORCESTER COUNTY, MARYLAND

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2007

	Public Drainage Associations	Agency
ASSETS		
Cash and short-term investments	\$ 327,790	\$ 3,965,126
Taxes receivable	-	492,311
Special assessments receivable	4,302	-
Due from other funds	1,514	231,910
Total assets	333,606	4,689,347
LIABILITIES		
Due to other governmental units	-	753,789
Due to other funds	-	750
Other liabilities	-	3,934,808
Total liabilities	-	4,689,347
NET ASSETS		
Restricted	\$ 333,606	\$ -

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

Year Ended June 30, 2007

	Public Drainage <u>Associations</u>
ADDITIONS:	
Special assessments	\$ 91,523
Intergovernmental	26,888
Interest	7,414
Miscellaneous	15,515
<hr/>	
Total additions	141,340
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DEDUCTIONS:	
Ditch maintenance	135,338
Miscellaneous	77
<hr/>	
Total deductions	135,415
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Change in net assets	5,925
Net assets, beginning	327,681
<hr/>	
Net assets, ending	\$ 333,606
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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 and is 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 as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. The following is a summary of the more 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.

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt, or the levying of taxes.

The component unit columns on the financial statements include the financial data of the County's discretely presented component units: the Board of Education of Worcester County and the Liquor Control Board of Worcester County. They are reported in separate columns to emphasize that they are legally separate from the County. The Liquor Control Board is included as of and for its fiscal year ended April 30, 2007. The other component unit has a fiscal year-end of June 30. Copies of the financial statements for each component unit can be obtained from the individual component units at the following:

Board of Education of Worcester County 6270 Worcester Highway Newark, Maryland 21841	Liquor Control Board of Worcester County 5363 Snow Hill Road Snow Hill, Maryland 21863
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The County's reporting entity applies all relevant GASB pronouncements. Proprietary funds and similar component units apply FASB pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The following is a summary of the more significant policies.

B. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

GOVERNMENT WIDE FINANCIAL STATEMENTS

The statement of net assets 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.

The statement of net assets 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 functions 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 is 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 reporting entity'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 non-major governmental funds:

Capital Projects Funds - Capital Projects Funds are 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 Funds - 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

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 Reserve Fund, the Local Management Board, LLEBG, Energy Service Fund and the OPEB Fund are the special revenue funds of the County.

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 investment in capital assets and unrestricted net assets.

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 costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The Landfill Fund and the Department of Water and Wastewater Services are the only enterprise funds of the County.

FIDUCIARY FUND TYPES

Fiduciary funds account for assets held by the County in a trustee or agency capacity. Expendable trust funds are accounted for in essentially the same manner as governmental funds. 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.

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 all liabilities associated with the operation of the County are included on the statement of net assets.

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 balance 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 all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. 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. 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 when 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 also are recognized as revenue. Licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

UNEARNED REVENUES

Unearned revenues arise when assets are recognized before the revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at June 30, 2007, were levied to finance 2008 operations, and thus have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements were met also have been recorded as unearned revenue.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as unearned revenue.

EXPENSES/ EXPENDITURES

On the accrual basis, expenses are recognized at the time 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 cost, such as depreciation and amortization, are not recognized in governmental funds.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

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 Budgetary Comparison Schedule - General Fund (schedule A) and Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund (schedule B) are 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 reservations of fund balance and prior year fund balances are 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, 2007. 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. Any commitments, which would result in a significant over-expenditure of an appropriation must be approved by the County Commissioners.

The Board of Education of Worcester County (the "Board") 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 Board during the second public hearing scheduled in February.
- (2) Prior to March 31, the Board 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 Board 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 Board within thirty days of the County Commissioners' approval.

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 expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized in the governmental fund types. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

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 June 30, are reported as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/ expense in the year in which services are consumed.

J. Property Tax

Taxes are levied annually on July 1 and are due in full by September 30 for non-owner occupied properties. Owner occupied property taxes are due in two equal semi-annual 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 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 financial statements of net assets 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 assets 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 fair market value 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 not capitalized.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

L. Capital assets (continued)

All capital assets are depreciated, except for land and 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 financial statement of net assets. The only interfund balances, which remain on the government-wide statement of net assets 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 reporting entity 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 sickness causes employees to be absent, 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 earned.

The entire compensated absences liability is reported on the government-wide financial statements. Accumulated vested vacation benefits of the other component unit as of June 30, 2007 is not material.

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 a liability on the fund financial statements when due.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

P. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the County or through external restrictions imposed by grantors, creditors or laws 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 assets are available.

Q. Governmental Fund Balance Reserves

The County reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Fund balance reserves have been established for encumbrances.

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the County, these revenues are charges for services for department of water and waste water and landfill. 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. Flow 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 U.S. generally accepted accounting principles 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 distributions to it of funds from other governmental agencies, or any other funds properly received by it, until it determines the funds are needed for proper public purpose. The County can invest in United States Government bonds or evidence of indebtedness, 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, 2007, Worcester County had deposits of \$120,940,707, including investments (carrying value \$117,418,743). The depository banks pledge collateral for specific accounts, which are held in the County's name at the Federal Reserve Bank of Richmond and at Mercantile-Safe Deposit and Trust Company. Deposits in financial institutions were fully insured or collateralized at June 30, 2007, and therefore have no custodial risk associated with them. Petty cash funds totaled \$11,400 at June 30, 2007.

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 short-term investments of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by Mercantile Safe Deposit and Trust Company, a Baltimore-based financial institution, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAAM by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. At June 30, 2007, the County had investments of \$110,170,468 with the Maryland Local Government Investment Pool, which are recorded at cost, which approximates fair value.

The County's exposure to investment rate and credit risk is minimal, as all investments are in cash or MLGIP and are thus precluded from having to sell below original cost. Custodial credit risk is also mitigated by having all investments fully collateralized by securities as mentioned previously.

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Balances

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, 2007, 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.
2. Loans between funds are classified as Interfund loans receivable and payable or as advances to and from other funds in the fund statements. Interfund loans do not affect total equity, but advances to other funds are offset by a reservation of the fund equity. Loans and advances are netted as part of the reconciliation of the Government-wide financial statements.

Interfund balances at June 30, 2007, consisted of the following individual fund receivables and payables:

	Due From Other Funds	Due to Other Funds
General fund:		
<i>Enterprise funds:</i>		
Landfill	\$ 177,883	\$ -
Department of Water and Wastewater	832,135	-
Reserve fund	-	17,870,025
Energy service fund	-	750,000
Department of Motor Vehicles fund	750	-
Capital Projects fund	5,635,957	8,924,266
State of Maryland property tax agency fund	-	197,301
Snow Hill property tax agency fund	-	903
Berlin property tax agency fund	-	27,021
Public Drainage Association	-	1,514
Chesapeake Bay Restoration Fund	-	6,685
Other governmental funds:		
General fund	18,620,025	-
Capital projects funds:		
General fund	8,924,266	5,635,957
Enterprise fund	31,584	-
Fiduciary funds:		
General fund	233,424	750
Enterprise funds:		
General fund	-	1,010,018
Capital Projects fund	-	31,584
	\$ 34,456,024	\$ 34,456,024

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

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

	Balance June 30, 2006	Additions	Transfers and Reductions	Balance June 30, 2007
Primary Government				
Governmental Activities:				
Nondepreciable Capital Assets:				
Land and improvements	\$ 4,305,846	\$ 915,697	\$ 3,881,796	\$ 9,103,339
Construction in progress	7,393,943	9,518,052	(4,510,819)	12,401,176
Total Nondepreciable Capital Assets	11,699,789	10,433,749	(629,023)	21,504,515
Depreciable Capital Assets:				
Building and building improvements	40,884,708	622,535	(189,151)	41,318,092
Improvements other than buildings	4,034,326	347,516	(69,768)	4,312,074
Machinery and equipment	23,527,831	1,971,305	(828,661)	24,670,475
Infrastructure	104,400,351	-	-	104,400,351
Total Depreciable Assets	172,847,216	2,941,356	(1,087,580)	174,700,992
Less accumulated depreciation for:				
Buildings and building improvements	(9,336,430)	(1,070,919)	197,603	(10,209,746)
Improvements other than buildings	(2,000,451)	(139,547)	47,088	(2,092,910)
Machinery and equipment	(9,656,414)	(2,192,161)	828,661	(11,019,914)
Infrastructure	(71,961,892)	(5,200,570)	-	(77,162,462)
Total accumulated depreciation	(92,955,187)	(8,603,197)	1,073,352	(100,485,032)
Total Depreciable Capital Assets, Net	79,892,029	(5,661,841)	(14,228)	74,215,960
Governmental Activities Capital Assets, Net	\$ 91,591,818	\$ 4,771,908	\$ (643,251)	\$ 95,720,475

In 2007, the County transferred land and buildings valued at approximately \$850,000 to Royal Plus, LLC as part of an agreement with the Department of Housing and Community Development. This resulted in a loss on disposals of \$617,252 for the fiscal year. Additional amounts included in the loss are amounts that were held in construction in progress accounts from prior years that were expensed rather than capitalized.

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

	Balance June 30, 2006	Additions	Transfers and Reductions	Balance June 30, 2007
Business-type Activities				
Nondepreciable Capital Assets:				
Land, land rights and improvements	\$ 1,341,872	\$ -	\$ -	\$ 1,341,872
Construction in progress	897,445	1,148,674	(172,074)	1,874,045
Total Nondepreciable Capital Assets	2,239,317	1,148,674	(172,074)	3,215,917
Depreciable Capital Assets:				
Buildings and building improvements	4,233,213	-	-	4,233,213
Improvements other than buildings	20,297,674	4,545,751	-	24,843,425
Machinery and equipment	9,176,701	2,350,895	(948,068)	10,579,528
Water and sewer systems	64,046,105	10,963,748	144,621	75,154,474
Total Depreciable Assets	97,753,693	17,860,394	(803,447)	114,810,640
Less accumulated depreciation for:				
Buildings and building improvements	(401,554)	(105,831)	-	(507,385)
Improvements other than buildings	(15,929,433)	(1,231,894)	-	(17,161,327)
Machinery and equipment	(5,385,394)	(962,126)	658,067	(5,689,453)
Water and sewer systems	(13,606,358)	(1,810,946)	27,454	(15,389,850)
Total accumulated depreciation	(35,322,739)	(4,110,797)	685,521	(38,748,015)
Total Depreciable Capital Assets, Net	62,430,954	13,749,597	(117,926)	76,062,625
Business-type Activities Capital Assets, Net	\$ 64,670,271	\$ 14,898,271	\$ (290,000)	\$ 79,278,542

Depreciation expense was charged to governmental functions as follows:

General government	\$ 562,434
Public safety	1,491,894
Public works	5,599,337
Health and hospitals	259,136
Libraries, recreation and culture	687,257
Miscellaneous	3,139
Total depreciation expense	\$ 8,603,197

In 2007, the County was donated a water and sewer system built and paid for by the developer of the Landings. The County accepted the asset, along with the responsibility of all maintenance and upkeep. The value of approximately \$9 million of the donated asset was determined by the total of all costs the developer incurred to construct the system.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

Changes in the County's long-term obligations during 2007 were as follows:

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007	Amount Due in One Year
Governmental Activities					
Estimated landfill closure costs	\$ 2,850,000	\$ 150,000	\$ -	\$ 3,000,000	\$ -
General obligation bonds:					
Consolidated Public Improvement Bonds, 1996 Series; interest 5.0% to 5.4%; due annually to 2011, partially redeemed with 2004 series	570,000	-	(570,000)	-	-
Consolidated Public Improvement Bonds, 1998 Series; interest 4% to 5%; due annually to 2013	3,820,000	-	(410,000)	3,410,000	425,000
Consolidated Public Improvement Bonds, 2000 Series; interest 5.25% to 6%; due annually to 2015, partially redeemed with 2004 series	5,770,000	-	(1,335,000)	4,435,000	1,405,000
Consolidated Public Improvement Bonds, 2002 Series; interest 2% to 3.75%; due annually to 2017	3,828,824	-	(263,824)	3,565,000	270,588
Consolidated Public Improvement Bonds, 2004 Series; interest 2.5% to 5%; due annually to 2020	26,375,000	-	(1,600,000)	24,775,000	1,705,000
Consolidated Public Improvement Bonds, 2007 Series; interest at 3.5% to 4.5%; payable semiannually to 2022	-	28,100,000	-	28,100,000	-
MDE Water Quality Bond; interest at .4%, due annually to 2024	3,479,856	52,451	(251,636)	3,280,671	277,467
Deferred Bond Discount, net	262,596	155,244	(22,997)	394,843	22,997
Capital lease payable	617,240	-	(617,240)	-	-
	<u>\$ 47,573,516</u>	<u>\$ 28,457,695</u>	<u>\$ (5,070,697)</u>	<u>\$ 70,960,514</u>	<u>\$ 4,106,052</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007	Amount Due in One Year
Business-Type Activities					
Estimated landfill closure costs	\$ 9,276,667	\$ 660,657	\$ -	\$ 9,937,324	\$ 9,937,324
General obligation bonds:					
Consolidated Public Improvement Bonds, 1996 Series; interest 5% to 5.2%; due annually to 2006, partially redeemed with 2004 series	145,000	-	(145,000)	-	-
Consolidated Public Improvement Bonds, 1998 Series; interest 4% to 5%; due annually to 2013	1,870,000	-	(200,000)	1,670,000	210,000
Consolidated Public Improvement Bonds, 2002 Series; interest 2% to 3.75%; due annually to 2017	1,831,176	-	(126,176)	1,705,000	129,412
West Ocean City Sanitary District Capital Projects Fund - Projects, Series J; interest 3.3% to 6.55%, refinanced in 2007	935,000		(935,000)	-	-
Ocean Pines Sanitary District Capital Projects Fund- Projects, Series J; interest 3.5% to 6.55%, refinanced in 2007	7,440,000		(7,440,000)	-	-
Consolidated Public Improvement Bonds, 2004 Series; interest 2.5% to 5%, due annually to 2020	1,945,000	-	(10,000)	1,935,000	165,000
MDE Water Quality Bond; interest at .4%; due annually to 2024	6,390,671	-	(376,856)	6,013,815	400,000
Public Refunding Bonds, 2007; interest at 3.5% to 4.5 %; payable semiannually to 2022	-	7,765,000	-	7,765,000	460,000
Snug Harbor Water Quality Loan Agreement, 2007; interest 0.04%, due semiannually to 2026	-	585,187	-	585,187	31,031
Deferred Bond Costs, net	(403,637)	(31,584)	35,519	(399,702)	(45,399)
Capital lease payable	1,384,919	1,721,291	(652,368)	2,453,842	685,690
	\$ 30,814,796	\$ 10,700,551	\$ (9,849,881)	\$ 31,665,466	\$ 11,973,058

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

The County issued \$6,800,000 in Consolidated Public Improvement Bonds, 2002 Series, with an average interest rate of 3.28% and maturing in 2017. Proceeds of \$3,100,000 was used for the renovation and equipping of the Worcester County Court House, \$1,500,000 was used for the purchase of land, construction and equipping of a new Snow Hill Senior Center/Adult Medical Day Care Center and \$2,200,000 was used for various Department of Water and Wastewater water and sewer projects.

The County issued \$21,740,000 in Consolidated Public Improvement Bonds, 2000 Series, with an average interest rate of 5.4%. Proceeds of the Bonds were used to finance all or a portion of the costs of the construction, equipping and acquisition of land for a new county government office building, renovation to the existing court house, renovations and improvements to Stephen Decatur High School, and to pay all costs of issuance of the Bonds.

The County issued \$9,190,000 in Consolidated Public Improvement Bonds, 1998 Series, with an average interest rate of 4.4%. Proceeds of \$6,265,000 and \$2,925,000 will be repaid by the County and the Department of Water and Wastewater, respectively. Proceeds of the Bonds were used to finance all or a portion of the costs of the construction and equipping of a new North County Library, an approximately 60-bed addition to the Worcester County Jail, renovations at various schools within the County, the County's share of the Wor-Wic Community College campus development, various improvements to the water system and wastewater collection system and upgrades to the wastewater treatment plant in the Ocean Pines Sanitary Service Area, and to pay costs of issuance of the Bonds.

The County issued \$21,990,000 in Consolidated Public Improvement Project and Refunding Bonds in 1996, with an average interest rate of 5.3%. \$11,200,000 of the 1996 Series bonds were issued to finance construction of a new school and sewer project and \$10,790,000 was issued to advance refund outstanding general obligation bonds, 1990 series and Sanitary District Capital Projects Fund, and a portion of the Series J Bonds with an average interest rate of 6.8% and 6.5%, respectively.

During 1990, the operations of three County landfills were terminated. During 1998, changes in Federal and State regulations will cause the County to incur additional closure costs in capping the Berlin rubble fill, which had already been previously closed. The County currently estimates that related closure costs to be incurred under current Federal and State regulations will approximate \$2,850,000. Engineering studies are presently being conducted to evaluate closure alternatives and develop a more accurate estimate of the related costs. The County intends to fund such costs with future revenues and has included its current estimate of such costs in long-term debt.

