

Worcester County, Maryland

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2013



Worcester County Government Center

Prepared by:

Harold L. Higgins, CPA
Chief Administrative Officer

Jennifer C. Swanton, CPA
Assistant Finance Officer

Phillip G. Thompson, CPA
Finance Officer

Kathleen J. Whited,
Budget Officer

WORCESTER COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2013
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TEL: 410-632-0686
FAX: 410-632-3003

OFFICE OF THE TREASURER

Worcester County

GOVERNMENT CENTER
ONE WEST MARKET STREET, ROOM 1106
P.O. Box 248
SNOW HILL, MARYLAND
21863

PHILLIP G. THOMPSON, CPA
FINANCE OFFICER

JENNIFER C. SWANTON, CPA
ASSISTANT FINANCE OFFICER

December 1, 2013

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, 2013 as required by both local and state statutes. These statutes require that Worcester County, Maryland annually issue financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

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

The public accounting firm TGM Group LLC has audited Worcester County, Maryland's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of Worcester County, Maryland for the fiscal year ended June 30, 2013 are free of material misstatement.

The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Worcester County, Maryland's financial statements for the fiscal year ended June 30, 2013 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 its major industry is tourism. According to recent estimates, summer populations average over 295,000 in July and August and peak at nearly 325,000 on the July 4th weekend. The Towns and County provide their residents and visitors with various government services, including police and fire protection, beach patrol, water and sewage disposal, public transportation, recreational facilities and emergency health care services.

Form of Government

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

necessary to properly transact the business of the County. The Board elects its own president and vice president.

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

Budget Process

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

In recent years, the County has taken a number of steps to control expenses and reduce the cost of providing needed services to its residents. These initiatives include reducing operating budgets for County departments and agencies, implementing a hiring freeze for non-essential positions, and holding salaries flat for three fiscal years from FY10 through FY12. These actions combined with the impact of the national recession have resulted in a \$23.6M decrease in the annual County operating budget since FY09. In addition, the early retirement incentive plan created and offered to eligible general government employees in FY09 has been continued each subsequent year through FY13. This program has resulted in a work force reduction of 43 employees and an annual savings of \$2.9 million in salaries and benefits. The County's efficiency committee, created in FY09, continues to study and implement cost saving measures related to energy, transportation and general operations. These ongoing measures combined with continued conservative fiscal management have allowed the County to maintain stable property and income tax rates which have not increased in more than a decade.

Factors Affecting Financial Condition

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

Local Economy – Like state and local governments across the country Worcester County's local economic performance reflects the current national recession. The County is appropriately concerned about the slumping housing market and the far reaching effects it has had on Maryland's and the Nation's overall economy. Of greatest concern are the impacts of potential reductions in state funding and additional costs which may be passed on to local governments. The County's unemployment rates have been consistent in recent years and only recently have we experienced increases which are in line with the national trends. The County

has the second lowest property tax rate and the lowest income tax rate in the state providing the County with financial flexibility for future years.

The County has a strong tourism industry, drawing visitors from all over the Country to its pristine seashore and many historic sites. Room Tax revenue increased by 6.5% in the current fiscal year which translates to an \$18.2M increase in gross hotel, motel and condominium rentals. In addition, the Food Tax revenue increased by 4.4% in FY13 indicating that our tourism market appears to be faring reasonably well in the current economy. Additionally, in recent years the County's central location relative to the major mid-Atlantic metropolitan areas has made it a target destination for retirees who seek a better quality of life. Development is purposely controlled to protect the County's beauty and the fragile environment of its shoreline and waters.

Long Term Financial Planning – The Board adopts a multiyear capital budget plan, covering 5 years, that forecasts spending for all anticipated capital projects. The plan addresses both repair and replacement of existing infrastructure as well as the development of new facilities to accommodate future growth. It enables the County to identify needed capital projects and to coordinate facility financing and timing. The County plans to issue debt in FY2014 to construct and renovate the existing Snow Hill High School.

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

The County also provides other post employment benefits (OPEB) for retirees and their dependents who meet the Maryland State Retirement System benefit qualifications. The County

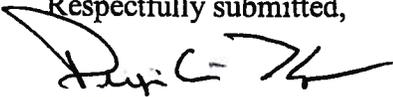
has created OPEB trusts for the benefit of the employees of the general government as well as the Worcester County Board of Education. This was done in accordance with the Governmental Accounting Standards Board (GASB) Statements 43 and 45. The purpose of these Statements is to provide a more complete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

Awards and Acknowledgements – The Government Finance Officers Association (GFOA) of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting to Worcester County, Maryland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for the preparation of state and local financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must adhere to both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