The Phase II Beach Replenishment Project - General Obligation Bond in the original amount of \$6,000,000 was issued by the County as its share of Phase II of the beach replenishment project. The Town of Ocean City agreed to pay the County \$2,570,000 as its share of the \$6,000,000 obligation. The County services the debt on the entire issue.

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 projects totaling \$12,325,000 with an interest rate of 0.4% and administrative charges of 0.5% to be repaid over the next 20 years. The loan will be used to fund landfill closure projects in Pocomoke (\$2,600,000) and Snow Hill (\$2,800,000) and various water and wastewater projects (\$6,900,000), 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 for a new Ocean City Elementary School. In addition, the Consolidated Public Improvement Bonds, 1992 series was redeemed, plus a portion of the 1996 and 2000 series was 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 general obligation bonds. As a result, the liability has been removed. A net interest savings of \$745,708 was achieved over the life of the bond.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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 2022. Proceeds of \$28,100,000 are designated to finance a new 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 general obligation bonds. As a result, the liability has been removed. A net interest savings of \$523,511 was achieved over the life of the bond.

The following is a summary of the County's future annual debt service requirements on long-term obligations (excluding capital lease obligations, which are reported separately):

Governmental Activities

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 4,083,055	\$ 1,922,581	\$ 6,005,636
2009	5,269,312	2,585,677	7,854,989
2010	5,487,191	2,341,067	7,828,258
2011	5,893,456	2,170,313	8,063,769
2012	8,749,726	1,921,997	10,671,723
2013-2017	23,598,436	6,007,708	29,606,144
2018-2022	15,034,624	2,112,271	17,146,895
2023-2027	2,449,871	98,000	2,547,871
Total	\$70,565,671	\$19,159,614	\$ 89,725,285

Business-Type Activities

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$11,332,767	\$ 476,407	\$ 11,809,174
2009	1,800,737	497,311	2,298,048
2010	1,800,479	441,582	2,242,061
2011	1,806,842	385,726	2,192,568
2012	1,868,212	323,919	2,192,131
2013-2017	7,521,255	778,660	8,299,915
2018-2022	2,722,921	56,364	2,779,285
2023-2027	758,113	5,575	763,688
Total	\$29,611,326	\$ 2,965,544	\$ 32,576,870

The County has entered into leases for the acquisition of various equipment, which transfer ownership 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.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

The assets acquired through capital leases are as follows:

Business-Type Activities

Equipment	\$ 4,006,888
Less accumulated depreciation	(1,032,513)
<hr/>	
Total	\$ 2,974,375
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The following is a summary of the future minimum lease payments on the capital leases:

Business-Type Activities

<u>Year Ending June 30,</u>	
2008	\$ 799,993
2009	677,389
2010	617,101
2011	424,488
2012	209,898
<hr/>	
	2,728,869
Less amount representing interest	(275,027)
<hr/>	
Present value of future minimum lease payments	\$ 2,453,842
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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

Plan Description

Generally, all regular employees of the reporting entity (except for the County's Department of Water and Wastewater Services' employees) participate in the State of Maryland Employees Retirement and Pension Systems (Employees Systems). Teachers employed by the Board of Education generally participate in the State of Maryland Teachers Retirement and Pensions Systems (Teachers Systems). Both the Employees System and the Teachers Systems (collectively the Systems) are cost sharing multiple-employer public retirement systems sponsored by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly. The Maryland State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the systems. That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201.

Participants in the Systems may retire with full benefits after thirty years of service regardless of age or at various ages with specified years of eligibility service for reduced benefits. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating in the retirement system prior to specified retirement age are refunded their accumulated contributions plus earned interest or may defer receipt of accumulated contributions until age 60. Participants and their beneficiaries may also be eligible for disability and death benefits based on years of creditable service and average final compensation.

Funding Policy

The State Personnel and Pensions Article requires active members to contribute to the System at the rate of 5% or 7% of their covered salary depending upon the retirement option selected.

Employer's payroll and contributions under the plans, are:

	2007	2006	2005
Payroll covered under the plan	\$ 21,417,944	\$ 19,932,327	\$ 17,506,069
Contributions paid in:			
County payments	1,773,519	1,431,887	1,315,689
On-behalf payments (Library)	84,889	68,336	72,648

The employees of the Department of Water and Wastewater Services are covered by a mandatory contributory defined benefit plan administered by Nationwide Life Insurance Company. Employees contribute 4% of their annual salary. The employees of the Town of Ocean City are also participating in this plan.

The pension plan provides pension, death and disability benefits. Normal retirement age is 65 although early retirement may be taken at age 55 with the completion of 10 years of service. Reduced benefits then apply. Any employee is fully vested after 5 years of service.

The plan's accrued benefits and net assets available as of June 30, 2006, the latest date available, are:

Actuarially computed value of:	
Vested accrued benefit obligation	\$ 3,444,891
Nonvested accrued benefit obligation	-
	<u>3,444,891</u>
Net assets available for pension benefits	<u>5,098,067</u>
Assets in excess of pension benefit obligation	<u>\$ 1,653,176</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Contributions to the system are defined by the retirement law to consist of a "normal contribution" which is 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 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, 2007 was \$82,934 and is based on the entry age normal cost method.

Covered payroll for the Department totaled approximately \$2,415,221.

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

Valuation	7%, including inflation rate of 4%
Cost Method	Aggregate
Mortality Rates	1983 Group Annuity (Male) Table with Female Ages Set Back 6 Years
Salary Scale	5% per Year to Age 65, including inflation rate of 4%
Cost of living adjustment	4%

As of June 30, 2007, 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.

The normal cost is calculated for the plan as a whole by spreading the difference between the present value of projected future benefits, including prior years' gains and losses, less assets, less the present value of future employee contributions, in a level manner over the future salary of plan participants.

Information regarding the System's funding status for fiscal years 2006-2004 is as follows:

	2006	2005	2004
Net assets available for pension benefits	\$ 5,098,067	\$ 4,812,637	\$ 4,501,294
Pension benefit obligation	\$ 3,444,891	\$ 3,143,190	\$ 2,833,815
Percentage funded	148%	153%	159%
Assets in excess of pension benefit obligation	\$ 1,653,176	\$ 1,669,447	\$ 1,667,479
Annual covered payroll	\$ 2,415,221	\$ 2,259,770	\$ 2,201,973
Assets in excess of pension benefit obligation as a percentage of covered payroll	68%	74%	76%
Employer contributions - Department only	\$ 143,761	\$ 125,559	\$ 77,354
Employer contributions as a percentage of covered payroll	6%	6%	4%

NOTES TO FINANCIAL STATEMENTS

Note 8. Post-Employment Benefits

In addition to the pension benefits described in Note 7, the County pays 90% of the premiums for post-retirement health care benefits to retirees and their dependents who meet the Maryland State Retirement System qualifications for full retirement benefits. The retiree must be a full-time employee at the date of their retirement, are at least 60 years of age, and have completed at least twelve years of employment with the County. Presently, 151 retirees and spouses meet these eligibility requirements. The County finances the benefit on a pay-as-you-go basis. During the year ended June 30, 2007, expenditures of \$640,077 were recognized for post-retirement health care benefits.

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 unforeseeable emergency; as approved by the County Commissioners.

The County funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments underwritten by Van Kampen American Capital Funds and/or Lincoln National Life Insurance Company.

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 due care that would be required of an ordinary prudent investor.

Note 10. Segments of Enterprise Activities

There are three services provided by the County and its component units, which are financed by user charges - liquor distribution, operation of solid waste landfills and water and wastewater services. The key financial data for these services as of and for the years ended April 30 and June 30, 2007 respectively, are as follows:

	<u>Business-Type Activities</u>		<u>Component Unit</u>
	<u>Landfill</u>	<u>Water and Wastewater</u>	<u>Liquor Distribution</u>
Operating Revenues	\$ 6,587,119	\$ 10,341,596	\$ 13,805,209
Operating Expenses:			
Depreciation	1,889,206	2,221,591	103,790
Other	4,095,056	7,901,212	12,843,052
Operating income (loss)	602,857	218,793	858,367
Nonoperating revenues (expense), net	353,666	8,334,484	(155,781)
Change in net assets	\$ 956,523	\$ 8,553,277	\$ 702,586
Assets	\$ 24,974,804	\$ 90,704,473	\$ 4,709,124
Bonds payable from operating revenues and other sources	\$ -	\$ 19,674,001	\$ -
Net Assets	\$ 12,245,160	\$ 60,738,191	\$ 400,000
Working capital	\$ (1,783,137)	\$ 4,185,693	\$ (254,049)
Acquisition of property, plant, and equipment	\$ 6,425,474	\$ 12,769,526	\$ 818,667

NOTES TO FINANCIAL STATEMENTS

Note 11. Commitments and Contingencies

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

In addition to the County's long-term debt relating to the cost of the Ocean City Beach Replenishment project, the County is also committed to fund a portion of the annual maintenance costs related to the project with an annual contribution (less interest earned) of \$500,000. Such payments began in December 1988.

Note 12. Reserved and Designated Fund Balance

Reservations of fund balance show amounts that are not available for current appropriations or are legally restricted for specific uses. Designations of fund balance are used to show the amounts within unreserved fund balance, which are intended to be used for specific purposes but are not legally restricted. The designations for 2007 are summarized as follows:

Designated for:

ADA County Buildings	\$ 10,000
ADA Recreation Facility Access	41,000
Commission on Aging Building Renovation	1,000,000
Computer Upgrade/Document Imaging	700,000
County Storage Facility	2,437,727
Firemens Training Center/ Hazard Materials Building	50,300
Firing Range Pole Building	40,000
Health Department Addition	1,820,000
Isle of Wight Building	878,400
Jail Central Booking Facility	9,858,516
Ocean City Library	3,080,117
Pocomoke High School Athletic Fields	512,730
Pocomoke High School Design and Construction	1,119,000
Public Landing Marina	130,000
Public Works Building Expansion	100,000
Route 50 Service Road	1,700,000
Rural Legacy Program	6,400
Sailor Wireless Network Technology	150,000
Snow Hill High School Athletic Fields	512,730
Snow Hill High School Design and Construction	1,077,000
States Attorney Office Renovate Aging Building	3,500,000
Subsequent years' expenditures	1,500,000
North End Public Works Building	500,000
Health Department Roof Replacement	463,000
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Total designations	\$ 31,186,920
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NOTES TO FINANCIAL STATEMENTS

Note 13. Landfill Closure and Postclosure 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 thirty years after closure.

The Berlin landfill stopped accepting waste in 1990. The landfill has been capped and only has postclosure care costs associated with it, currently estimated to be approximately \$20,000 each year for the next thirty years.

The Pocomoke landfill stopped accepting waste in 1990. The landfill has been capped and only has postclosure care cost associated with it, currently estimated to be approximately \$20,000 each year for the next thirty years.

The Snow Hill landfill stopped accepting waste in 1990. The landfill has been capped and only has postclosure care cost associated with it, currently estimated to be approximately \$20,000 each year for the next thirty years.

The County has reported \$3,000,000 as the landfill closure and postclosure care liability at June 30, 2007 in the long-term liabilities section of the Statement of Net Assets relating to the closed landfills and rubble fill, mentioned above (see also Note 6). Also, \$9,937,324 has been reported as the estimated landfill closure and postclosure care liability at June 30, 2007 in the Enterprise Fund relating to the Central County Landfill. Accrual of closure and postclosure 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 operation in 1990, has a permitted life span of 40 years and includes eight landfill cells. As of June 30, 2007 the first two cells are full and cell #3 is at approximately 88% of its capacity. The construction of cell #4 will be complete and it will be put into service during the FY07/08 year. The County has included provisions in the FY08 Operating Budget 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.

Though there are currently no legal restrictions on available funds, the County has approximately \$9,211,133 of currently available assets for landfill closure and postclosure care costs available within the Landfill enterprise fund. The shortfalls may need to be covered by any combination of charges to future landfill users, future tax revenue, or additional borrowings.

The County has satisfied its financial assurance requirements based upon the local government financial ratio tests as of June 30, 2006. The County expects to satisfy these requirements as of June 30, 2007 using the same criteria.

Due to inflation and changes in technology, laws and regulations, estimated closure and postclosure care costs may change in the future.

NOTES TO FINANCIAL STATEMENTS

Note 14. Risk Management

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

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

Subscribers to coverage by LGIT share in 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 in the last three years.

Note 15. On-Behalf Payments

On-Behalf Payments for Fringe Benefits represents 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 fiscal year ended June 30, 2007 was \$84,889 for the Library, which is included in miscellaneous revenue and libraries, recreation and culture expenditures, respectively.

Note 16. Component Units

A. The Board of Education of Worcester County

Cash and Short-Term Investments

At June 30, 2007, the Board of Education had deposits of \$6,152,899 (carrying value \$4,034,536), which were either fully insured or collateralized with securities held in the name of the Board of Education, and investments of \$217,026 with the Maryland Local Government Investment Pool.

NOTES TO FINANCIAL STATEMENTS

Note 16. Component Units (continued)

A. The Board of Education of Worcester County (continued)

Capital Assets

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

	Balance June 30, 2006	Additions	Transfers and Reductions	Balance June 30, 2007
Governmental Activities:				
Nondepreciable Capital Assets:				
Land and improvements	\$ 1,886,779	\$ -	\$ -	\$ 1,886,779
Construction in progress	3,087,718	7,388,964	-	10,476,682
Total Nondepreciable Capital Assets	4,974,497	7,388,964	-	12,363,461
Depreciable Capital Assets:				
Building and building improvements	89,920,879	630,780	-	90,551,659
Machinery and equipment	1,315,604	271,228	(134,011)	1,452,821
Total Depreciable Assets	91,236,483	902,008	(134,011)	92,004,480
Less accumulated depreciation for:				
Buildings and building improvements	(26,372,854)	(2,282,479)	-	(28,655,333)
Machinery and equipment	(1,052,626)	(99,232)	134,011	(1,017,847)
Total accumulated depreciation	(27,425,480)	(2,381,711)	134,011	(29,673,180)
Total Depreciable Capital Assets, Net	63,811,003	(1,479,703)	-	62,331,300
Governmental Activities Capital Assets, Net	\$ 68,785,500	\$ 5,909,261	\$ -	\$ 74,694,761
Business-type Activities				
Depreciable Capital Assets:				
Machinery and equipment	\$ 276,708	\$ -	\$ (11,000)	\$ 265,708
Less accumulated depreciation for:				
Machinery and equipment	(135,943)	(21,415)	11,000	(146,358)
Total Depreciable Capital Assets, Net	140,765	(21,415)	-	119,350
Business-type Activities Capital Assets, Net	\$ 140,765	\$ (21,415)	\$ -	\$ 119,350

NOTES TO FINANCIAL STATEMENTS

Note 16. Component Units (continued)

a. The Board of Education of Worcester County (continued)

Long-Term Debt

The following is a summary of long-term debt transactions of the Board of Education for the year ended June 30, 2007:

Amounts payable at June 30, 2006	\$ 325,192
Increase in vested vacation benefits	58,206
Decrease in early retirement incentive payments	(16,590)
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Amounts payable at June 30, 2007	\$ 366,808

Post-Retirement Benefits

The Board currently funds 90% of the health care insurance for retirees who have accumulated the required number of years of service with the Board prior to their retirement. The Board received \$2,163,931 from the County to fund post retirement health care benefits for the year ended June 30, 2007.

Commitments and Contingencies

The Board has entered into various contracts for the completion of construction documents for the new Worcester Career and Technology Center. The contracts are for \$39,048,801 of which \$9,137,875 was expended through June 30, 2007.

The Board also has lease agreements for copiers over the next several years. The approximate annual amount is \$372,000, but exact amounts will vary since many of the leases expire at various times.

Risk Management

The Board 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 Board joined the Maryland Association of Boards of Education Workers' Compensation Group Insurance Fund (the Fund), a public entity risk pool currently providing workers compensation coverage for participating boards of education in the State of Maryland. The Board pays an annual premium to the Fund calculated based on projected payroll. The agreement for the Fund provides that it will be self-sustaining through member premiums and will reinsure through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Fund encounter deficits in its casualty and/or property funds, an assessment may be made up from additional assessments of boards participating in the deficit Fund. The Board 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 in the last three years.

NOTES TO FINANCIAL STATEMENTS

Note 16. Component Units (continued)

On-Behalf Payments

On-Behalf Payments for Fringe Benefits represents the pension contribution by the State of Maryland to the State Retirement System for applicable employees of the Board. The amount recognized as revenue and expenditures for the fiscal year ended June 30, 2007 was \$4,114,787 for the Board, which is included in intergovernmental revenue and education expenditures, respectively.

B. The Liquor Control Board of Worcester County

Cash and Short-Term Investments

At April 30, 2007, the Liquor Control Board of Worcester County had deposits of \$1,022,451 (carrying value \$394,595), which were either fully insured or collateralized with pledged securities held in the name of the Liquor Control Board at the Federal Reserve Bank of Richmond. In addition, there was \$5,000 in change funds.