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

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

Respectfully submitted,



Phillip G. Thompson, CPA
Finance Officer



Government Finance Officers Association

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

Presented to

**Worcester County
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

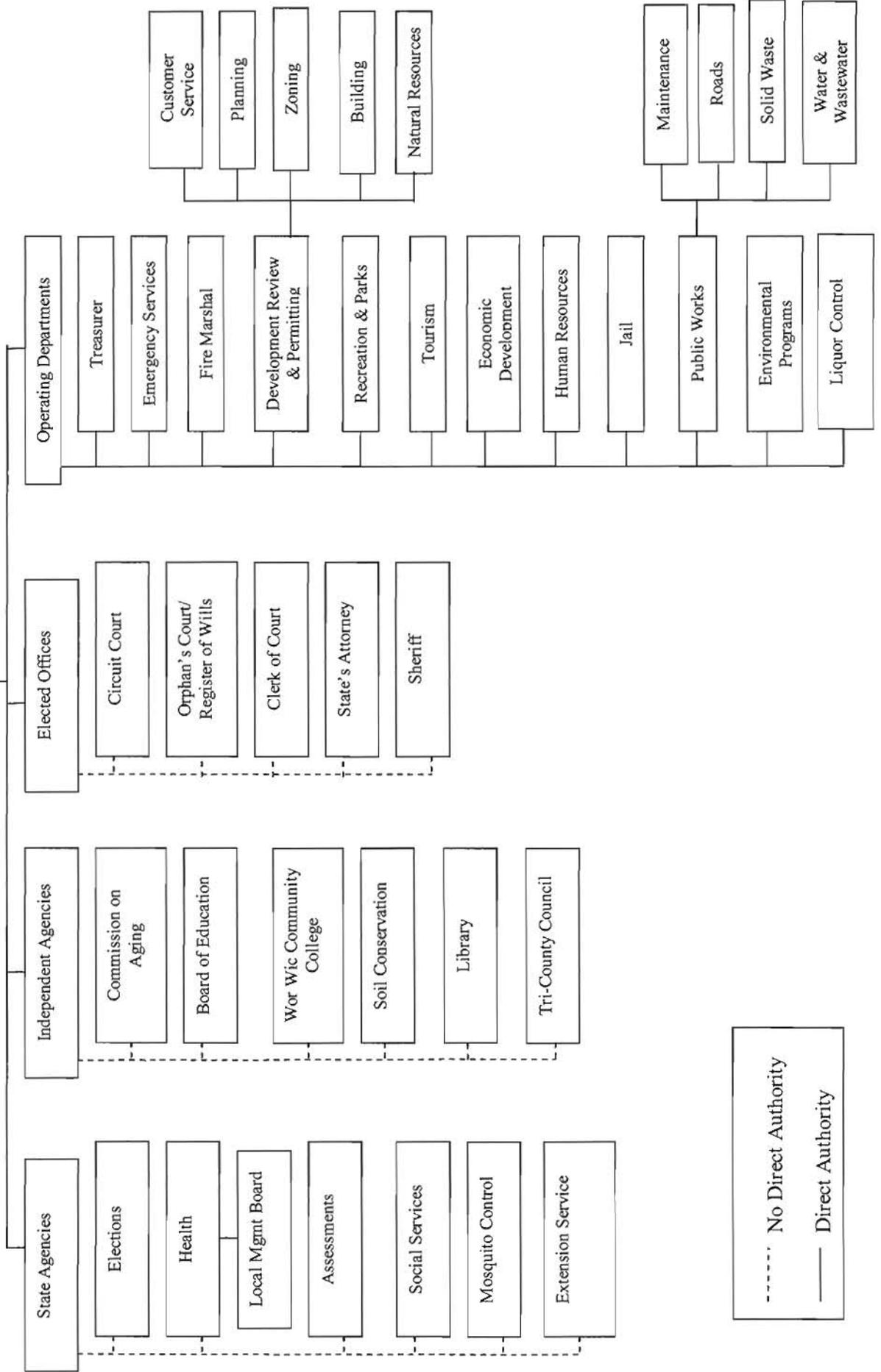
Executive Director/CEO

Worcester County Organization Chart



WORCESTER COUNTY VOTERS

County Commissioners
Chief Administrative Officer
County Administration



----- No Direct Authority
 _____ Direct Authority

Worcester County, Maryland
List of Principal Officials and Directors
June 30, 2013

Elected Officials

County Commissioners	James C. Church, President Merrill W. Lockfaw, Vice President Judith O. Boggs Madison J. Bunting, Jr. Louise L. Gulyas James L. Purnell, Jr. Virgil L. Shockley
Sheriff	Reggie T. Mason, Sr.
State's Attorney	Beau H. Oglesby

Appointed Officials

County Administrator	Gerald T. Mason
Assistant County Administrator	Kelly Shannahan
Attorney	John E. Bloxom
Jail Warden	Garry Mumford
Economic Development Director	William A. Badger
Emergency Services Director	Teresa A. Owens
Finance Officer	Harold L. Higgins
Fire Marshal	Jeff McMahan
Human Resources Director	George Bradley
Library Director	Mark Thomas
Development Review and Permitting Director	Edward Tudor
Public Works Director	John Tustin
Recreation and Parks Director	Paige Hurley
Tourism Director	Lisa Challenger

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

County Commissioners of
Worcester County, Maryland
Snow Hill, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Worcester County, Maryland as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Worcester County, Maryland, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information (budgetary comparison information and OPEB Trust Fund information) on pages 12 through 23 and 77 through 97 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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



Salisbury, Maryland
December 1, 2013

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, 2013. 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 position* and a *statement of activities*.

- The *statement of net position* presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net 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 and the recently acquired Worcester County Department of Liquor Control.

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

The government-wide financial statements can be found on pages 26 – 28 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 seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General, Capital project, Department of Social Services, Local Management Board, Energy Service fund, Debt service, and Casino 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 – 35 of this report.

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

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

The basic proprietary fund statements can be found on pages 37 – 41 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 42 - 43 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 45 - 75 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 76 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 \$170,829,451 as of June 30, 2013 compared to \$167,378,963 for the year ended June 30, 2012, an increase of \$3,450,488.

Worcester County, Maryland Net Position

	June 30, 2013			June 30, 2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets						
Current and other assets	\$ 95,702,214	\$ 28,778,810	\$ 124,481,024	\$ 90,889,743	\$ 31,534,117	\$ 122,423,860
Capital assets	98,203,225	77,724,260	175,927,485	104,315,500	74,923,072	179,238,572
Total assets:	<u>193,905,439</u>	<u>106,503,070</u>	<u>300,408,509</u>	<u>195,205,243</u>	<u>106,457,189</u>	<u>301,662,432</u>
Liabilities:						
Current and other liabilities	18,617,426	31,339,287	49,956,713	17,339,070	32,662,350	50,001,420
Long-term liabilities	64,603,691	15,834,340	80,438,031	66,734,952	17,547,097	84,282,049
Total liabilities:	<u>83,221,117</u>	<u>47,173,627</u>	<u>130,394,744</u>	<u>84,074,022</u>	<u>50,209,447</u>	<u>134,283,469</u>
Net position:						
Net investment in capital assets	90,110,170	59,302,023	149,412,193	99,870,348	54,334,765	154,205,113
Unrestricted	21,389,838	27,420	21,417,258	11,260,873	1,912,977	13,173,850
Total net position:	<u>\$ 111,500,008</u>	<u>\$ 59,329,443</u>	<u>\$ 170,829,451</u>	<u>\$ 111,131,221</u>	<u>\$ 56,247,742</u>	<u>\$ 167,378,963</u>

One of the largest portions of the County's net position (80.9 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 \$149,412,193 at June 30, 2013. 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.

It is important to note that, although counties in the State of Maryland issue debt for the construction of schools, the school buildings are owned by each county's Board of Education. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. Debt outstanding for the Board of Education amounted to \$59,456,937 at June 30, 2013. Absent the effect of this relationship, the County would have reported unrestricted net assets of \$80,846,775 on its government-wide financial statements, rather than the unrestricted net assets of \$21,389,838.

The following table indicates the functional revenues and expenses of governmental activities to demonstrate the extent which the governmental functions produce revenues to offset program costs. Expenses not covered by direct program revenues are covered primarily by taxes, licenses, and state shared revenues.

Worcester County, Maryland
Changes in Net Position

	June 30, 2013			June 30, 2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 8,839,433	\$ 35,363,350	\$ 44,202,783	\$ 8,667,966	\$ 31,587,245	\$ 40,255,211
Operating grants and contributions	4,181,653	47,000	4,228,653	4,257,505	22,000	4,279,505
Capital grants and contributions	1,546,506		1,546,506	2,078,722		2,078,722
General revenues:						
Real and personal property taxes	121,348,615		121,348,615	121,290,966		121,290,966
Income taxes	12,676,852		12,676,852	12,900,072		12,900,072
Other local taxes	25,047,347		25,047,347	23,111,431		23,111,431
State shared taxes	904,365		904,365	687,960		687,960
Distribution - WCDLC	620,428	(321,854)	298,574	103,626	(675,340)	(571,714)
Interest income	193,101	12,468	205,569	283,728	12,334	296,062
Transfer of capital asset	(1,665,007)		(1,665,007)			-
Other income	656,711	9746	666,457	1,530,161		1,530,161
Total revenues:	174,350,004	35,110,710	209,460,714	174,912,137	30,946,239	205,858,376
Expenses:						
General government	38,915,371		38,915,371	38,001,439		38,001,439
Public safety	33,952,043		33,952,043	29,409,797		29,409,797
Public works	6,582,195		6,582,195	6,579,810		6,579,810
Health and hospitals	5,379,303		5,379,303	5,414,163		5,414,163
Social services	1,799,550		1,799,550	1,861,337		1,861,337
Education	77,254,710		77,254,710	75,683,870		75,683,870
Libraries, recreation and culture	5,322,151		5,322,151	5,301,793		5,301,793
Conservation of natural resources	226,121		226,121	661,679		661,679
Economic development	1,947,815		1,947,815	2,094,400		2,094,400
Interest charges	2,601,958		2,601,958	3,092,624		3,092,624
Landfill		5,424,173	5,424,173		5,307,959	5,307,959
Water and wastewater		11,502,025	11,502,025		11,671,743	11,671,743
Liquor Control		15,102,811	15,102,811		15,213,363	15,213,363
Total expenses:	173,981,217	32,029,009	206,010,226	168,100,912	32,193,065	200,293,977
Increase (decrease) in net position	368,787	3,081,701	3,450,488	6,811,225	(1,246,826)	5,564,399
Net position, beginning	111,131,221	56,247,742	167,378,963	104,319,996	57,494,568	161,814,564
Net position, ending	\$ 111,500,008	\$ 59,329,443	\$ 170,829,451	\$ 111,131,221	\$ 56,247,742	\$ 167,378,963

Financial Analysis on Government Fund Financial Statements

Governmental Activities:

Key elements in the revenue decrease of \$562,133 for governmental activities as compared to FY12 are as follows:

- Capital grants decreased \$532,216 from FY12.
- Other local taxes increased by \$1,935,916 or 21% due to recordation receipts of 25% or \$1,320,206 and transfer tax receipts of 12% or \$317,247 greater than FY12.
- Distribution – Worcester County department of liquor control increased by \$516,802 from FY12.
- A transfer of water and sewer infrastructure totaling \$1,665,007 for Showell Elementary School occurred in FY13.
- Other income decreased by \$873,450 over FY12 mainly due to a one-time lawsuit reimbursement which did not re-occur in FY13.