Capital Assets

Capital asset activity for the year ended April 30, 2007, was as follows:

	Balance April 30, 2006	Additions	Transfers and Reductions	Balance April 30, 2007
Business-type Activities				
Nondepreciable Capital Assets:				
Land	\$ 212,158	\$ -	\$ -	\$ 212,158
Construction in progress	-	-	-	-
Total Nondepreciable Capital Assets	212,158	-	-	212,158
Depreciable Capital Assets:				
Buildings and building improvements	918,228	796,836	5,735	1,709,329
Machinery and equipment	375,374	21,831	6,686	390,519
Total Depreciable Assets	1,293,602	818,667	12,421	2,099,848
Less accumulated depreciation for:				
Buildings and building improvements	(94,159)	(49,727)	1,625	(142,261)
Machinery and equipment	(244,589)	(54,063)	3,566	(295,086)
Total accumulated depreciation	(338,748)	(103,790)	5,191	(437,347)
Total Depreciable Capital Assets, Net	954,854	714,877	17,612	1,662,501
Business-type Activities Capital Assets, Net	\$ 1,167,012	\$ 714,877	\$ 17,612	\$ 1,874,659

NOTES TO FINANCIAL STATEMENTS

Note 16. Component Units (continued)

Long-Term Debt

The following is a summary of long-term debt as of April 30, 2007:

	April 30, 2006	Additions	Reductions	April 30, 2007	Due in one year
Notes payable	\$ 696,490	\$ 750,000	\$ 113,526	\$ 1,332,964	\$ 112,354
Capital lease	1,832	-	1,832	-	-
Line of Credit	1,311,634	2,491,373	1,960,131	1,842,876	1,842,876
	<u>\$ 2,009,956</u>	<u>\$ 3,241,373</u>	<u>\$ 2,075,489</u>	<u>\$ 3,175,840</u>	<u>\$ 1,955,230</u>

REQUIRED SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND

REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
 Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 143,394,678	\$ 143,394,678	\$ 151,011,920	\$ 7,617,242
Licenses and permits	2,471,500	2,471,500	2,000,074	(471,426)
Intergovernmental	5,420,367	5,420,367	4,198,186	(1,222,181)
Service charges and fees	3,128,720	3,128,720	3,097,255	(31,465)
Miscellaneous	4,188,600	4,188,600	4,907,657	719,057
Total revenues	158,603,865	158,603,865	165,215,092	6,611,227
EXPENDITURES:				
General government	11,058,491	11,058,491	10,790,257	268,234
Public safety	19,109,447	19,109,447	18,451,149	658,298
Public works	6,860,939	6,860,939	8,044,885	(1,183,946)
Health and hospitals	4,797,674	4,797,674	4,578,348	219,326
Social services	1,131,274	1,131,274	1,164,542	(33,268)
Education	66,027,334	66,027,334	65,947,811	79,523
Libraries, recreation and culture	5,335,599	5,335,599	4,256,144	1,079,455
Conservation of natural resources	955,794	955,794	561,242	394,552
Economic development	1,875,690	1,875,690	1,821,965	53,725
Intergovernmental	15,760,296	15,760,296	16,856,357	(1,096,061)
Miscellaneous	8,274,189	8,274,189	6,350,657	1,923,532
Total expenditures	141,186,727	141,186,727	138,823,357	2,363,370
Excess of revenues over expenditures	17,417,138	17,417,138	26,391,735	8,974,597
OTHER FINANCING SOURCES (USES):				
Fund balance appropriated	1,500,000	1,500,000	-	(1,500,000)
Operating transfers, net	(18,917,138)	(18,917,138)	(33,177,229)	(14,260,091)
Total other financing uses	(17,417,138)	(17,417,138)	(33,177,229)	(15,760,091)
Net Change in Fund Balance	\$ -	\$ -	(6,785,494)	\$ (6,785,494)
Fund Balance, beginning			43,179,302	
Fund Balance, ending			<u>\$ 36,393,808</u>	

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE- BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES:				
Taxes:				
Real and personal property:				
Real property:				
Full-year levy	\$ 98,516,074	\$ 98,516,074	\$ 97,996,357	\$ (519,717)
Semi-year levy	500,500	500,500	624,930	124,430
Personal property	500,500	500,500	319,944	(180,556)
Corporations and utilities	4,507,920	4,507,920	4,979,292	471,372
Net additions and abatements	(358,200)	(358,200)	(281,327)	76,873
	103,666,794	103,666,794	103,639,196	(27,598)
Interest on delinquent taxes	300,000	300,000	622,889	322,889
Discounts allowed on taxes	(700,000)	(700,000)	(774,006)	(74,006)
Tax credits for assessment increase	(5,110,340)	(5,110,340)	(4,586,029)	524,311
Total real and personal property	98,156,454	98,156,454	98,902,050	745,596
Local income tax	13,500,000	13,500,000	15,842,045	2,342,045
Other local taxes:				
Room tax	10,000,000	10,000,000	10,842,013	842,013
Admission and amusement	560,000	560,000	593,253	33,253
Recordation	8,500,000	8,500,000	10,905,366	2,405,366
Trailer park excise tax	250,000	250,000	109,802	(140,198)
Transfer tax	4,250,000	4,250,000	5,395,746	1,145,746
Food tax	2,015,000	2,015,000	2,227,465	212,465
State shared:				
Highway user revenue	5,636,224	5,636,224	5,222,196	(414,028)
911 State fees	527,000	527,000	971,984	444,984
Total taxes	143,394,678	143,394,678	151,011,920	7,617,242

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2007
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Licenses and permits:				
Business:				
Liquor licenses	\$ 675,000	\$ 675,000	\$ 712,975	\$ 37,975
Vending machine licenses	150,000	150,000	139,431	(10,569)
Traders licenses	95,000	95,000	141,879	46,879
Occupational licenses	4,500	4,500	3,855	(645)
Bingo permits	15,000	15,000	15,980	980
Tourist and trailer park permits	10,000	10,000	8,905	(1,095)
Other:				
Building permits	825,000	825,000	392,350	(432,650)
Marriage licenses	26,000	26,000	24,680	(1,320)
Shoreline permits	35,000	35,000	23,195	(11,805)
Environmental permits	175,000	175,000	126,037	(48,963)
EDU transfer fee	15,000	15,000	3,000	(12,000)
Health permits	258,500	258,500	299,288	40,788
Raffle permits	2,500	2,500	2,900	400
Plumbing permits	130,000	130,000	86,373	(43,627)
Gas permits	45,000	45,000	1,705	(43,295)
Forest conservation fees	10,000	10,000	17,521	7,521
Total licenses and permits	2,471,500	2,471,500	2,000,074	(471,426)
Intergovernmental:				
Federal grants:				
Payments in lieu of taxes	10,000	10,000	10,590	590
COPS FAST	24,000	24,000	62,218	38,218
FEMA salary match	36,774	36,774	40,528	3,754
CDBG economic development grant	350,000	350,000	155,764	(194,236)
MD Coastal Bays	8,000	8,000	1,456	(6,544)
Coastal zone grant	-	-	57,108	57,108
Critical area grant	45,000	45,000	43,000	(2,000)
Bio-terrorism grant	294,000	294,000	729,228	435,228
State's attorney	-	-	834	834
Agricultural transfer tax	15,000	15,000	-	(15,000)

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2007
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Intergovernmental, continued:				
State grants:				
Police protection	\$ 124,593	\$ 124,593	\$ 142,158	\$ 17,565
911 support	1,231,959	1,231,959	613,659	(618,300)
Child support enforcement	20,593	20,593	24,845	4,252
State park revenues	350,000	350,000	311,978	(38,022)
Open space	1,022,479	1,022,479	387,134	(635,345)
Library aid	127,332	127,332	127,332	-
Library grant	62,250	62,250	69,334	7,084
Johnsongrass control	3,500	3,500	3,500	-
Fire companies	249,159	249,159	257,712	8,553
Highway safety	158,000	158,000	89,640	(68,360)
Tourism	24,000	24,000	43,783	19,783
SSTAP	131,927	131,927	71,611	(60,316)
Septic system monitoring	16,390	16,390	16,320	(70)
Social services programs	152,683	152,683	180,774	28,091
Family support grant	146,274	146,274	157,847	11,573
FEMA Hurricane grant	2,000	2,000	-	(2,000)
Drug court coordinator	63,000	63,000	188,995	125,995
State's Attorney grant	43,972	43,972	44,151	179
Sheriff's office grant	10,200	10,200	60,459	50,259
IOW Restoration grant	96,000	96,000	-	(96,000)
Public landings grant	290,000	290,000	139,004	(150,996)
ECD development grant	28,000	28,000	-	(28,000)
Water resources grant	-	-	1,822	1,822
Department of environment training	10,000	10,000	7,727	(2,273)
Other grants	273,282	273,282	157,675	(115,607)
Total intergovernmental	5,420,367	5,420,367	4,198,186	(1,222,181)
Service charges and fees:				
Liquor dispensary profits	400,000	400,000	363,442	(36,558)
Liquor advertising fees	1,500	1,500	1,740	240
Donation sponsorship program	-	-	95	95
Zoning fees	115,000	115,000	87,395	(27,605)
Sheriff fees	117,295	117,295	51,753	(65,542)
Sales of publications and copies	5,500	5,500	15,614	10,114
Library use charges	35,000	35,000	47,715	12,715

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2007
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Service charges and fees, continued:				
Animal shelter fees	\$ 6,500	\$ 6,500	\$ 5,115	\$ (1,385)
Mosquito control charges	50,000	50,000	31,020	(18,980)
Recreation fees	441,400	441,400	254,571	(186,829)
Tourism event fees	-	-	8,213	8,213
Vehicle tag fees	1,500	1,500	3,741	2,241
Critical area fees	50,000	50,000	33,248	(16,752)
Critical area fees in lieu of	10,000	10,000	1,918	(8,082)
Library special projects	8,000	8,000	25,020	17,020
Soil conservation fee	60,000	60,000	47,890	(12,110)
Mediation program	400	400	205	(195)
Circuit court bar library	5,000	5,000	3,236	(1,764)
Drug court fees	-	-	650	650
Firearms training center fees	15,125	15,125	12,600	(2,525)
Payments for jail use	1,450,000	1,450,000	1,799,346	349,346
Fire inspection fees	175,000	175,000	121,367	(53,633)
Roads Department charges	43,000	43,000	50,018	7,018
Family service fees	3,500	3,500	2,295	(1,205)
Shared facility service area fee	3,500	3,500	-	(3,500)
Community service fees	95,000	95,000	79,496	(15,504)
Housing program fees	15,000	15,000	27,340	12,340
Bus fees	-	-	499	499
Franchise fees	21,500	21,500	21,713	213
Total service charges and fees	3,128,720	3,128,720	3,097,255	(31,465)
Miscellaneous:				
Court fines	70,000	70,000	79,210	9,210
Civil infraction fines	5,000	5,000	6,155	1,155
Retiree drug subsidy	-	-	358,378	358,378
Interest on investments	4,000,000	4,000,000	4,172,456	172,456
Rent revenue	73,600	73,600	87,348	13,748
Sale of fixed assets	15,000	15,000	82,992	67,992
Miscellaneous	25,000	25,000	121,118	96,118
Total miscellaneous	4,188,600	4,188,600	4,907,657	719,057
Other financing sources:				
Fund Balance from prior year surplus	1,500,000	1,500,000	-	(1,500,000)
Total other financing sources	1,500,000	1,500,000	-	(1,500,000)
Total revenues	160,103,865	160,103,865	165,215,092	5,111,227

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2007

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES:				
General government:				
County Commissioners' office:				
Salaries	\$ 833,509	\$ 833,509	\$ 796,062	\$ 37,447
Administrative	53,125	56,270	48,114	8,156
Training and travel	50,000	46,855	28,093	18,762
Legal	(26,000)	(26,000)	(29,752)	3,752
Advertisements	33,280	33,280	21,935	11,345
Vehicle operations	8,000	8,000	3,577	4,423
Other supplies and equipment	8,000	8,000	15,847	(7,847)
Enterprise fund credits	(125,338)	(125,338)	(125,338)	-
	834,576	834,576	758,538	76,038
Circuit Court:				
Salaries	565,565	565,565	584,768	(19,203)
Administrative	43,500	52,075	46,643	5,432
Training and travel	9,000	13,766	2,423	11,343
Legal	18,000	1,450	1,450	-
Jury	43,000	58,975	50,974	8,001
Court library	2,000	2,000	2,000	-
Court reporters	20,000	3,694	3,694	-
Family support services	72,905	72,905	116,740	(43,835)
Drug treatment court program	-	-	38,967	(38,967)
Other supplies and equipment	7,488	11,028	7,721	3,307
	781,458	781,458	855,380	(73,922)
Orphans' Court:				
Salaries	12,750	12,750	12,923	(173)
Administrative	700	700	313	387
Training and travel	9,359	9,359	5,711	3,648
	22,809	22,809	18,947	3,862

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2007
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
General government, continued:				
State's Attorney's office:				
Salaries	\$ 1,157,869	\$ 1,157,869	\$ 1,138,211	\$ 19,658
Overtime pay	28,000	28,000	49,609	(21,609)
Administrative	37,367	37,367	37,488	(121)
Training and travel	6,344	6,344	3,081	3,263
Vehicle operations	6,000	6,000	13,506	(7,506)
Other supplies and equipment	16,295	16,295	16,899	(604)
Ocean City office rent	19,216	19,216	19,622	(406)
Prosecution	21,850	21,850	39,267	(17,417)
	1,292,941	1,292,941	1,317,683	(24,742)
Treasurer's office:				
Salaries	1,191,339	1,209,839	1,225,470	(15,631)
Overtime pay	16,150	16,150	13,860	2,290
Administrative	48,982	48,982	53,358	(4,376)
Training and travel	19,025	19,025	22,775	(3,750)
Consulting services	13,500	13,500	8,132	5,368
Other supplies and equipment	164,100	164,100	165,409	(1,309)
Tax bills	16,500	16,500	24,320	(7,820)
Credits for support	(330,269)	(330,269)	(323,769)	(6,500)
	1,139,327	1,157,827	1,189,555	(31,728)
Elections office:				
Salaries	7,800	7,800	7,800	-
State employees' salaries	327,839	327,839	203,544	124,295
Administrative	25,958	32,808	32,781	27
Training and travel	14,846	8,646	8,573	73
Other supplies and equipment	9,000	8,350	3,930	4,420
New equipment	117,400	117,400	70,628	46,772
Voting machines and poll expenses	270,240	270,240	201,465	68,775
Building and property	16,135	16,135	12,935	3,200
	789,218	789,218	541,656	247,562

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2007

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
General government, continued:				
Human resources:				
Salaries	\$ 298,568	\$ 298,568	\$ 298,568	\$ -
Administrative	10,600	14,600	7,206	7,394
Legal	520	520	-	520
Training and travel	3,000	3,000	1,413	1,587
Consulting services	19,600	11,140	7,417	3,723
Vehicle operating expenses	8,100	8,100	4,381	3,719
Other supplies and equipment	4,500	8,960	3,722	5,238
Volunteer services	14,100	14,100	10,972	3,128
Enterprise fund credits	(56,538)	(56,538)	(56,538)	-
	302,450	302,450	277,141	25,309
Planning and permits:				
Salaries	1,623,050	1,613,800	1,515,284	98,516
Administrative	96,900	96,900	55,377	41,523
Training and travel	49,600	49,600	37,027	12,573
Advertisements	18,430	18,430	17,329	1,101
Legal	54,975	54,975	33,159	21,816
Consulting services	57,000	57,000	45,495	11,505
Vehicle operating expenses	22,000	22,000	20,869	1,131
Other supplies and equipment	19,300	19,300	12,543	6,757
Enterprise fund credits	(18,146)	(18,146)	(17,168)	(978)
	1,923,109	1,913,859	1,719,915	193,944
Comprehensive planning:				
Salaries	338,299	333,580	327,585	5,995
Administrative	18,000	18,290	17,803	487
Training and travel	16,150	16,150	15,684	466
Legal	2,800	3,229	1,959	1,270
Consulting services	1,000	1,000	8,764	(7,764)
Grant services	136,000	136,000	38,853	97,147

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2007

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
General government, continued:				
Comprehensive planning (continued):				
Vehicle operating expenses	\$ 1,500	\$ 1,500	\$ 1,292	\$ 208
Other supplies and equipment	13,000	17,000	11,338	5,662
	526,749	526,749	423,278	103,471
Environmental programs:				
Salaries	715,658	706,408	701,887	4,521
Administrative	37,346	37,346	28,047	9,299
Training and travel	6,000	6,000	4,331	1,669
Legal	1,500	1,500	1,027	473
Vehicle operating expenses	20,000	21,920	21,912	8
Other supplies and equipment	30,700	28,780	436	28,344
New equipment	7,000	7,000	30,135	(23,135)
Fund credits	(27,050)	(27,050)	(27,050)	-
	791,154	781,904	760,725	21,179
Other general government:				
Independent audit	45,000	27,540	27,540	-
Tri-County Council	12,000	12,000	12,000	-
Tri-County Council - Shore transit funding	436,785	436,785	311,611	125,174
Courthouse expenses	494,920	494,920	497,623	(2,703)
Isle of Wight building expenses	46,506	46,506	45,050	1,456
Courthouse improvements	169,220	169,220	209,459	(40,239)
Association of counties	46,506	46,506	21,865	24,641
Training and travel	19,000	19,300	19,262	38
Computer services	226,528	226,528	273,352	(46,824)
Photocopies	800	800	1,311	(511)
Postage	117,335	134,795	135,325	(530)
Bridgetown water project	30,000	30,000	30,000	-
Other grants to Towns	300,000	300,000	300,000	-
Towns share county liquor fees	303,000	303,000	300,657	2,343
Miscellaneous	30,000	30,000	27,385	2,615
Other supplies and equipment	152,000	151,700	78,207	73,493
New equipment	50,000	50,000	537,303	(487,303)
Emergency preparedness	150,000	150,000	97,284	52,716

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2007

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
General government, continued:				
Other general government (continued):				
Courier service	\$ 25,100	\$ 25,100	\$ 2,205	\$ 22,895
	2,654,700	2,654,700	2,927,439	(272,739)
Total general government	11,058,491	11,058,491	10,790,257	268,234
Public safety:				
Sheriff's office:				
Salaries	3,437,338	3,226,670	3,226,670	-
Overtime pay	129,800	257,263	257,263	-
Administrative	39,450	40,443	40,443	-
Training and travel	37,000	35,913	35,913	-
Consulting	3,016	1,750	1,750	-
Vehicle operating expenses	177,500	230,139	260,314	(30,175)
Radio	22,846	21,713	21,713	-
Uniforms and personal equipment	78,427	87,598	87,598	-
Other supplies and equipment	65,565	88,979	88,979	-
New equipment	303,576	350,741	350,741	-
Veterinary services	3,100	1,368	1,368	-
Building and property	39,030	43,468	43,325	143
Equipment maintenance	62,315	22,226	22,226	-
Crossing guards	2,500	-	-	-
Firearms training center	18,500	11,692	11,692	-
	4,419,963	4,419,963	4,449,995	(30,032)
Emergency services:				
Salaries	938,858	927,037	924,594	2,443
Overtime pay	25,000	36,821	46,821	(10,000)
Administrative	35,364	35,364	34,557	807
Training and travel	15,040	15,040	15,169	(129)
Vehicle operating expenses	7,000	7,000	6,335	665
Radio supplies	30,000	30,000	68,257	(38,257)
Radio expenses	265,500	265,500	198,673	66,827
Other supplies and equipment	317,500	1,549,459	1,175,232	374,227
New equipment	1,653,759	421,800	373,934	47,866
Transmitter sites	120,000	120,000	33,256	86,744
911 equipment charges	160,595	160,595	127,673	32,922
	3,568,616	3,568,616	3,004,501	564,115

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2007
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public safety, continued:				
Jail:				
Salaries	\$ 3,850,949	\$ 3,844,541	\$ 3,844,541	\$ -
Overtime pay	25,000	17,268	17,268	-
Administrative	22,600	13,776	13,776	-
Training and travel	13,000	16,415	16,415	-
Vehicle operating expenses	16,500	14,181	14,181	-
Uniforms and personal equipment	49,300	46,039	46,039	-
Other supplies and equipment	9,900	10,073	10,073	-
New equipment	200,000	200,000	149,372	50,628
Maintenance and utilities	495,200	495,200	466,531	28,669
Medical services	359,000	366,950	380,816	(13,866)
Food services	515,000	537,230	537,227	3
Inmate supplies and services	34,000	28,776	21,589	7,187
	5,590,449	5,590,449	5,517,828	72,621
Fire Marshall:				
Salaries	282,185	282,185	282,047	138
Overtime pay	10,000	11,959	11,958	1
Administrative	13,130	13,130	11,840	1,290
Training and travel	12,250	6,241	2,288	3,953
Consulting services	1,400	1,400	563	837
Vehicle operating expenses	14,500	20,509	20,508	1
Uniforms and personal equipment	7,400	7,400	3,300	4,100
Other supplies and equipment	35,100	37,076	37,075	1
New equipment	28,350	28,350	26,360	1,990
Safety program	74,665	70,730	66,304	4,426
	478,980	478,980	462,243	16,737
Volunteer fire departments:				
County grant to fire companies	1,850,990	1,850,990	1,850,990	-
Fireman's Training Center	61,380	61,380	21,170	40,210
State grant for fire companies	249,159	249,159	257,712	(8,553)
County grant to ambulance companies	2,765,610	2,765,610	2,765,610	-
LOSAP appropriation	124,300	124,300	121,100	3,200
	5,051,439	5,051,439	5,016,582	34,857
Total public safety	19,109,447	19,109,447	18,451,149	658,298

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2007
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public works:				
Maintenance:				
Salaries	\$ 752,684	\$ 752,684	\$ 719,429	\$ 33,255
Overtime pay	5,500	5,500	4,534	966
Administrative	10,600	10,600	9,624	976
Training and travel	2,910	2,910	264	2,646
Vehicle operating expenses	37,350	37,350	32,638	4,712
Uniforms and personal equipment	6,790	6,790	9,454	(2,664)
Safety program	5,950	5,950	2,359	3,591
Other supplies and equipment	17,875	17,875	12,795	5,080
New equipment	18,000	18,000	17,813	187
Building expenses	16,605	16,605	16,284	321
	874,264	874,264	825,194	49,070
Roads department:				
Salaries	1,553,116	1,553,116	1,456,758	96,358
Overtime pay	15,000	9,990	9,590	400
Administrative	17,380	17,565	17,561	4
Training and travel	2,500	2,500	2,081	419
Consulting services	3,000	3,000	401,377	(398,377)
Vehicle and equipment operating expenses	351,800	333,805	333,273	532
Radio expenses	5,000	6,500	6,479	21
Uniforms and personal equipment	20,739	15,249	15,240	9
Other supplies and equipment	45,850	43,330	41,689	1,641
New equipment	763,182	763,182	1,736,908	(973,726)
Building and property	23,180	38,490	38,490	-
Road maintenance materials	1,978,759	1,978,759	1,743,141	235,618
Special road construction	30,000	30,000	48,050	(18,050)
Street lighting	50,500	64,520	64,519	1
Signs, signals and stripping	61,800	61,800	60,920	880
Ocean Pines road maintenance	782,418	782,418	739,979	42,439
State aid road construction projects	-	-	239,253	(239,253)
Interfund charges	(25,000)	(25,000)	(25,000)	-
	5,679,224	5,679,224	6,930,308	(1,251,084)

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE- BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2007
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public works, continued:				
Other public works:				
Salaries	\$ 396,428	\$ 396,428	\$ 388,247	\$ 8,181
Administrative	12,100	12,100	8,205	3,895
Training and travel	3,200	3,200	2,306	894
Consulting services	120,000	120,000	45,292	74,708
Central vehicle service	77,155	77,155	131,216	(54,061)
Building and property	10,000	10,000	(7,042)	17,042
New equipment	25,000	25,000	22,748	2,252
Central gas facility	7,700	7,700	(237)	7,937
Safety program	1,875	1,875	298	1,577
Supplies and equipment	2,500	2,500	1,957	543
Enterprise fund credits	(348,507)	(348,507)	(303,607)	(44,900)
	307,451	307,451	289,383	18,068
Total public works	6,860,939	6,860,939	8,044,885	(1,183,946)
Health and hospitals:				
Health department:				
Health clinic's building expenses	331,795	331,795	364,644	(32,849)
Other non-matching expenses	40,118	40,118	14,231	25,887
New equipment	39,000	39,000	85,876	(46,876)
Matching appropriation	3,162,726	3,162,726	3,226,091	(63,365)
	3,573,639	3,573,639	3,690,842	(117,203)
Mosquito control:				
Salaries	27,082	27,082	27,082	-
Administrative	1,500	1,500	1,847	(347)
Vehicle operations	8,500	8,500	10,779	(2,279)
Building and property expenses	2,380	2,380	2,935	(555)
Appropriation for spraying	130,073	130,073	74,184	55,889
	169,535	169,535	116,827	52,708

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2007
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Health and hospitals, continued:				
Other health and hospitals:				
Drug Abuse Task Force	\$ 10,000	\$ 10,000	\$ 7,895	\$ 2,105
Atlantic General Hospital	300,000	300,000	300,000	-
Worcester Development Center	573,000	573,000	359,725	213,275
Worcester County Commission for Women	1,000	1,000	1,000	-
Hartley Hall	12,500	12,500	12,500	-
Highway Safety Program	158,000	158,000	89,559	68,441
	1,054,500	1,054,500	770,679	283,821
Total health and hospitals	4,797,674	4,797,674	4,578,348	219,326
Social services:				
Commission on Aging:				
Senior center building expenses	170,927	170,927	175,142	(4,215)
Appropriation for Commission on Aging	398,495	398,495	398,495	-
Senior Transportation	157,226	157,226	157,226	-
	726,648	726,648	730,863	(4,215)
Other social services:				
Salaries	110,986	110,986	132,022	(21,036)
Administrative	28,375	28,375	51,642	(23,267)
Maryland Food Bank	1,000	1,000	1,000	-
Life Crisis Center	9,000	9,000	9,000	-
Youth and Family counseling	101,900	101,900	101,900	-
Diakonia	56,807	56,807	44,557	12,250
Samaritan shelter	12,500	12,500	9,500	3,000
Save the Youth programs	20,058	20,058	20,058	-
Oasis Ministries, Inc.	10,000	10,000	10,000	-
Habitat for Humanity	40,000	40,000	40,000	-

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2007
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Social services, continued:				
Other social services (continued):				
BRAVE program	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Worcester County G.O.L.D.	10,000	10,000	10,000	-
	404,626	404,626	433,679	(29,053)
Total social services	1,131,274	1,131,274	1,164,542	(33,268)
Education:				
Board of Education:				
Retirement	275,000	275,000	308,838	(33,838)
Retirees hospitalization insurance	2,163,931	2,163,931	2,163,931	-
School building improvements	548,500	548,500	548,500	-
School building construction	355,000	355,000	355,000	-
Operating appropriations	59,604,526	59,604,526	59,604,526	-
Technology program	997,000	997,000	997,000	-
	63,943,957	63,943,957	63,977,795	(33,838)
WOR-WIC Community College:				
Operating appropriation	1,594,017	1,594,017	1,594,017	-
Campus development	239,360	239,360	125,999	113,361
Child development center grant	250,000	250,000	250,000	-
	2,083,377	2,083,377	1,970,016	113,361
Total education	66,027,334	66,027,334	65,947,811	79,523
Libraries, recreation and culture:				
Recreation department:				
Salaries	862,834	862,834	784,401	78,433
Administrative	28,820	28,820	27,606	1,214
Training and travel	14,320	14,320	11,554	2,766
Vehicle and equipment operating	22,850	25,620	25,620	-

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2007

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Libraries, recreation and culture, continued:				
Recreation department (continued):				
Uniforms and personal equipment	\$ 4,500	\$ 4,500	\$ 4,084	\$ 416
Other supplies and equipment	114,300	114,300	100,108	14,192
New equipment	65,000	65,000	58,801	6,199
Park expenses	223,995	223,995	209,519	14,476
Park improvements	1,136,088	1,136,088	283,738	852,350
Recreation program	314,400	311,630	281,292	30,338
	2,787,107	2,787,107	1,786,723	1,000,384
Boat Landings:				
Landing expenses	24,750	24,750	21,838	2,912
Landing improvements	275,000	275,000	113,454	161,546
	299,750	299,750	135,292	164,458
Library:				
Salaries	1,266,867	1,266,867	1,227,584	39,283
Overtime pay	4,000	4,000	1,730	2,270
Administrative	107,300	129,411	131,932	(2,521)
Training and travel	7,800	14,970	14,778	192
Other supplies and equipment	54,300	54,300	88,155	(33,855)
Special projects	8,000	8,000	7,178	822
Maintenance and utilities	233,125	224,125	228,239	(4,114)
Books	320,000	299,719	299,618	101
Grant services	64,850	64,850	65,139	(289)
On-behalf payments	-	-	84,889	(84,889)
	2,066,242	2,066,242	2,149,242	(83,000)
Other recreation and culture:				
Salvation Army youth recreation	10,500	10,500	10,500	-
Worcester County Art Council	5,000	5,000	5,000	-
Rackliffe House Trust	75,000	75,000	75,000	-
Germantown School	50,000	50,000	50,000	-
Museum of Maryland history	500	500	500	-
Calvin B. Taylor house	3,000	3,000	3,000	-

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2007

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Libraries, recreation and culture, continued:				
Other recreation and culture (continued):				
Julia Purnell museum	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Costen house	4,000	4,000	4,000	-
Veteran's Memorial in Ocean Pines	2,000	2,000	2,000	-
Ocean City Lifesaving museum	4,000	4,000	4,000	-
Queponco Rail Station	2,500	2,500	2,500	-
Sturgis One-Room Schoolhouse	3,000	3,000	5,387	(2,387)
Girdletree Foundation	15,000	15,000	15,000	-
Mid-Atlantic symphony orchestra	4,000	4,000	4,000	-
	182,500	182,500	184,887	(2,387)
Total libraries, recreation and culture	5,335,599	5,335,599	4,256,144	1,079,455
Conservation of natural resources:				
Extension service:				
Salaries	12,330	12,330	5,750	6,580
Administrative	15,815	15,815	10,052	5,763
Other supplies and equipment	16,863	16,863	19,860	(2,997)
Office rent and utilities	21,470	21,470	21,875	(405)
Operating appropriation	104,033	104,033	104,033	-
Johnsongrass control program	2,850	2,850	2,057	793
	173,361	173,361	163,627	9,734
Other natural resources:				
Gypsy moth control	5,000	5,000	306	4,694
Soil Conservation District	34,433	34,433	34,433	-
Forest Conservancy Board	2,000	2,000	2,000	-
Conservation Easements	241,000	241,000	11,317	229,683
Beach maintenance	500,000	500,000	349,559	150,441
	782,433	782,433	397,615	384,818
Total conservation of natural resources	955,794	955,794	561,242	394,552

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2007

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Economic development:				
Economic development department:				
Salaries	\$ 97,399	\$ 97,399	\$ 97,399	\$ -
Administrative	9,439	12,372	12,371	1
Training and travel	9,600	10,258	10,258	-
Advertisements	19,000	19,536	19,536	-
Vehicle operating expenses	1,200	2,010	2,010	-
Other supplies and equipment	3,950	4,067	4,067	-
Consulting services	70,000	49,661	54,715	(5,054)
Economic/industrial development	370,000	370,000	264,306	105,694
Home innovation	18,000	33,285	33,870	(585)
Housing rehabilitation program	207,200	207,200	209,772	(2,572)
	805,788	805,788	708,304	97,484
Tourism:				
Salaries	106,186	106,186	106,186	-
Administrative	8,200	8,200	7,866	334
Training and travel	5,350	5,350	9,248	(3,898)
Legal	174,000	174,000	193,092	(19,092)
Vehicle operating expenses	1,600	1,600	1,992	(392)
Other supplies and equipment	52,400	52,400	73,051	(20,651)
Furnace Town, Inc.	58,912	58,912	58,912	-
Snow Hill Alliance Response Program	22,526	22,526	22,526	-
Lower Eastern Shore Heritage	10,000	10,000	10,000	-
Delmarva Low-Impact Tourism	10,000	10,000	10,000	-
Economic/Industrial development program	3,000	3,000	3,060	(60)
Mar Va Theatre	117,728	117,728	117,728	-
Pocomoke marketing partnership	500,000	500,000	500,000	-
	1,069,902	1,069,902	1,113,661	(43,759)
Total economic development	1,875,690	1,875,690	1,821,965	53,725

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2007

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Intergovernmental:				
Towns share county room tax	\$ 9,750,000	\$ 9,750,000	\$ 10,473,039	\$ (723,039)
Towns share county bingo fees	2,000	2,000	2,241	(241)
Towns share county income tax	1,580,000	1,580,000	1,742,905	(162,905)
Towns share county food tax	1,915,000	1,915,000	2,116,092	(201,092)
Grants to towns for police	62,296	62,296	71,080	(8,784)
Grants to towns for fire	636,000	636,000	636,000	-
Grants to towns for tourism	365,000	365,000	365,000	-
Other grants to towns	1,450,000	1,450,000	1,450,000	-
Total intergovernmental	15,760,296	15,760,296	16,856,357	(1,096,061)
Miscellaneous:				
Social security taxes	1,637,051	1,637,051	1,429,221	207,830
Employee retirement	1,673,744	1,673,744	1,181,118	492,626
Hospitalization insurance	3,836,973	3,836,973	2,742,943	1,094,030
Worker's compensation insurance	584,171	584,171	496,282	87,889
Unemployment insurance	30,000	30,000	15,073	14,927
Property-liability insurance	362,250	362,250	363,898	(1,648)
Miscellaneous and contingency	50,000	50,000	44,444	5,556
Compensated absences	-	-	75,000	(75,000)
Judgements and lawsuits	100,000	100,000	2,678	97,322
Total miscellaneous	8,274,189	8,274,189	6,350,657	1,923,532
Total expenditures	141,186,727	141,186,727	138,823,357	2,363,370
Excess of revenues over expenditures	18,917,138	18,917,138	26,391,735	7,474,597

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND

Year Ended June 30, 2007
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
OTHER FINANCING USES:				
Transfer to Worcester County Debt Service Fund	\$ 6,836,520	\$ 6,836,520	\$ 6,805,091	\$ 31,429
Transfer to Other Post Retirement Benefits Fund	10,200,000	10,200,000	17,015,000	(6,815,000)
Transfer to Worcester County Capital Projects Fund	-	-	7,476,520	(7,476,520)
Transfer to Worcester County Reserve Fund	1,880,618	1,880,618	1,880,618	-
Total other financing uses	18,917,138	18,917,138	33,177,229	(14,260,091)
Net change in fund balance	\$ -	\$ -	(6,785,494)	\$ (6,785,494)
Fund balance, beginning			<u>43,179,302</u>	
Fund balance, ending			<u>\$ 36,393,808</u>	

WORCESTER COUNTY, MARYLAND
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. Excess of Expenditures Over Appropriations

The following fund had an excess of expenditures, including other financing sources, over appropriations for the year ended June 30, 2007:

Fund	Budgeted Expenditures	Actual Expenditures	Excess of Actual Over Budgeted Expenditures
General	\$ 158,603,865	\$ 172,000,586	\$ 13,396,721

Funds to provide for the excess expenditures were made available from unbudgeted revenues and from prior years fund balance.