Expenses for governmental activities increased 3.5% or \$5,880,305 compared to FY12 primarily due to the following:

- General Government increased by \$913,932.
- Education increased by \$1,570,840 mainly due to the payment to the State for the teacher pension shift of \$1,271,561 and a non-recurring onetime appropriation of \$300,000 for an after school program, all which did not occur in FY12.
- Public safety increased by \$4,532,239 due to the planned payoff through bond issuance of existing state pension obligations for the benefit of County correctional officers.

Governmental Funds:

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

The focus of the County's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The County has implemented GASB Statement 54 – Fund Balance Reporting and Government Fund Type Definitions. The purpose of this Statement is to improve financial reporting by establishing fund balance classifications that are easier to understand and apply. It establishes a framework based largely on the spending constraints of the government in order to determine how it may use amounts reported on the governmental funds balance sheet. Fund Balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The following information is as of June 30, 2013 and 2012:

<u>Governmental Activities - Fund Statements</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Net Change in Fund Balance</u>
General Fund	\$ 56,742,456	\$ 49,787,210	\$ 6,955,246
Capital Projects Fund	(1,247,996)	(599,589)	(648,407)
Debt Service Fund	5,393	5,385	8
Other Governmental Funds	<u>3,665,446</u>	<u>2,366,862</u>	<u>1,298,584</u>
Total	<u>\$ 59,165,299</u>	<u>\$ 51,559,868</u>	<u>\$ 7,605,431</u>

At the end of the current fiscal year, the County's governmental funds reported combined fund balance of \$59,165,299 an increase of \$7,605,431 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 \$56,742,456. This fund balance includes non-spendable items totaling \$102,938 for prepaid expenses, assigned fund balance of \$15,735,019 for future capital projects, and \$40,904,499 as unassigned fund balance. In accordance with GASB 54 the unassigned General Fund amount includes the County reserve of \$18,974,224 which is set aside for contingency and emergency conditions. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 22.7% of total general fund expenditures, while total fund balance represents 33.8% of that same amount.

The **Capital Projects Fund** is used to account for major capital acquisition and construction of County facilities. Major sources for these projects are pay-as-you-go funding, debt proceeds, and federal and state grants. The fund balance of the County's Capital Projects Fund decreased by \$648,407 during the current fiscal year.

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 \$8 during the current fiscal year. The entire fund balance is assigned for fund purposes.

The **Other Governmental Funds** include the Department of Social Services, Local Management Board, Casino Fund, and the Energy Service Fund. Fund balance in these funds increased by \$1,298,584 from FY12. The Energy Fund remained stable, while The Department of Social Services and the Local Management Board decreased by \$1,091 and \$5,308 respectively. The Casino Fund which was created to account for the County portion of proceeds from the Ocean Downs Casino facility reflects a \$1,366,659 increase in fund balance in FY13. Further detail of this activity is on page 100.

Proprietary funds:

<u>Enterprise Fund Statements</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>Change in Net Assets</u>
Water and Sewer Utilities	\$ 56,206,332	\$ 51,893,166	\$ 4,313,166
Solid Waste	2,723,111	3,954,576	(1,231,465)
Department of Liquor Control	400,000	400,000	-
Total	<u>\$ 59,329,443</u>	<u>\$ 56,247,742</u>	<u>\$ 3,081,701</u>

Solid Waste

Revenue

- Tipping fee revenue decreased from \$3.8 million in FY12 to \$3.6 million in FY13 due to additional trash being brought to the landfill from the Town of Ocean City in the prior year.
- Recycling revenues were down from \$379,269 to \$158,998 from FY12 to FY13. Sale of recyclable materials is highly market driven and often experiences large changes from year to year.

Expenses

- Consulting fees for the solid waste department increased by \$95,389 from FY12 to FY13 due to requirements imposed by the state regulating body.

Water and Wastewater

Revenues

- Overall revenues increased from \$11.1 million in FY12 to \$15.8 million in FY13 due to a combination of one time other revenues in the Ocean Pines sanitary service area and grants related to rebuilding of the Mystic Harbour wastewater treatment plant.

Expenses

- Overall operating expenses remained stable from FY12 to FY13.