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OTHER SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007

	Department of Social Services <u>Fund</u>	Reserve <u>Fund</u>	Local Management <u>Board</u>	Energy Service <u>Fund</u>	Other Post Employment Benefits <u>Fund</u>	<u>Total</u>
ASSETS						
Assets:						
Cash and short-term investments	\$ 42,291	\$ -	\$ 220,931	\$ -	\$ 17,426,937	\$ 17,690,159
Accounts receivable	-	-	289,844	-	-	289,844
Due from other funds	-	17,870,025	-	750,000	-	18,620,025
Total assets	\$ 42,291	\$ 17,870,025	\$ 510,775	\$ 750,000	\$ 17,426,937	\$ 36,600,028
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 305,493	\$ -	\$ -	\$ 305,493
Unearned revenue	-	-	173,852	-	-	173,852
Total liabilities	-	-	479,345	-	-	479,345
Fund balances:						
Reserved for fund purposes	42,291	17,870,025	31,430	750,000	17,426,937	36,120,683
Total liabilities and fund balances	\$ 42,291	\$ 17,870,025	\$ 510,775	\$ 750,000	\$ 17,426,937	\$ 36,600,028

WORCESTER COUNTY, MARYLAND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

Year Ended June 30, 2007

	Department of Social Services Fund	Reserve Fund	Local Management Board	LLEBG	Energy Service Fund	Rainy Day Fund
REVENUES:						
Intergovernmental	\$ 129,267	\$ -	\$ 1,174,854	\$ 11,333	\$ -	\$ -
Interest income	-	-	2,456	42	-	-
Total revenues	129,267	-	1,177,310	11,375	-	-
EXPENDITURES:						
Social services	157,223	-	-	-	-	-
Other	-	-	1,162,566	16,373	-	-
Total expenditures	157,223	-	1,162,566	16,373	-	-
Excess (deficiency) of revenues over expenditures	(27,956)	-	14,744	(4,998)	-	-
OTHER FINANCING SOURCES:						
Operating transfers in (out)	-	3,698,618	-	-	-	(1,818,000)
Excess (deficiency) of revenues and other financing sources over expenditures	(27,956)	3,698,618	14,744	(4,998)	-	(1,818,000)
Fund balances, beginning	70,247	14,171,407	16,686	4,998	750,000	1,818,000
Fund balances, ending	\$ 42,291	\$17,870,025	\$ 31,430	\$ -	\$ 750,000	\$ -

Other Post
Employment
Benefits

<u>Fund</u>	<u>Total</u>
\$ -	\$ 1,315,454
411,937	414,435
<hr/>	
411,937	1,729,889
<hr/>	
-	157,223
-	1,178,939
<hr/>	
-	1,336,162
<hr/>	
411,937	393,727
<hr/>	
17,015,000	18,895,618
<hr/>	
17,426,937	19,289,345
-	16,831,338
<hr/>	
<u>\$17,426,937</u>	<u>\$36,120,683</u>

WORCESTER COUNTY, MARYLAND

BALANCE SHEET
LOCAL MANAGEMENT BOARD- NONMAJOR GOVERNMENTAL FUND
June 30, 2007

ASSETS

Cash	\$	220,931
Accounts receivable		289,844
<hr/>		
Total assets	\$	510,775

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$	305,493
Unearned revenue		173,852
<hr/>		
Total liabilities		479,345
<hr/>		
Fund balance		31,430
<hr/>		
Total liabilities and fund balance	\$	510,775

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES

LOCAL MANAGEMENT BOARD- NONMAJOR GOVERNMENTAL FUND

Year Ended June 30, 2007

REVENUES:

Administrative grant	\$ 219,725
Family preservation grant	127,281
Community partnership grant	222,237
Local coordinating council grant	115,000
Systems of care grant	88,092
Enhanced families grant	16,167
Youth strategies grant	110,786
Other grants	275,566
<hr/>	
Total revenues	1,174,854

EXPENDITURES:

Administrative:	
Salaries and benefits	115,575
Administrative/fiscal support	4,540
Training, travel and support	10,488
Consultant	29,696
Rent	6,000
Supplies and equipment	35,410
Miscellaneous	18,367
Family preservation grant	127,281
Community partnership grant	222,237
Local coordinating council grant	115,000
Systems of care grant	88,092
Youth strategies grant	110,786
Enhanced families grant	3,528
Other grants	275,566
<hr/>	
Total expenditures	1,162,566

Excess of revenues over expenditures	12,288
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OTHER FINANCING SOURCES:

Interest income	2,456
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Excess of expenditures over revenues and other financing sources	14,744
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Fund balance, beginning	16,686
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Fund balance, ending	\$ 31,430
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WORCESTER COUNTY, MARYLAND

COMBINING STATEMENTS OF FUND NET ASSETS - OPERATING FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES

June 30, 2007

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Newark Service <u>Area</u>	Bridgetown Service <u>Area</u>	Shared Facilities	Edgewater Acres <u>S.A.</u>
ASSETS						
<u>Current assets</u>						
Cash and short-term investments	\$ 610,226	\$ (14,487)	\$ (17,183)	\$ 27,200	\$ 60,075	\$ (17,167)
Accounts receivable - usage billings	16,213	1,105,587	16,525	1,092	-	39,552
Interfund receivable	-	7,171	5,154	-	-	-
Total current assets	626,439	1,098,271	4,496	28,292	60,075	22,385
<u>Capital assets</u>						
Land and land rights	47,037	63,319	4,527	-	-	-
Water and sewer systems	10,222,006	35,044,485	676,367	301,942	-	94,806
Machinery and equipment	-	3,113,261	-	-	-	81,156
Construction in progress	52,598	1,682,578	-	-	-	-
	10,321,641	39,903,643	680,894	301,942	-	175,962
Less accumulated depreciation	(5,362,844)	(10,931,005)	(445,047)	(142,557)	-	(69,431)
	4,958,797	28,972,638	235,847	159,385	-	106,531
Total assets	5,585,236	30,070,909	240,343	187,677	60,075	128,916
LIABILITIES						
<u>Current liabilities</u>						
Accounts payable and accrued expenses	66,825	445,855	4,731	2,653	2,266	9,897
Due to state	1,815	-	840	130	-	-
Due to other funds	383	125,652	-	-	-	-
Capital lease payable - current	-	-	-	-	-	-
Interfund payable	264	1,159,567	67,596	-	-	-
Total current liabilities	69,287	1,731,074	73,167	2,783	2,266	9,897
Capital lease payable - long-term	-	-	-	-	-	-
Total liabilities	69,287	1,731,074	73,167	2,783	2,266	9,897
NET ASSETS						
Unrestricted net assets	\$ 5,515,949	\$ 28,339,835	\$ 167,176	\$ 184,894	\$ 57,809	\$ 119,019

Assateague Point S.A.	River Run S.A.	Oyster Harbour S.A.	Mystic Harbour S.A.	Lighthouse Sound S.A.	Riddle Farm S.A.	The Landings S.A.	Support Groups	Total
\$ 21,982	\$ 166,463	\$ 458	\$ 434,500	\$ 17,659	\$ 44,732	\$ (62,151)	\$ 53,809	\$ 1,326,116
938	-	-	194,798	16,538	59,406	20,669	-	1,471,318
-	-	-	3,294	-	-	-	-	15,619
22,920	166,463	458	632,592	34,197	104,138	(41,482)	53,809	2,813,053
-	-	-	-	-	-	-	-	114,883
1,089,305	-	-	251,660	-	18,490,395	8,983,508	-	75,154,474
-	83,255	-	494,775	-	-	-	446,039	4,218,486
-	-	-	33,816	-	-	-	-	1,768,992
1,089,305	83,255	-	780,251	-	18,490,395	8,983,508	446,039	81,256,835
(4,834)	(35,593)	-	(315,416)	-	(462,260)	-	(78,030)	(17,847,017)
1,084,471	47,662	-	464,835	-	18,028,135	8,983,508	368,009	63,409,818
1,107,391	214,125	458	1,097,427	34,197	18,132,273	8,942,026	421,818	66,222,871
8,344	2,101	-	66,005	2,436	4,634	3,753	4,436	623,936
30	-	-	5,738	698	1,830	625	-	11,706
206	62	-	1,027	82	124	-	90,156	217,692
-	-	-	-	-	-	-	46,128	46,128
-	-	458	1,908	-	-	-	-	1,229,793
8,580	2,163	458	74,678	3,216	6,588	4,378	140,720	2,129,255
-	-	-	-	-	-	-	98,307	98,307
8,580	2,163	458	74,678	3,216	6,588	4,378	239,027	2,227,562
\$1,098,811	\$ 211,962	\$ -	\$ 1,022,749	\$ 30,981	\$ 18,125,685	\$ 8,937,648	\$ 182,791	\$63,995,309

WORCESTER COUNTY, MARYLAND

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

June 30, 2007

	West Ocean City S.A.	Ocean Pines S.A.	Oyster Harbor S.A.	Newark Service Area
ASSETS				
<u>Current assets</u>				
Cash and short-term investments	\$ 300,859	\$ 1,637,326	\$ 32,671	\$ 159,401
Accounts receivable - edu	95,698	1,955,741	43,047	14,438
Interfund receivable	264	1,152,396	458	67,596
Total current assets	396,821	4,745,463	76,176	241,435
<u>Other assets</u>				
Long-term edu receivable	1,066,141	17,614,247	521,792	97,350
Construction in process	-	-	-	105,053
Total other assets	1,066,141	17,614,247	521,792	202,403
Total assets	1,462,962	22,359,710	597,968	443,838
LIABILITIES				
<u>Current liabilities</u>				
Interfund payable	-	-	-	5,154
Due to other funds	3,450	28,134	30,088	-
Bonds payable - current portion	63,714	1,274,934	-	7,996
Accrued bond interest payable	6,784	151,250	-	874
Total current liabilities	73,948	1,454,318	30,088	14,024
<u>Other</u>				
Unearned revenue	-	7,379,370	551,880	136,801
Due to general fund	-	-	521,792	-
Bonds payable	784,371	16,626,352	-	97,350
Bond costs deferred	(51,072)	(345,064)	-	(1,162)
Total other liabilities	733,299	23,660,658	1,073,672	232,989
Total liabilities	807,247	25,114,976	1,103,760	247,013
NET ASSETS				
Unrestricted net assets	\$ 655,715	\$(2,755,266)	\$(505,792)	\$ 196,825

South Point <u>S.A.</u>	Sunset Village <u>S.A.</u>	Snug Harbor <u>S.A.</u>	<u>Total</u>
\$ (196)	\$ 34,368	\$ -	\$ 2,164,429
4,856	12,913	31,031	2,157,724
1,908	-	-	1,222,622
6,568	47,281	31,031	5,544,775
59,128	157,201	554,156	20,070,015
-	-	-	105,053
59,128	157,201	554,156	20,175,068
65,696	204,482	585,187	25,719,843
-	3,294	-	8,448
-	-	-	61,672
4,856	12,912	31,031	1,395,443
531	1,411	-	160,850
5,387	17,617	31,031	1,626,413
63,984	170,113	585,187	8,887,335
	-	62,563	584,355
59,128	157,201	554,156	18,278,558
(620)	(1,782)	-	(399,700)
122,492	325,532	1,201,906	27,350,548
127,879	343,149	1,232,937	28,976,961
\$ (62,183)	\$ (138,667)	\$ (647,750)	\$ (3,257,118)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2007

	West Ocean City Service Area			Ocean Pines Service Area		
	Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES						
Charges for service	\$ 843,500	\$ 834,430	\$ (9,070)	\$ 4,893,000	\$ 4,597,627	\$ (295,373)
Interest and penalties	50,000	59,983	9,983	170,000	114,563	(55,437)
Operating grants	-	-	-	-	-	-
Other revenue	606,007	550	(605,457)	1,895,039	774,999	(1,120,040)
Total operating revenues	1,499,507	894,963	(604,544)	6,958,039	5,487,189	(1,470,850)
OPERATING EXPENSES						
Personnel services	91,890	48,449	(43,441)	1,513,238	1,477,844	(35,394)
Supplies and materials	19,408	4,430	(14,978)	432,900	421,138	(11,762)
Maintenance and services	72,150	106,584	34,434	1,210,550	1,331,726	121,176
Other charges	805,067	613,667	(191,400)	1,207,001	1,379,740	172,739
Interfund charges	93,992	102,515	8,523	495,251	498,916	3,665
Total operating expenses	1,082,507	875,645	(206,862)	4,858,940	5,109,364	250,424
Operating income before depreciation	417,000	19,318	(397,682)	2,099,099	377,825	(1,721,274)
Depreciation	260,000	257,299	(2,701)	1,500,000	1,354,308	(145,692)
Net operating income (loss)	157,000	(237,981)	(394,981)	599,099	(976,483)	(1,575,582)
NON-OPERATING REVENUES						
(EXPENSES)						
Contribution of system assets	-	-	-	-	-	-
Transfer (to) from other funds	-	(10,423)	(10,423)	-	-	-
Transfer (to) from district	-	-	-	-	1,433,636	1,433,636
Interest income	8,000	17,217	9,217	500	24,310	23,810
Interest expense	-	-	-	(2,240)	(974)	1,266
Net non-operating revenues (expenses)	8,000	6,794	(1,206)	(1,740)	1,456,972	1,458,712
Net income (loss)	\$ 165,000	\$ (231,187)	\$ (396,187)	\$ 597,359	\$ 480,489	\$ (116,870)
OTHER BUDGETED EXPENDITURES						
Capital outlay	\$ (165,000)			\$ (597,359)		
Debt service	-			-		
Total other budgeted expenditures	(165,000)			(597,359)		
Budgeted net income (loss)	\$ -			\$ -		

Newark Service Area			Bridletown Service Area			Edgewater Acres Service Area		
Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget
\$ 81,800	\$ 67,097	\$ (14,703)	\$ 10,000	\$ 10,008	\$ 8	\$ 150,720	\$ 153,968	\$ 3,248
500	6,558	6,058	200	1,101	901	1,600	486	(1,114)
-	-	-	30,000	30,000	-	-	-	-
36,962	16,312	(20,650)	3,435	-	(3,435)	19,807	2,623	(17,184)
119,262	89,967	(29,295)	43,635	41,109	(2,526)	172,127	157,077	(15,050)
42,526	44,223	1,697	13,675	4,260	(9,415)	21,513	20,429	(1,084)
7,200	9,104	1,904	1,411	99	(1,312)	1,874	668	(1,206)
26,550	28,464	1,914	9,225	4,710	(4,515)	14,600	13,615	(985)
18,896	24,919	6,023	6,181	18,588	12,407	110,290	116,463	6,173
6,490	8,553	2,063	2,743	3,463	720	12,950	14,675	1,725
101,662	115,263	13,601	33,235	31,120	(2,115)	161,227	165,850	4,623
17,600	(25,296)	(42,896)	10,400	9,989	(411)	10,900	(8,773)	(19,673)
17,600	20,055	2,455	10,400	8,871	(1,529)	11,000	10,690	(310)
-	(45,351)	(45,351)	-	1,118	1,118	(100)	(19,463)	(19,363)
-	-	-	-	-	-	-	-	-
-	117,329	117,329	-	(164)	(164)	-	(819)	(819)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	100	-	(100)
-	-	-	-	-	-	-	-	-
-	117,329	117,329	-	(164)	(164)	100	(819)	(919)
\$ -	\$ 71,978	\$ 71,978	\$ -	\$ 954	\$ 954	\$ -	\$ (20,282)	\$ (20,282)
\$ -	-	-	\$ -	-	-	\$ -	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
\$ -	-	-	\$ -	-	-	\$ -	-	-

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2007 (Continued)

	Assateague Point Service Area			River Run Service Area		
	Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES						
Charges for service	\$ 145,385	\$ 133,694	\$ (11,691)	\$ 128,000	\$ 132,146	\$ 4,146
Interest and penalties	1,300	2,989	1,689	750	1,381	631
Operating grants	-	-	-	-	-	-
Other revenue	38,815	-	(38,815)	16,188	-	(16,188)
Total operating revenues	185,500	136,683	(48,817)	144,938	133,527	(11,411)
OPERATING EXPENSES						
Personnel services	45,445	32,718	(12,727)	10,257	2,839	(7,418)
Supplies and materials	27,852	21,187	(6,665)	3,940	3,087	(853)
Maintenance and services	40,525	46,323	5,798	27,825	30,844	3,019
Other charges	32,027	28,171	(3,856)	85,949	47,097	(38,852)
Interfund charges	22,851	26,150	3,299	6,767	6,952	185
Total operating expenses	168,700	154,549	(14,151)	134,738	90,819	(43,919)
Operating income before depreciation	16,800	(17,866)	(34,666)	10,200	42,708	32,508
Depreciation	2,500	1,666	(834)	10,200	10,151	(49)
Net operating income (loss)	14,300	(19,532)	(33,832)	-	32,557	32,557
NON-OPERATING REVENUES (EXPENSES)						
Contribution of system assets	-	-	-	-	-	-
Transfer (to) from other funds	-	1,082,098	1,082,098	-	(11,047)	(11,047)
Transfer (to) from district	-	-	-	-	-	-
Interest income	700	1,207	507	-	860	860
Interest expense	-	-	-	-	-	-
Net non-operating revenues (expenses)	700	1,083,305	1,082,605	-	(10,187)	(10,187)
Net income (loss)	\$ 15,000	\$ 1,063,773	\$ 1,048,773	\$ -	\$ 22,370	\$ 22,370
OTHER BUDGETED EXPENDITURES						
Capital outlay	\$ (15,000)			\$ -		
Debt service	-			-		
Total other budgeted expenditures	(15,000)			-		
Budgeted net income (loss)	\$ -			\$ -		

Oyster Harbor Service Area			Mystic Harbor Service Area			Lighthouse Sound Service Area		
Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget
\$ -	\$ -	\$ -	\$ 640,000	\$ 652,157	\$ 12,157	\$ 41,400	\$ 54,101	\$ 12,701
-	170	170	135,000	151,907	16,907	13,000	7,784	(5,216)
-	-	-	-	-	-	-	-	-
-	-	-	303,680	-	(303,680)	26,619	-	(26,619)
-	170	170	1,078,680	804,064	(274,616)	81,019	61,885	(19,134)
-	-	-	227,225	153,042	(74,183)	24,932	38,186	13,254
-	-	-	88,459	58,669	(29,790)	10,034	13,253	3,219
-	-	-	244,425	276,573	32,148	28,575	30,269	1,694
-	-	-	203,592	154,754	(48,838)	11,711	18,242	6,531
-	-	-	80,069	79,195	(874)	5,767	7,729	1,962
-	-	-	843,770	722,233	(121,537)	81,019	107,679	26,660
-	170	170	234,910	81,831	(153,079)	-	(45,794)	(45,794)
-	-	-	73,500	94,426	20,926	-	-	-
-	170	170	161,410	(12,595)	(174,005)	-	(45,794)	(45,794)
-	-	-	-	-	-	-	-	-
-	(45,911)	(45,911)	-	(4,966)	(4,966)	-	(349)	(349)
-	-	-	-	614,300	614,300	-	-	-
-	528	528	-	2,826	2,826	-	2,051	2,051
-	-	-	(5,846)	-	5,846	-	-	-
-	(45,383)	(45,383)	(5,846)	612,160	618,006	-	1,702	1,702
\$ -	\$ (45,213)	\$ (45,213)	\$ 155,564	\$ 599,565	\$ 444,001	\$ -	\$ (44,092)	\$ (44,092)
\$ -			\$ (155,564)			\$ -		
-			-			-		
-			(155,564)			-		
\$ -			\$ -			\$ -		

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2007 (Continued)

	<u>Riddle Farm Service Area</u>			<u>The Landings Service Area</u>		
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES						
Charges for service	\$ 90,000	\$ 162,831	\$ 72,831	\$ 30,000	\$ 41,671	\$ 11,671
Interest and penalties	50,000	72,691	22,691	30,000	24,879	(5,121)
Operating grants	-	-	-	-	-	-
Other revenue	111,062	-	(111,062)	(359)	-	359
Total operating revenues	251,062	235,522	(15,540)	59,641	66,550	6,909
OPERATING EXPENSES						
Personnel services	104,565	74,563	(30,002)	27,351	35,245	7,894
Supplies and materials	21,093	30,765	9,672	2,433	5,560	3,127
Maintenance and services	51,750	97,821	46,071	7,552	55,457	47,905
Other charges	63,602	35,698	(27,904)	19,064	17,840	(1,224)
Interfund charges	10,052	17,834	7,782	3,241	4,839	1,598
Total operating expenses	251,062	256,681	5,619	59,641	118,941	59,300
Operating income before depreciation	-	(21,159)	(21,159)	-	(52,391)	(52,391)
Depreciation	-	462,260	462,260	-	-	-
Net operating income (loss)	-	(483,419)	(483,419)	-	(52,391)	(52,391)
NON-OPERATING REVENUES (EXPENSES)						
Contribution of system assets	-	-	-	-	8,983,508	8,983,508
Transfer (to) from other funds	-	(546)	(546)	-	(182)	(182)
Transfer (to) from district	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Net non-operating revenues (expenses)	-	(546)	(546)	-	8,983,326	8,983,326
Net income (loss)	\$ -	\$ (483,965)	\$ (483,965)	\$ -	\$ 8,930,935	\$ 8,930,935
OTHER BUDGETED EXPENDITURES						
Capital outlay	\$ -			\$ -		
Debt service	-			-		
Total other budgeted expenditures	-			-		
Budgeted net income (loss)	\$ -			\$ -		

Support Group			Shared Facilities			Combined Totals		
Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,053,805	\$ 6,757,930	\$ (214,075)
-	-	-	-	-	-	452,350	443,992	(7,858)
-	-	-	-	-	-	30,000	30,000	-
-	121,270	121,270	-	92,491	92,491	3,057,255	971,283	(2,049,010)
-	121,270	121,270	-	92,491	92,491	10,593,410	8,203,205	(2,270,943)
-	-	-	-	-	-	2,122,617	1,889,272	(190,819)
-	-	-	-	-	-	616,604	560,760	(48,644)
-	-	-	-	-	-	1,733,727	1,995,836	288,659
-	-	-	-	153,068	153,068	2,563,380	2,589,351	44,867
-	-	-	-	-	-	740,173	764,331	30,648
-	-	-	-	153,068	153,068	7,776,501	7,799,550	124,711
-	121,270	121,270	-	(60,577)	(60,577)	2,816,909	403,655	(2,395,654)
-	1,865	1,865	-	-	-	1,885,200	2,203,991	336,391
-	119,405	119,405	-	(60,577)	(60,577)	931,709	(1,800,336)	(2,732,045)
-	-	-	-	-	-	-	8,983,508	8,983,508
-	-	-	-	-	-	-	1,125,020	1,125,020
-	-	-	-	-	-	-	2,047,936	2,047,936
-	-	-	-	1,153	1,153	9,300	50,152	40,852
-	(8,131)	(8,131)	-	-	-	(8,086)	(9,105)	336,391
-	(8,131)	(8,131)	-	1,153	1,153	1,214	12,197,511	12,533,707
\$ -	\$ 111,274	\$ 111,274	\$ -	\$ (59,424)	\$ (59,424)	\$ 932,923	\$ 10,397,175	\$ 9,464,252
\$ -			\$ -			\$ (932,923)		
-			-			-		
-			-			(932,923)		
\$ -			\$ -			\$ -		

WORCESTER COUNTY, MARYLAND

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET ASSETS- CAPITAL PROJECTS FUNDS
 DEPARTMENT OF WATER AND WASTEWATER SERVICES
 Year Ended June 30, 2007

	West Ocean City S.A.	Ocean Pines S.A.	Oyster Harbor S.A.	Newark Service Area
Revenues:				
Tank fee revenue	\$ -	\$ 10,400	\$ -	\$ -
Future capital development	-	58,380	-	-
EDU revenue	23,800	1,368,607	51,192	25,440
Other revenues	-	10,597	-	7,315
Total revenues	23,800	1,447,984	51,192	32,755
Operating income	23,800	1,447,984	51,192	32,755
Nonoperating income (expense):				
Interest on investments	14,280	92,977	851	1,223
Bond interest expense	(57,415)	(707,337)	(22,946)	(3,646)
Transfer to (from) service area	-	(1,402,759)	(534,889)	(117,707)
Total nonoperating income (expense)	(43,135)	(2,017,119)	(556,984)	(120,130)
Change in net assets	(19,335)	(569,135)	(505,792)	(87,375)
Net assets, beginning	675,050	(2,186,131)	-	284,200
Net assets, ending	\$ 655,715	\$(2,755,266)	\$ (505,792)	\$ 196,825

South Point S.A.	Sunset Village S.A.	Snug Harbor S.A.	Total
\$ -	\$ -	\$ -	\$ 10,400
-	-	-	58,380
7,344	19,504	-	1,495,887
-	-	436,550	454,462
<hr/>	<hr/>	<hr/>	<hr/>
7,344	19,504	436,550	2,019,129
<hr/>	<hr/>	<hr/>	<hr/>
7,344	19,504	436,550	2,019,129
<hr/>	<hr/>	<hr/>	<hr/>
-	226	(199)	109,358
(2,206)	(5,879)	-	(799,429)
-	(33,500)	(1,084,101)	(3,172,956)
<hr/>	<hr/>	<hr/>	<hr/>
(2,206)	(39,153)	(1,084,300)	(3,863,027)
<hr/>	<hr/>	<hr/>	<hr/>
5,138	(19,649)	(647,750)	(1,843,898)
<hr/>	<hr/>	<hr/>	<hr/>
(67,321)	(119,018)	-	(1,413,220)
<hr/>	<hr/>	<hr/>	<hr/>
\$ (62,183)	\$ (138,667)	\$ (647,750)	\$ (3,257,118)

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS BY OPERATING FUND- BUDGET AND ACTUAL
LANDFILL

Year Ended June 30, 2007

	Budget Original/ Final	Actual	Variance Positive (Negative)
Operating Revenues:			
Licenses and permits	\$ 268,000	\$ 276,396	\$ 8,396
Recycling charges	118,500	199,808	81,308
Stump, yard waste, and mulch revenue	135,000	70,559	(64,441)
Interest and penalties on overdue accounts	3,000	1,008	(1,992)
Other revenue	284,571	2,843	(281,728)
Tipping fees	7,600,000	6,036,505	(1,563,495)
Total operating revenues	8,409,071	6,587,119	(1,821,952)
Total operating expenses	5,245,071	4,095,056	1,150,015
Operating income before depreciation	3,164,000	2,492,063	(671,937)
Depreciation	2,400,000	1,889,206	510,794
Operating income	764,000	602,857	(161,143)
Nonoperating income (expense):			
Interest on investments	100,000	440,890	340,890
Interest expense	(864,000)	(87,224)	776,776
Total nonoperating (expense) income	(764,000)	353,666	1,117,666
Change in net assets	\$ -	956,523	\$ 956,523
Net assets, beginning		11,288,637	
Net assets, ending		\$ 12,245,160	

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS BY OPERATING FUND- BUDGET AND ACTUAL
LANDFILL

Year Ended June 30, 2007

	Budget Original/ Final	Actual	Variance Positive (Negative)
Expenses:			
Department: Administration			
Salaries	\$ 120,182	\$ 120,033	\$ 149
Benefits	44,095	46,111	(2,016)
Salaries - Treasurer's support	78,865	78,865	-
Salaries - Public works	78,222	78,223	(1)
Administrative support	97,002	97,002	-
Administrative expenses	15,000	10,385	4,615
Audit services	5,500	5,803	(303)
Insurance	22,000	26,614	(4,614)
Uniforms	1,500	-	1,500
Supplies/equipment	9,100	2,180	6,920
Safety	-	-	-
Solid waste committee	2,100	1,103	997
	<u>473,566</u>	<u>466,319</u>	<u>7,247</u>
Department: Solid Waste			
Salaries	930,705	954,671	(23,966)
Benefits	341,476	369,388	(27,912)
Telephone	7,500	8,432	(932)
Utilities	24,000	25,403	(1,403)
Training	5,000	2,584	2,416
Consulting services	150,000	105,032	44,968
Fuel	225,000	220,457	4,543
Leachate expense	300,000	204,282	95,718
Capital equipment	525,000	-	525,000
Supplies/equipment	15,000	9,062	5,938
Safety	4,000	3,684	316
Vehicles expense	480,000	314,723	165,277
Uniforms	8,500	7,346	1,154
Buildings and grounds	100,000	103,258	(3,258)
Closure and postclosure costs	850,000	660,657	189,343
	<u>3,966,181</u>	<u>2,988,979</u>	<u>977,202</u>

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS BY OPERATING FUND- BUDGET AND ACTUAL
LANDFILL

Year Ended June 30, 2007

	Budget Original/ Final	Actual	Variance Positive (Negative)
Department: Recycling			
Salaries	\$ 345,910	\$ 335,156	\$ 10,754
Benefits	126,914	129,668	(2,754)
Telephone	1,500	2,366	(866)
Utilities	24,000	20,835	3,165
Training	27,000	1,336	25,664
Fuel	30,000	39,270	(9,270)
Removal expenses	27,000	23,644	3,356
Capital equipment	45,000	-	45,000
Safety expense	2,500	318	2,182
Supplies/equipment	1,500	1,194	306
Vehicle expense	100,000	20,441	79,559
Uniforms	4,000	5,428	(1,428)
Buildings and grounds	20,000	12,074	7,926
Special events	50,000	48,028	1,972
	805,324	639,758	165,566
	\$ 5,245,071	\$ 4,095,056	\$ 1,150,015

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WORCESTER COUNTY, MARYLAND

COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
 NONMAJOR AGENCY FUNDS
 Year Ended June 30, 2007

	State of Maryland Property Taxes	Maryland Department of Motor Vehicles - License Fees	Tax Sale Fund	Development Taxes	Performance Bonds	Confiscated Monies Fund
ASSETS						
Cash and short-term investments	\$ -	\$ 30,318	\$ 1,198,913	\$ 642,632	\$ 1,586,213	\$ 76,366
Taxes receivable	353,233	-	-	-	-	-
Due from other funds	197,301	-	-	-	-	-
Total assets	550,534	30,318	1,198,913	642,632	1,586,213	76,366
LIABILITIES						
Due to other governmental units	550,534	29,568	-	-	-	-
Due to other funds	-	750	-	-	-	-
Other liabilities	-	-	1,198,913	642,632	1,586,213	76,366
Total liabilities	550,534	30,318	1,198,913	642,632	1,586,213	76,366
NET ASSETS						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<u>Personal Property Tax Liability</u>	<u>Forest Conservation</u>	<u>Bay Restoration</u>	<u>Snow Hill Property Tax</u>	<u>Berlin Property Tax</u>	<u>Special Loans</u>	<u>Total</u>
\$ 139,942	\$ 92,992	\$ -	\$ -	\$ -	\$ 197,750	\$ 3,965,126
-	-	15,284	40,454	83,340	-	492,311
-	-	6,685	903	27,021	-	231,910
139,942	92,992	21,969	41,357	110,361	197,750	4,689,347
-	-	21,969	41,357	110,361	-	753,789
-	-	-	-	-	-	750
139,942	92,992	-	-	-	197,750	3,934,808
139,942	92,992	21,969	41,357	110,361	197,750	4,689,347
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WORCESTER COUNTY, MARYLAND

SCHEDULE OF ASSESSABLE BASE
GENERAL FUND

Year Ended June 30, 2007

	<u>Full-Year Assessment</u>	<u>Half-Year Assessment</u>	<u>Total</u>
Real property	\$ 14,098,442,912	\$ 178,551,290	\$ 14,276,994,202
Personal property - individuals and firms - all districts	18,282,490	-	18,282,490
Railroads and public utilities	106,086,610	-	106,086,610
Railroads and public utilities- reduced rate	591,930	-	591,930
Ordinary business corporations	178,207,588	-	178,207,588
<u>Total</u>	<u>\$ 14,401,611,530</u>	<u>\$ 178,551,290</u>	<u>\$ 14,580,162,820</u>

Computation of Taxes for County Purposes

\$14,098,442,912 assessable base at \$.70 per \$100 base (full-year)	\$ 98,689,100
\$302,576,688 assessable base at \$1.750 per \$100 base (full-year)	5,295,092
\$591,930 assessable base at \$.70 per \$100 base (full-year)	4,144
<u>\$178,551,290 assessable base at \$.35 per \$100 base (half-year)</u>	<u>624,930</u>
	104,613,265
Adjustment for deferred property taxes receivable	(692,742)
<u>Net additions and abatements</u>	<u>(281,327)</u>
<u>Total County taxes for year ended June 30, 2007</u>	<u>\$ 103,639,196</u>

WORCESTER COUNTY, MARYLAND

SCHEDULE OF ASSESSABLE BASES AND TAX LEVIES
GENERAL FUND

Fiscal Years Ended June 30, 2007

<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>
1985 - 1986	\$ 1,233,066,206	19.41 %	\$ 1.45	\$ 17,738,440	15.90 %
1986 - 1987	1,419,393,589	15.11 %	1.49	21,045,749	18.64 %
1987 - 1988	1,606,737,785	13.20 %	1.49	23,802,030	13.10 %
1988 - 1989	1,750,961,321	8.98 %	1.59	27,715,124	16.44 %
1989 - 1990	1,884,056,226	7.60 %	1.59	29,821,917	7.60 %
1990 - 1991	1,984,118,930	5.31 %	1.59	31,437,648	5.42 %
1991 - 1992	2,045,723,202	3.10 %	1.59	32,436,970	3.18 %
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 %