Department of Liquor Control

Revenues

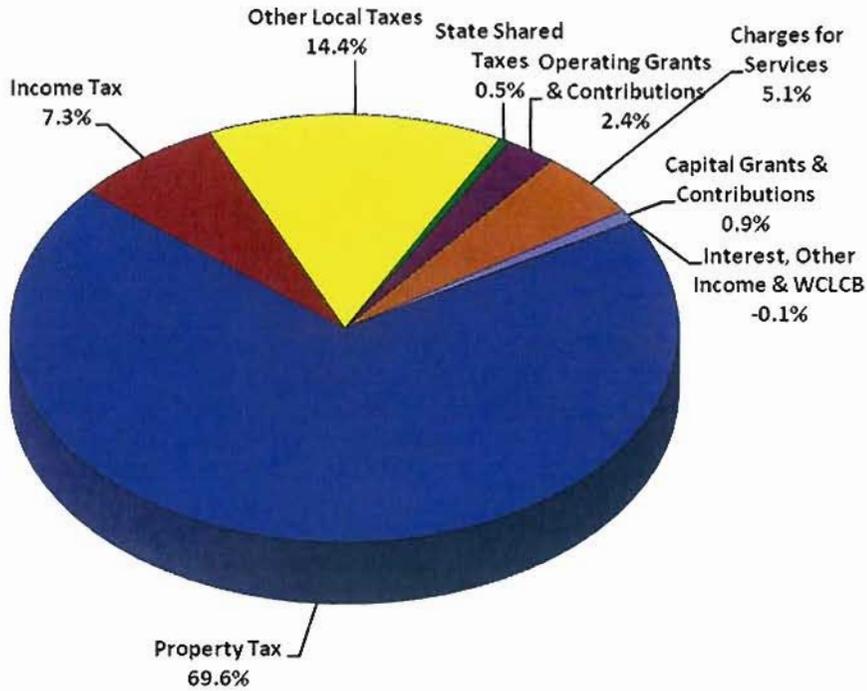
- Liquor sales decreased 2.9% from \$15,874,040 to \$15,414,939 from FY12 to FY13 mainly due to savings on purchases passed on to the licensees within the County. The corresponding cost of sales decreased from \$12,202,374 to \$11,905,141 from FY12 to FY13.

Expenses

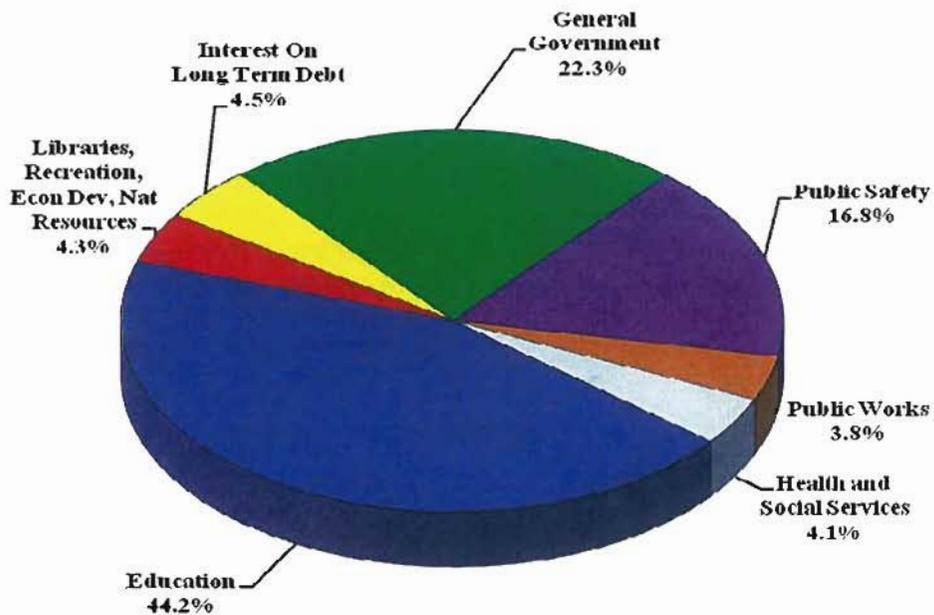
- Overall operating expenses increased slightly from \$1,783,521 in FY12 to \$1,887,755 in FY13 mainly due to the initial costs in opening a new retail location.

Fiscal year 2013 revenues and expenses are summarized in the following charts for both the business type (proprietary) and governmental activities.

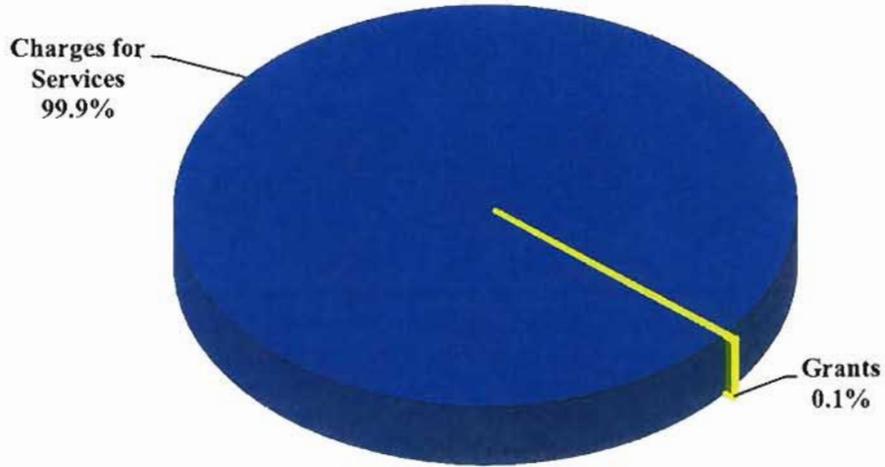
Revenues by Source- Governmental Activities For the Year Ended June 30, 2013