* 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, 2007

Levies of years ended June 30:

2007	\$ 2,484,327
2006	141,824
2005	78,783
2004	126,967
2003	78,333
2002	69,182
2001	58,204
<hr/>	
Total	\$ 3,037,620
<hr/>	

WORCESTER COUNTY, MARYLAND
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 Wasterwater Services
Landfill

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 present 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 Assets by Component, Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental activities					
Invested in capital assets, net of related debt	\$ 35,190,773	\$ 39,123,045	\$ 34,933,076	\$ 44,018,302	\$ 24,759,961
Restricted	1,000,000	1,500,000	1,500,000	1,500,000	1,500,000
Unrestricted	<u>29,140,049</u>	<u>34,627,993</u>	<u>54,043,384</u>	<u>67,377,319</u>	<u>106,778,298</u>
Total governmental activities net assets	\$ 65,330,822	\$ 75,251,038	\$ 90,476,460	\$ 112,895,621	\$ 133,038,259
Business-type activities					
Invested in capital assets, net of related debt	\$ 21,977,713	\$ 23,810,640	\$ 22,580,920	\$ 42,728,506	\$ 57,150,700
Restricted	2,922,846	6,295,141	6,967,061	-	-
Unrestricted	<u>17,942,744</u>	<u>12,311,905</u>	<u>13,992,031</u>	<u>20,745,045</u>	<u>15,832,651</u>
Total business-type activities net assets	\$ 42,843,303	\$ 42,417,686	\$ 43,540,012	\$ 63,473,551	\$ 72,983,351
Primary government					
Invested in capital assets, net of related debt	\$ 57,168,486	\$ 62,933,685	\$ 57,513,996	\$ 86,746,808	\$ 81,910,661
Restricted	3,922,846	7,795,141	8,467,061	1,500,000	1,500,000
Unrestricted	<u>47,082,793</u>	<u>46,939,898</u>	<u>68,035,415</u>	<u>88,122,364</u>	<u>122,610,949</u>
Total primary government net assets	<u>\$ 108,174,125</u>	<u>\$ 117,668,724</u>	<u>\$ 134,016,472</u>	<u>\$ 176,369,172</u>	<u>\$ 206,021,610</u>

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

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

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
Governmental activities:					
General government	\$ 11,874,653	\$ 7,086,659	\$ 8,093,915	\$ 9,517,392	\$ 9,695,262
Public safety	1,846,750	11,857,603	13,842,261	15,274,912	19,260,096
Public works	10,238,421	9,840,029	9,778,226	10,448,454	12,977,393
Health and hospitals	2,739,644	3,144,650	3,498,059	4,098,782	4,751,608
Social services	1,728,700	2,002,906	1,092,431	940,841	1,321,765
Education	51,083,235	53,136,216	56,469,938	58,884,554	65,947,811
Libraries, recreation and culture	2,643,089	2,974,306	2,789,959	3,846,651	4,289,428
Conservation of natural resources	600,161	663,488	619,801	598,504	561,242
Economic Development	807,309	2,445,531	1,685,060	2,189,436	1,821,965
Distributions to municipalities	13,221,734	13,453,369	14,366,585	14,681,488	16,856,357
Interest on long-term debt	2,063,580	1,914,009	1,681,909	1,938,493	1,848,694
Miscellaneous	5,369,152	7,514,613	16,263,594	13,882,170	10,084,539
Total governmental activities expenses	104,216,428	116,033,379	130,181,738	136,301,677	149,416,160
Business-type activities:					
Landfill	4,933,251	5,525,548	6,137,637	6,982,920	6,071,486
Department of Water and Wastewater	7,829,450	8,299,684	9,101,615	8,404,660	10,931,337
Total business-type activities expenses	12,762,701	13,825,232	15,239,252	15,387,580	17,002,823
Total primary government expenses	\$ 116,979,129	\$ 129,858,611	\$ 145,420,990	\$ 151,689,257	\$ 166,418,983
Program Revenues					
Governmental activities:					
Charges for services	\$ 4,972,311	\$ 5,088,643	\$ 5,007,143	\$ 5,326,727	\$ 4,897,072
Operating grants and contributions	5,670,303	7,692,581	10,556,990	5,518,848	5,675,002
Capital grants and contributions	568,577	2,018,229	1,651,819	2,006,905	1,908,265
Total governmental activities program revenues	11,211,191	14,799,453	17,215,952	12,852,480	12,480,339
Business-type activities:					
Charges for services	11,694,586	13,280,216	16,459,708	16,236,252	16,898,715
Operating grants and contributions	40,000	40,000	25,000	55,000	30,000
Capital grants and contributions	-	-	-	18,490,430	8,983,508
Total business-type activities program revenues	11,734,586	13,320,216	16,484,708	34,781,682	25,912,223
Total primary government program revenues	\$ 22,945,777	\$ 28,119,669	\$ 33,700,660	\$ 47,634,162	\$ 38,392,562
Net (Expense)/Revenue					
Governmental activities	\$ (93,005,237)	\$ (101,233,926)	\$ (112,965,786)	\$ (123,449,197)	\$ (136,935,821)
Business-type activities	(1,028,115)	(505,016)	1,245,456	19,394,102	8,909,400
Total primary government net expense	\$ (94,033,352)	\$ (101,738,942)	\$ (111,720,330)	\$ (104,055,095)	\$ (128,026,421)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	\$ 56,320,517	\$ 63,461,421	\$ 73,514,568	\$ 85,706,377	\$ 99,594,792
Local income tax	9,956,460	10,756,250	13,133,760	14,310,438	15,842,045
Other local taxes	27,583,012	31,856,389	36,611,540	36,183,091	30,073,645
State Shared	4,170,891	3,882,807	4,610,345	5,703,290	6,194,180
License and permits	17,774	18,809	19,777	20,808	21,713
Distribution from Worcester Liquor Control Bd.	348,001	356,450	388,579	460,862	363,442
Interest	485,682	454,909	1,245,373	3,246,509	5,069,327
Gain (loss) on sale of capital assets	46,780	-	-	-	(643,251)
Other	1,229,189	367,107	278,961	394,839	562,566
Total governmental activities	<u>100,158,306</u>	<u>111,154,142</u>	<u>129,802,903</u>	<u>146,026,214</u>	<u>157,078,459</u>
Business-type activities:					
Interest	160,926	79,399	196,430	539,437	600,400
Total business-type activities	<u>160,926</u>	<u>79,399</u>	<u>196,430</u>	<u>539,437</u>	<u>600,400</u>
Total primary government	<u>\$ 100,319,232</u>	<u>\$ 111,233,541</u>	<u>\$ 129,999,333</u>	<u>\$ 146,565,651</u>	<u>\$ 157,678,859</u>
Change in Net Assets					
Governmental activities	\$ 7,153,069	\$ 9,920,216	\$ 16,837,117	\$ 22,577,017	\$ 20,142,638
Business-type activities	(867,189)	(425,617)	1,441,886	19,933,539	9,509,800
Total primary government	<u>\$ 6,285,880</u>	<u>\$ 9,494,599</u>	<u>\$ 18,279,003</u>	<u>\$ 42,510,556</u>	<u>\$ 29,652,438</u>

Note: Accrual-basis financial information for the county government as a whole is only available back to 2003, the year GASB Statement 34 was implemented.

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 243,047	\$ 271,729	\$ 817,631	\$ 1,267,903	\$ 1,878,820	\$ 2,461,201	\$ 2,996,264	\$ 4,106,822	\$ 5,323,510	\$ 4,706,888
Unreserved										
Designated	6,652,938	8,743,518	10,339,191	11,737,057	12,079,929	13,352,494	20,622,163	27,703,604	37,355,792	31,186,920
Undesignated	300,000	300,000	300,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total General Fund	\$ 7,195,985	\$ 9,315,247	\$ 11,456,822	\$ 13,504,960	\$ 14,458,749	\$ 16,313,695	\$ 24,118,427	\$ 32,310,426	\$ 43,179,302	\$ 36,393,808
All Other Governmental Funds										
Reserved	\$ 5,144,575	\$ 7,131,624	\$ 22,045,938	\$ 13,316,390	\$ 9,405,439	\$ 11,538,185	\$ 10,549,585	\$ 22,265,342	\$ 24,603,073	\$ 70,206,804
Unreserved										
Total all other governmental funds	\$ 5,144,575	\$ 7,131,624	\$ 22,045,938	\$ 13,316,390	\$ 9,405,439	\$ 11,538,185	\$ 10,549,585	\$ 22,265,342	\$ 24,603,073	\$ 70,206,804
Total Governmental Funds	\$ 12,340,560	\$ 16,446,871	\$ 33,502,760	\$ 26,821,350	\$ 23,864,188	\$ 27,851,880	\$ 34,668,012	\$ 54,575,768	\$ 67,782,375	\$ 106,600,612

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Property Tax	\$ 41,618,748	\$ 42,264,479	\$ 44,416,626	\$ 46,284,880	\$ 51,474,523	\$ 55,722,284	\$ 63,315,055	\$ 73,921,933	\$ 85,504,049	\$ 98,902,050
Income tax	7,183,621	6,929,606	7,380,581	10,016,666	10,474,627	9,956,460	10,756,250	13,133,760	14,310,438	15,842,045
Room Tax	5,370,075	5,742,857	6,196,694	7,653,595	9,541,556	9,652,580	10,009,657	10,049,870	10,209,181	10,842,013
Food Tax	1,565,800	1,546,528	1,831,070	1,786,962	1,988,302	1,889,742	1,986,349	2,041,504	2,151,623	2,227,465
Transfer tax	1,756,416	2,137,348	2,818,455	2,911,051	3,702,077	4,817,267	6,431,455	8,737,908	8,282,788	5,993,746
Recodification Tax	3,451,821	4,425,873	4,873,869	5,315,977	7,415,897	10,378,668	12,622,178	14,982,660	14,788,218	10,905,366
Other local taxes	638,778	532,323	595,891	772,115	863,984	844,691	806,729	799,559	751,281	703,055
State-shared taxes	3,586,649	4,077,845	4,276,301	4,728,825	4,661,590	4,447,755	3,882,807	4,610,345	5,703,290	6,194,180
Licenses and permits	1,443,947	1,624,453	1,684,976	1,823,895	2,367,595	2,311,722	2,173,730	2,216,325	2,498,979	2,000,074
Intergovernmental	2,666,146	2,512,398	4,120,827	6,450,572	5,545,849	6,238,880	8,097,480	12,209,881	7,539,229	7,595,453
Service charges	1,115,242	1,431,378	1,848,802	2,355,342	2,603,656	2,503,514	3,034,922	2,967,709	3,105,386	3,097,255
Miscellaneous	503,536	994,273	1,893,177	1,688,849	761,286	1,522,018	2,267,733	916,528	740,528	1,637,149
Interest Income	1,099,225	1,088,734	1,093,195	1,415,421	751,686	485,682	422,904	1,059,872	3,068,379	4,172,456
Total revenues	72,002,104	75,308,095	83,030,664	93,184,150	102,079,608	110,771,264	125,807,229	147,667,834	158,653,169	169,509,307
Expenditures										
General Government	3,643,185	3,954,101	4,095,589	4,298,386	5,181,446	5,872,955	6,762,309	8,247,006	9,361,611	10,790,257
Public Safety	5,567,619	6,276,544	7,051,404	7,755,725	8,543,210	9,375,283	11,447,551	13,740,554	16,109,954	18,451,149
Public Works	3,823,251	5,013,594	4,324,224	4,375,686	4,455,923	4,932,781	4,514,937	4,727,486	5,171,780	8,044,885
Health and hospitals	1,699,393	1,880,737	1,680,360	1,825,458	2,361,306	2,702,684	3,142,881	3,367,656	3,877,386	4,578,348
Education	682,467	755,849	896,490	970,424	1,144,919	1,728,854	1,833,044	1,092,431	940,841	1,321,765
Libraries, recreation and culture	37,682,822	37,799,271	39,872,869	43,546,851	46,831,509	50,224,884	53,136,216	56,469,938	58,884,554	65,947,811
Conservation of natural resources	1,317,217	1,152,138	1,340,052	2,023,166	2,454,984	2,474,965	2,794,043	5,064,580	3,580,253	4,256,144
Economic development	597,290	590,602	621,579	849,686	882,073	803,754	2,441,976	1,681,505	2,189,436	561,242
Miscellaneous	3,484,494	3,675,567	4,895,479	4,036,479	4,672,648	5,325,668	5,615,258	7,089,476	7,175,092	7,529,596
Distributions to municipalities	8,011,520	8,482,667	9,257,818	11,219,374	13,528,834	13,221,734	13,453,369	14,366,583	14,681,488	16,856,357
Debt service interest	1,033,639	1,108,067	1,148,386	2,286,523	2,127,026	2,063,580	1,914,009	1,858,272	5,444,242	1,871,691
Debt service principal	1,467,912	1,541,513	1,923,211	3,040,356	3,151,251	4,136,704	3,898,570	4,044,085	1,938,453	5,047,700
Capital Projects	4,396,282	2,716,808	4,146,025	13,241,534	12,355,960	7,919,925	7,350,554	19,304,370	17,150,368	11,919,855
Total expenditures	73,961,709	75,462,370	81,831,680	100,175,085	108,236,772	111,383,572	118,965,651	141,673,745	147,104,002	158,998,765
Excess of revenues over (under) expenditures	(1,959,605)	(154,275)	1,198,984	(6,990,935)	(6,157,164)	(612,308)	6,841,578	5,994,109	11,549,167	10,510,542
Other Financing Sources (Uses)										
Proceeds from long-term debt	-	6,265,000	21,843,754	-	3,200,000	4,600,000	-	31,665,210	1,815,096	28,307,695
Payments to refunded debt escrow agent	-	-	-	-	-	-	-	(16,139,868)	-	-
Transfers:										
Operating transfers in	5,175,850	2,530,414	3,086,975	5,767,583	7,785,439	8,567,620	7,782,315	15,924,734	22,791,329	35,177,229
Operating transfers out	(5,173,100)	(4,534,825)	(9,073,824)	(5,767,583)	(7,785,439)	(8,567,620)	(7,782,315)	(15,924,734)	(22,791,329)	(35,177,229)
Total other financing sources (uses)	2,750	4,260,586	15,856,905	3,200,000	3,200,000	4,600,000	-	15,525,342	1,815,096	28,307,695
Net change in fund balances	\$ (1,956,855)	\$ 4,106,311	\$ 17,055,889	\$ (6,990,935)	\$ (2,957,164)	\$ 3,987,692	\$ 6,841,578	\$ 21,519,451	\$ 13,364,463	\$ 38,818,237
Debt service as a percentage of noncapital expenditures	3.60%	3.64%	3.95%	6.13%	5.51%	5.99%	5.21%	4.82%	5.68%	4.70%

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

	Real	Personal Property	Business, Corporations	Total Assessable	County	State
	Property	Indiv. & Firms	& Utilities	Base	Tax Rate	Tax Rate
2007	\$ 14,276,994,202	\$ 18,282,490	\$ 284,886,128	14,580,162,820	0.700	0.132
2006	11,614,252,807	18,395,283	273,600,043	11,906,248,133	0.730	0.132
2005	9,789,426,649	19,186,630	265,538,081	10,074,151,360	0.730	0.132
2004	8,147,706,928	26,203,381	267,633,693	8,441,544,002	0.730	0.132
2003	6,961,282,759	26,668,720	276,394,198	7,264,345,677	0.730	0.132
2002	6,457,108,591	26,776,758	264,675,868	6,748,561,217	0.730	0.084
2001	6,066,153,693	30,032,690	255,744,440	6,351,930,823	1.740	0.084
2000	5,789,529,848	29,722,910	240,967,910	6,060,220,668	1.740	0.084
1999	5,577,798,052	31,054,721	228,855,235	5,837,708,008	1.720	0.084
1998	5,407,753,115	32,520,939	230,883,810	5,671,157,864	1.720	0.084

Source: State of Maryland, Department of Assessments and Taxation

Notes:

^a For fiscal years ending June 30, 2002 and later, real property is assessed at full cash value; prior to fiscal year 2002, real property was assessed at 40% of cash value.

^b For all years, Public Utility Personal Property is assessed at full cash value.

^c Per \$100 of value.

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

	<u>Year Taxes Are Payable</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
County Direct Rates										
General	\$ 1.72	\$ 1.72	\$ 1.74	\$ 1.74	\$ 0.730	\$ 0.730	\$ 0.730	\$ 0.730	\$ 0.730	\$ 0.700
Town Rates										
Berlin	1.70	1.70	1.70	1.70	0.68	0.68	0.68	0.73	0.73	0.73
Ocean City	1.25	1.25	1.25	1.29	0.52	0.52	0.51	0.48	0.47	0.43
Pocomoke	0.72	0.72	0.72	0.72	0.72	0.76	0.76	0.76	0.76	0.76
Snow Hill	1.80	1.80	1.80	1.80	0.86	0.86	0.86	0.86	0.86	0.86

Note: For fiscal years ending June 30, 2002 and later, real property is assessed at full cash value; prior to fiscal year 2002, real property was assessed at 40% of cash value.