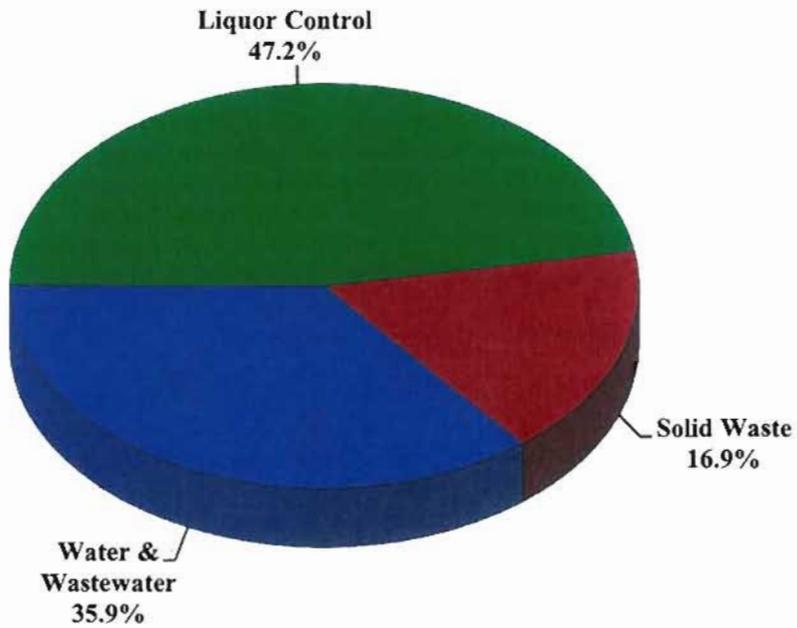
Expenses- Governmental Activities For the Year Ended June 30, 2013



Revenues by Source- Business-Type Activities
For the Year Ended June 30, 2013



Expenses- Business-Type Activities
For the Year Ended June 30, 2013



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, 2013, amounts to \$175,927,485 (net of accumulated depreciation). The total decrease in the County's investment in capital assets for the current year was 1.8%. 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:

- Construction began in the fall of 2010 to the exterior of the historic Oscar M. Purnell House located at 104 E. Market Street in Snow Hill, Maryland. Funding for this project totaled \$603,311 for the exterior renovation of the two-and-a-half story historic brick house.
- Mystic Harbor Wastewater Treatment Plant upgrades are currently underway to an aging water and sewer infrastructure. The plant was built in 1975 and became a County entity in 2004. Financing for the project will come from the U.S. Department of Agriculture and will consist of \$4.7 million in grants and about \$8.1 million in low-interest loans payable over 40 years. The project is expected to take 18 months. Various components of the project include: a contract awarded in August 2010 for the construction of a Lift Station Upgrade at a cost of \$736,000, a contract awarded in April 2011 for \$8,801,962 for the wastewater treatment plant replacement, in May 2011 contract services were awarded for Construction Administration for \$264,422 and Construction Inspections for \$129,932.
- A water & sewer project for Showell Elementary School which began in July 2010 to construct water and sewer lines and a pump station to extend water and sewer service from the Ocean Pines Sanitary Service Area to the Showell Elementary School. The project cost is \$1,665,007 and is funded through pay-go funds set aside by the County.
- On land donated to the County by the Girdletree Fire Department, a new 3 acre parcel park in the Village of Girdletree, located at 5841 Box Iron Road in Girdletree, Maryland was completed. Funding in the amount of \$132,210 which includes a pavilion, picnic tables, playground equipment and a parking area all of which were completed with 90% funds from the State of Maryland Program Open Space and the remaining from the County General Fund. This park includes GrassProtecta, a permeable grass reinforcement mesh material for the parking lot which is a more environmentally friendly product as recommended by the Maryland Department of Natural Resources.
- Improvements to various Boat landings totaled \$79,973 in FY13.
- The purchase of new public safety and tourism vehicles totaled \$237,762 during the fiscal year.
- The County contributed \$590,022 for the following education projects:
 - \$361,453 for construction of a renovation and addition to Snow Hill High School
 - \$228,569 for temporary building improvements to Snow Hill High School.



Worcester County, Maryland
Capital Assets (Net of Depreciation)

	June 30, 2013			June 30, 2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land and improvements	\$ 11,358,131	\$ 1,554,029	\$ 12,912,160	\$ 11,355,631	\$ 1,554,029	\$ 12,909,660
Building and building improvements	62,328,873	4,509,109	66,837,982	63,429,422	4,747,476	68,176,898
Improvements other than buildings	6,765,333	3,115,068	9,880,401	7,596,332	4,301,796	11,898,128
Machinery and equipment	7,338,013	3,582,480	10,920,493	7,502,390	3,624,903	11,127,293
Water and sewer systems Infrastructure	6,385,796	54,683,131	54,683,131	9,136,726	54,856,283	54,856,283
Construction in progress	4,027,079	10,280,443	14,307,522	5,509,271	5,838,585	11,347,856
Total:	\$ 98,203,225	\$ 77,724,260	\$ 175,927,485	\$ 104,529,772	\$ 74,923,072	\$ 179,452,844

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

Long-term debt: At the end of the current fiscal year, Worcester County had total bonded long-term debt of \$86,173,850. The total debt is backed by the full faith and credit of Worcester County. Business-type activities are directly responsible for \$16,888,956 of the total debt.

Worcester County, Maryland
Outstanding Debt/General Obligation Bonds

	June 30, 2013			June 30, 2012		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Bonded Debt	\$ 69,284,894	\$ 16,888,956	\$ 86,173,850	\$ 71,402,483	\$ 19,137,149	\$ 90,539,632

The County's total bonded debt decreased by \$4,365,782 during the current fiscal year due to planned debt retirement.

Worcester County maintains an "AA" rating from Fitch and an "Aa2" 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 58-63 of this report.