Schedule 7
Worcester County, Maryland
Principal Property Tax Payers,
Current Year and Five Years Ago*

<u>Taxpayer</u>	<u>Fiscal Year 2007</u>			<u>Fiscal Year 2002</u>		
	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Harrison Inn Stardust	\$ 54,590,633	1	0.37%			
Delmarva Power	45,510,300	2	0.31%	49,287,250	1	0.68%
Verizon Maryland	40,308,960	3	0.28%	43,583,920	2	0.65%
91st Street Joint Venture	29,908,700	4	0.21%			
American Stowaway Motel Inc.	28,131,900	5	0.19%	24,512,350	3	0.36%
Ocean View	24,338,000	6	0.17%	17,643,966	4	0.26%
Individual	20,405,100	7	0.14%	13,545,120	7	0.20%
Harrison Hi 18 LLC	18,513,300	8	0.13%			
L P B O C Hotel	16,925,666	9	0.12%	15,686,100	5	0.23%
Harrison QI 17 LLC	16,530,400	10	0.11%			
Harrison John & Hale				13,729,000	6	0.20%
Choptank Electric Co-op				11,679,890	8	0.17%
Ocean City Plaza LLC				11,169,466	9	0.17%
Timothy Mark Company				10,762,082	10	0.16%
Total	\$ 295,162,959		2.02%	\$ 211,599,144		3.08%

* Oldest available records are from FY 2002.

Schedule 8
Worcester County, Maryland
Property Tax Levies and Collections,
Last Five 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
2007	\$ 100,027,236	\$ 97,270,141	97.24%	\$ 1,631,909	\$ 98,902,050	98.88%
2006	86,380,357	83,985,400	97.23%	1,518,649	85,504,049	98.99%
2005	74,554,554	71,917,961	96.46%	2,003,972	73,921,933	99.15%
2004	64,201,999	61,948,791	96.49%	1,366,264	63,315,055	98.62%
2003	56,027,741	53,962,723	96.31%	1,759,561	55,722,284	99.45%

Note: 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

State Income Tax Rate					
Tax Year	1st \$1,000 of Net Taxable Income	2nd \$1,000 of Net Taxable Income	3rd \$1,000 of Net Taxable Income	In excess of \$3,000 Net Taxable Income	Worcester County Income Tax Direct Rate
2005	2.00%	3.00%	4.00%	4.75%	1.25%
2004	2.00%	3.00%	4.00%	4.75%	1.25%
2003	2.00%	3.00%	4.00%	4.75%	1.25%
2002	2.00%	3.00%	4.00%	4.75%	1.25%
2001	2.00%	3.00%	4.00%	4.80%	1.25%
2000	2.00%	3.00%	4.00%	4.85%	1.25%
1999	2.00%	3.00%	4.00%	4.85%	1.01%
1998	2.00%	3.00%	4.00%	4.88%	20.00%
1997	2.00%	3.00%	4.00%	5.00%	20.00%
1996	2.00%	3.00%	4.00%	5.00%	30.00%

Notes:

For tax year 1999 and later, income tax rates reflect a percentage of Maryland taxable income; prior to tax year 1999, rates reflect a percentage of Maryland income tax.

The current maximum allowed local income tax rate is 3.2%.

Schedule 10
Worcester County, Maryland
Income Tax Filers Summary Information
Last Eight 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
2005	20,627	\$ 1,300,452,155	\$ 1,028,181,007	\$ 43,982,552	\$ 12,647,518	\$ 56,630,070	1.25%
2004	19,918	1,133,965,472	891,214,100	38,436,429	10,949,175	49,385,604	1.25%
2003	19,692	1,013,120,543	780,216,126	33,150,372	9,561,936	42,712,308	1.25%
2002	19,737	1,032,647,217	718,809,048	30,610,803	8,789,938	39,400,741	1.25%
2001	19,925	935,756,688	719,958,481	30,696,572	8,810,407	39,506,979	1.25%
2000	20,069	926,972,772	726,484,917	31,745,165	8,881,951	40,627,116	1.25%
1999	19,279	841,778,119	656,713,512	28,261,601	6,474,939	34,736,540	1.01%
1998	18,854	754,935,474	583,547,671	25,348,465	5,643,729	30,992,194	20.00%

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

Notes:

See Schedule 11 for detailed breakout of adjusted gross income.

For tax year 1999 and later, income tax rates reflect a percentage of Maryland taxable income; prior to tax year 1999, rates reflect a percentage of Maryland income tax.

Oldest available records are from tax year 1998.

Schedule 11

Worcester County, Maryland

Income Tax Filers, Net Taxable Income, and Liability by Adjusted Gross Income Level

Current Year and Eight Years Ago

	Tax Year 2005					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$200,000 and higher	190	0.9%	\$ 254,332,494	24.7%	\$ 3,179,155	25.1%
\$100,000 - 199,999	62	0.3%	24,742,634	2.4%	309,283	2.4%
\$50,000 - 99,999	262	1.3%	73,606,711	7.2%	920,084	7.3%
\$25,000 - 49,999	1,852	9.0%	218,191,918	21.2%	2,727,417	21.6%
\$5,000 - 24,999	10,684	51.8%	386,171,406	37.6%	4,778,150	37.8%
Under \$5,000	7,577	36.7%	71,135,844	6.9%	733,429	5.8%
Totals	20,627	100.0%	\$ 1,028,181,007	100.0%	\$ 12,647,518	100.0%

	Tax Year 1998					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$200,000 and higher	248	1.3%	\$ 112,288,413	19.2%	\$ 1,123,213	19.9%
\$100,000 - 199,999	675	3.6%	75,607,507	13.0%	757,211	13.4%
\$50,000 - 99,999	3,130	16.6%	165,945,433	28.4%	1,665,049	29.5%
\$25,000 - 49,999	5,531	29.3%	142,818,683	24.5%	1,418,004	25.1%
\$5,000 - 24,999	9,061	48.1%	86,481,912	14.8%	677,934	12.0%
Under \$5,000	209	1.1%	405,723	0.1%	2,318	0.0%
Totals	18,854	100.0%	\$ 583,547,671	100.0%	\$ 5,643,729	100.0%

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

Note: Oldest available records are from tax year 1998.

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

Fiscal Year	Governmental Activities		Business Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2007	\$ 67,960,643	\$ -	\$ 19,274,300	\$ 2,453,842	\$ 89,688,785	5.27%	\$ 1,835.40
2006	44,106,276	617,240	20,153,210	1,384,919	66,261,645	3.89%	\$ 1,355.99
2005	47,159,878	1,215,781	19,365,025	1,478,260	69,218,944	4.07%	\$ 1,424.29
2004	35,032,941	1,796,190	16,079,658	1,316,123	54,224,912	3.36%	\$ 1,113.31
2003	38,647,934	2,079,767	17,164,940	1,175,121	59,067,762	4.05%	\$ 1,217.72
2002	40,562,325	3,200,000	15,917,979	681,056	60,361,360	4.28%	\$ 1,257.87
2001	40,513,576	-	16,791,335	552,482	57,857,393	4.24%	\$ 1,217.74
2000	43,553,931	-	17,639,691	540,874	61,734,496	4.75%	\$ 1,320.33
1999	23,737,141	-	18,298,046	345,740	42,380,927	3.49%	\$ 927.23
1998	19,013,655	-	16,041,901	227,056	35,282,612	3.10%	\$ 789.66

Notes: 2006 and 2007 percentages calculated using 2005 personal income data, which is the most recent available.

2007 debt per capita is calculated using 2006 census data, which is the most recent available.

See Schedule 13 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	Debt Per Capita
2007	\$ 87,234,943	\$ 14,580,162,820	0.60%	*	1,785.19
2006	64,259,486	11,906,248,133	0.54%	48,866	1,315.01
2005	66,524,903	10,074,151,360	0.66%	48,599	1,368.85
2004	51,112,599	8,441,544,002	0.61%	48,706	1,049.41
2003	55,812,874	7,264,345,677	0.77%	48,507	1,150.61
2002	56,480,304	6,748,561,217	0.84%	47,987	1,176.99
2001	57,304,911	6,351,930,823	0.90%	47,512	1,206.11
2000	61,193,622	6,060,220,668	1.01%	46,757	1,308.76
1999	42,035,187	5,837,708,008	0.72%	45,707	919.67
1998	35,055,556	5,671,157,864	0.62%	44,681	784.57

Source: Worcester County Finance Office

* Information not yet available; 2007 debt per capita is calculated using 2006 census data.

Schedule 14
Worcester County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007

<u>Governmental Unit</u>	<u>Total Assessed Valuation of Real Property</u>	<u>% of Assessed Valuation to County Total</u>	<u>Pro Rata Share of County General Obligation Bonded Debt</u>	<u>Municipal Debt Outstanding^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Berlin	324,087,768	2.27%	1,980,233	\$ 13,698,619	\$ 15,678,852
Ocean City	8,764,646,741	61.39%	53,553,532	81,858,339	135,411,871
Pocomoke	192,739,422	1.35%	1,177,672	280,860	1,458,532
Snow Hill	95,655,861	0.67%	584,474	1,627,000	2,211,474
Unincorporated	4,899,864,410	34.32%	29,939,032	-	29,939,032
Total	14,276,994,202	100.00%	87,234,943	\$ 97,464,818	\$ 184,699,761

Source: Worcester County Finance Office

^a Municipal Town Clerks

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

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Total Debt Outstanding Limit										
Taxable Assessable Base	\$ 5,671,158	\$ 5,837,708	\$ 6,060,221	\$ 6,351,931	\$ 6,748,561	\$ 7,264,346	\$ 8,441,544	\$ 10,074,151	\$ 11,906,248	\$ 14,580,163
Debt Limit, 1% of Assessable Base	56,712	58,377	60,602	63,519	67,486	72,643	84,415	100,742	119,062	145,802
Amount of Debt Applicable to Limit	19,014	23,737	43,554	40,514	40,562	38,648	35,033	47,160	44,106	67,961
Debt Margin	\$ 37,698	\$ 34,640	\$ 17,048	\$ 23,006	\$ 26,923	\$ 33,996	\$ 49,382	\$ 53,582	\$ 74,956	\$ 77,841
Total debt applicable to the limit as a percentage of debt limit	33.53%	40.66%	71.87%	63.78%	60.11%	53.20%	41.50%	46.81%	37.04%	46.61%
Total Debt Service Limit										
Total Governmental Fund Revenue	\$ 72,002	\$ 75,308	\$ 83,031	\$ 93,184	\$ 102,080	\$ 110,771	\$ 125,807	\$ 147,668	\$ 158,653	\$ 169,509
Debt Service Limit 10% of Revenue	7,200	7,531	8,303	9,318	10,208	11,077	12,581	14,767	15,865	16,951
Debt Service Applicable to Limit	2,502	2,650	3,072	5,327	5,278	6,200	5,813	5,902	7,383	6,919
Debt Service Margin	\$ 4,699	\$ 4,881	\$ 5,231	\$ 3,992	\$ 4,930	\$ 4,877	\$ 6,768	\$ 8,864	\$ 8,483	\$ 10,032
Total debt service applicable to the limit as a percentage of debt service limit	34.74%	35.18%	36.99%	57.17%	51.71%	55.97%	46.20%	39.97%	46.55%	40.82%

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>(thousands of dollars)</i>	Per Capita Personal Income^b	Public School Enrollment^c	Unemployment Rate^b
2007	*	*	*	6,830	6.3%
2006	48,866	*	*	6,727	6.5%
2005	48,599	1,701,761	35,016	6,676	7.2%
2004	48,706	1,611,864	33,094	6,783	7.0%
2003	48,507	1,456,854	30,034	6,871	6.6%
2002	47,987	1,411,897	29,422	6,884	6.8%
2001	47,512	1,364,886	28,727	6,892	6.7%
2000	46,757	1,299,036	27,783	6,983	7.5%
1999	45,707	1,215,402	26,591	6,913	10.0%
1998	44,681	1,138,515	25,481	6,832	10.7%

* Information not yet available.

Notes:

^a U.S. Census Bureau.

^b Bureau of Economic Analysis, U.S. Department of Commerce.

^c Worcester County Board of Education

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

<u>Employer</u>	<u>CY 2005</u>			<u>CY 1995</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Worcester Board of Education	1,129	1	4.23%	832	1	3.62%
Town of Ocean City	600	2	2.25%	415	4	1.81%
Atlantic General Hospital	599	3	2.24%	190	8	0.83%
Worcester County Government	589	4	2.20%	344	6	1.50%
Wal-Mart	500	5	1.87%			
Candy Kitchen	250	6	0.94%			
Castle in the Sand Inc.	205	7	0.77%			
Clarion Fountainebleu Hotel	200	8	0.75%	245	7	1.07%
Berlin Nursing and Rehab. Center	200	9	0.75%	140	10	0.61%
Tri County Council	180	10	0.67%			
Perdue Farms				650	2	2.83%
Tyson Foods				600	3	2.61%
Harrison Group				350	5	1.52%
Princess Royale				140	9	0.61%
	<u>4,452</u>		<u>16.67%</u>	<u>3,906</u>		<u>17.02%</u>

Source: Maryland Department of Business and Economic Development
Worcester County Economic Development

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>							
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government	111.1	119.7	128.5	130.4	133.5	141.4	154.8	164.8
Public Safety	123.0	126.9	137.8	141.7	154.5	162.1	165.1	174.6
Public Works	71.7	71.3	73.1	80.2	86.1	68.1	68.1	68.7
Social Services - LMB	1.0	1.0	1.6	2.7	2.0	2.2	2.9	3.7
Library & Recreation	33.1	37.9	41.7	41.4	42.1	44.5	53.6	63.2
Natural Resources	1.9	0.3	0.3	0.3	0.3	0.3	0.3	0.2
Water & Wastewater	50.3	46.3	54.3	62.0	61.6	60.3	64.0	66.6
Solid Waste	23.0	31.4	35.2	36.8	38.6	41.5	46.5	47.6
Total	<u>415.1</u>	<u>434.8</u>	<u>472.5</u>	<u>495.5</u>	<u>518.7</u>	<u>520.4</u>	<u>555.3</u>	<u>589.4</u>

Source: Worcester County Finance Office.

Note: 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.

* Oldest available records, by function, are from FY 2000.

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government										
Building Permits issued	441	428	466	500	583	622	450	454	444	194
Value of new construction (000's)	52,151	52,124	64,562	70,077	101,945	109,469	83,283	93,580	112,867	52,891
Public Safety										
Detention Center										
Avg. daily population	244	250	270	265	279	285	293	297	305	308
Fire Protection (All Volunteer)										
Fire calls answered	651	576	553	703	735	748	679	759	1,695	1,756
Emergency Medical Services										
EMS Calls answered	3,445	3,655	3,825	4,026	4,242	4,320	4,406	4,538	5,535	5,700
Education										
Students	6,757	6,956	6,913	7,025	6,934	6,916	6,869	6,834	6,756	6,727
Teachers	444	456	472	487	497	510	520	546	559	575
Public Works										
Centerline miles of road maintained	510	510	511	513	517	519	520	519	520	519
Wastewater treated (mgd)	1.2	1.3	1.5	1.7	1.7	1.9	2.1	2.2	2.3	2.3

* Information not available.

Sources: Worcester County Finance Office and individual County departments.

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

Function/Program	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Public Safety										
Detention center capacity	240	300	300	300	300	300	300	300	300	300
Fire Companies	9	9	9	9	9	9	9	9	9	9
Emergency Medical Services Companies	5	5	5	5	5	5	5	6	6	6
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
Career & Technology Center	1	1	1	1	1	1	1	1	1	1
Public Libraries	4	5	5	5	5	5	5	5	5	5
Recreation Facilities										
Recreation Center	-	-	-	-	-	-	-	-	-	-
County Parks	9	9	9	9	9	11	11	11	12	12
Park acreage	293	293	293	293	293	306	306	306	880	880
Public Landings & Wharves	9	9	9	9	9	9	9	9	9	9
Boat Slips	8	8	8	8	8	8	8	8	18	38
Public Works										
Centerline miles of county roads	510	510	511	513	517	519	520	519	520	519
Public Easements - Ocean Pines	57.64	57.64	57.64	58.09	58.09	58.09	58.14	59.24	59.24	62.88
Bridges	40	40	40	40	40	40	40	40	40	40
Wastewater Treatment Plants	5	6	6	6	6	6	7	7	7	8
Miles of sewer pipeline	155	155	160	160	165	168	172	175	185	187
Water well house facilities	4	4	4	4	5	5	5	5	5	5
Pump stations	44	44	45	45	46	46	46	48	51	53
Water Tanks	3	3	3	3	3	3	4	4	5	5
Waterlines	124	127	127	131	131	133	143	144	147	148
Water Treatment Facilities	8	8	8	8	8	8	9	9	10	10
Recycling Center	-	-	-	-	-	-	-	-	-	-

Sources: Worcester County Finance Office and individual County departments.