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

During FY2013, Worcester County experienced a continuation of a number of recent trends and estimates indicate that real property tax revenues would continue to decrease significantly. The County increased the real property tax rate to \$.77 per \$100 of assessment, a \$.07 increase, in order to offset the softening real estate market which continued into the fiscal year and included the continued decrease of real property assessments. This real property tax increase was the first since July 1, 2005, or 8 years. Accordingly, the personal property tax rate increase to \$1.925 per \$100. Net property taxes increased by \$372,216 more than FY2012 due to the increased tax rates. Local income tax revenue decreased by 1.7% and interest on investments decreased 31.7% from the prior year. County Departments and Agencies were asked to submit an operating budget that was 10% less than their FY2012 budget excluding payroll and grants. The County level funded the annual contribution to the Other Post Employment Benefits Trust Fund.

While the housing construction industry slowed, tourism has remained relatively stable due in part to the proximity of the areas from which these visitors travel to reach Ocean City, although the trend over the last couple years includes a shorter booking window and shortened length of stay. Ocean City Chamber of Commerce reports average weekly summer population is from 290,000 to nearly 340,000 on the July 4th weekend. The unemployment rate for the County as of June 30, 2013 is 8.5%, which is an increase from a rate of 8.3% a year ago. This compares to the State's average unemployment rate of 7.5%.

Fiscal Year 2014 Budget

The approved fiscal year 2014 operating budget is \$168,643,654 and is supported by a real property tax rate of \$0.77 per \$100 of assessed value and the personal property tax rate is \$1.925 per \$100. Fiscal year 2014 represents the second year of a three year assessment cycle and will constitute the fifth consecutive year of declining assessments in the County. The County anticipated utilizing reserves in the short term to cover projected budget shortfalls.

Revenues 2014 Budget

In FY 2014, the County operating budget increased \$2,739,398 or 1.7% more than FY13 due to a minimal increase in anticipated revenues. Even at the tax rate of \$.77, Real Property Tax Revenue will be \$5.7 million less than FY13 due to continued decreasing assessment values. Income Tax revenue estimates increased by \$1,000,000 mainly due to actual receipts and increased estimates and is based on the current tax rate of 1.25%. Recordation tax revenue estimates increased by \$250,000 and Interest on Investments increased \$75,000 above the FY13 budget. Federal reimbursements to the County from Immigration Custom Enforcement for inmate housing was increased by \$360,000 due to actual estimates. State Grants increased \$736,337 mainly due to State Program Open Space funds for an addition to the Recreation Center. The County will implement the planned use of Casino/Local Impact Grant Funds totaling \$2,000,000 for the debt payment for the Worcester Career and Technical High School in FY 14 and include the Transfer of existing Budget Stabilization Funds by \$1,653,442 to balance the operating budget.

Expenditures 2014 Budget

The FY2014 budget includes decreases to most all departments and agencies. Salary accounts included a 2% cost of living adjustment for County employees while an early retirement incentive program for County employees would be offered for the fifth consecutive year at the County. A new school safety program was approved and includes \$112,198 for the Health Department and in the Sheriff's department, \$604,400 for part time deputies and start-up equipment to cover 13 schools. Grants to Towns increased by \$785,456 for grants to four Municipalities and Ocean Pines Association. The Board of Education operating budget was approved above the Maintenance of Effort level, an increase of \$1,671,032 above FY13 budget due to additional funds for the mandated teacher pension shift of \$340,178, a feasibility study for school construction of \$100,000 and a salary increase for the Board of Education employees. The State of Maryland requires local governments to spend as much on school operating budgets on a per-pupil basis as they did the year before; thus, the maintenance of effort. The State of Maryland imposed a local cost sharing reimbursement for 50% of the costs of administering certain programs in the State Department of Assessments and Taxation; the budget includes \$600,000 for this remittance. Insurance & Benefits decreased \$633,292 and \$370,258 was saved due to a pre-funding of the Correctional Officers Retirement System. The Post Employment Benefit general fund transfer will remain level funded at \$3.0 million.

Requests for Information

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

BASIC FINANCIAL STATEMENTS



WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION
 PRIMARY GOVERNMENT AS OF JUNE 30, 2013
 COMPONENT UNIT AS OF JUNE 30, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	The Board of Education of Worcester County
ASSETS				
Cash and short-term investments	\$ 50,265,595	\$ 10,797,043	\$ 61,062,638	\$ 5,897,230
Receivables:				
Taxes	4,425,487	-	4,425,487	-
Federal, state, and local governments	4,876,378	-	4,876,378	2,691,361
Other	3,372,894	6,137,936	9,510,830	68,093
Internal balances	9,923,793	(9,923,793)	-	-
Inventories, at first-in, first-out method	-	6,479,909	6,479,909	-
Prepaid items	22,787,667	-	22,787,667	-
Other assets	50,400	15,287,715	15,338,115	-
Nondepreciable capital assets	15,385,210	11,834,472	27,219,682	3,531,293
Depreciable capital assets, net	82,818,015	65,889,788	148,707,803	126,596,930
Total assets	193,905,439	106,503,070	300,408,509	138,784,907
LIABILITIES				
Accounts payable and accrued liabilities	8,988,510	1,926,474	10,914,984	5,039,564
Due to other governmental units	-	-	-	-
Unearned revenue	383,481	12,747,150	13,130,631	1,425,106
Due to fiduciary funds	196,232	-	196,232	309,933
Compensated absences	706,000	198,834	904,834	32,306
Long-term liabilities				
Compensated absences	862,000	243,242	1,105,242	410,454
Due within one year	7,481,203	16,223,587	23,704,790	24,786,922
Due in more than one year	63,788,005	15,834,340	79,622,345	-
Total liabilities	82,405,431	47,173,627	129,579,058	32,004,285
NET POSITION				
Net investment in capital assets	90,110,170	59,302,023	149,412,193	130,128,223
Restricted for:				
Capital projects	-	-	-	103,295
Food service activities	-	-	-	52,825
Unrestricted	21,389,838	27,420	21,417,258	(23,503,721)
Total net position	\$ 111,500,008	\$ 59,329,443	\$ 170,829,451	\$ 106,780,622

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities				
Current:				
General government	\$ 38,915,371	\$ 1,932,275	\$ 2,669,626	\$ -
Public safety	33,952,043	6,182,160	1,046,403	1,050,618
Public works	6,582,195	75,543	-	-
Health and hospitals	5,379,303	434,917	143,681	-
Social services	1,799,550	-	-	-
Education	77,254,710	-	-	-
Libraries, recreation and culture	5,322,151	196,705	231,664	261,738
Conservation of natural resources	226,121	-	-	-
Economic development	1,947,815	17,833	90,279	234,150
Interest on long-term debt	2,601,958	-	-	-
Total Governmental Activities	173,981,217	8,839,433	4,181,653	1,546,506
Business-Type Activities				
Landfill	5,424,173	4,182,238	-	-
Department of Water and Wastewater	11,502,025	15,766,173	47,000	-
Department of Liquor Control	15,102,811	15,414,939	-	-
Total Business-Type Activities	32,029,009	35,363,350	47,000	-
Total Primary Government	206,010,226	44,202,783	4,228,653	1,546,506
Component Units				
The Board of Education of Worcester County	131,762,428	768,694	109,489,930	840,432
Total Component Units	131,762,428	768,694	109,489,930	840,432
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				
Distribution of Liquor Department profits				
Transfer of assets				
Interest				
Other				
Total General Revenues				
Total Change in Net Position				
Net Position Beginning of Year				
Net Position End of Year				

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	The Board of Education of Worcester County
\$ (34,313,470)	\$ -	\$ (34,313,470)	\$ -
(25,672,862)	-	(25,672,862)	-
(6,506,652)	-	(6,506,652)	-
(4,800,705)	-	(4,800,705)	-
(1,799,550)	-	(1,799,550)	-
(77,254,710)	-	(77,254,710)	-
(4,632,044)	-	(4,632,044)	-
(226,121)	-	(226,121)	-
(1,605,553)	-	(1,605,553)	-
(2,601,958)	-	(2,601,958)	-
(159,413,625)	-	(159,413,625)	-
-	(1,241,935)	(1,241,935)	-
-	4,311,148	4,311,148	-
-	312,128	312,128	-
-	3,381,341	3,381,341	-
(159,413,625)	3,381,341	(156,032,284)	-
(20,663,372)	-	(20,663,372)	(20,663,372)
(20,663,372)	-	(20,663,372)	(20,663,372)
121,348,615	-	121,348,615	-
12,676,852	-	12,676,852	-
13,632,599	-	13,632,599	-
481,880	-	481,880	-
6,648,660	-	6,648,660	-
123,695	-	123,695	-
2,912,623	-	2,912,623	-
1,247,890	-	1,247,890	-
904,365	-	904,365	-
620,428	(321,854)	298,574	-
(1,665,007)	-	(1,665,007)	-
193,101	12,468	205,569	48,247
656,711	9,746	666,457	60,017
159,782,412	(299,640)	159,482,772	108,264
368,787	3,081,701	3,450,488	(20,555,108)
111,131,221	56,247,742	167,378,963	127,335,730
\$ 111,500,008	\$ 59,329,443	\$ 170,829,451	\$ 106,780,622

WORCESTER COUNTY, MARYLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>
ASSETS			
Cash and short-term investments	\$ 47,228,458	\$ 12,096	\$ 5,393
Receivables:			
Taxes	4,425,487	-	-
Federal, state and local governments	4,876,378	-	-
Other	3,347,339	-	-
Due from other funds	10,203,135	-	-
Prepaid items	102,938	-	-
Other assets	50,400	-	-
Total assets	\$ 70,234,135	\$ 12,096	\$ 5,393
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ 5,660,692	\$ 1,260,092	\$ -
Due to other funds	1,193,262	-	-
Deferred revenue	3,899,115	-	-
Other	2,738,610	-	-
Total liabilities	13,491,679	1,260,092	-
FUND BALANCES			
Fund balances:			
Nonspendable	102,938	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	15,735,019	-	5,393
Unassigned	40,904,499	(1,247,996)	-
Total Fund Balances	56,742,456	(1,247,996)	5,393
Total Liabilities and Fund Balances	\$ 70,234,135	\$ 12,096	\$ 5,393

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

Other Governmental		
<u>Funds</u>		<u>Total</u>
\$ 3,019,648	\$	50,265,595
-		4,425,487
-		4,876,378
25,555		3,372,894
717,688		10,920,823
-		102,938
-		50,400
<u>\$ 3,762,891</u>	<u>\$</u>	<u>74,014,515</u>

\$ 35,116	\$	6,955,900
-		1,193,262
62,329		3,961,444
-		2,738,610
<u>97,445</u>		<u>14,849,216</u>
-		102,938
-		-
-		-
3,665,446		19,405,858
-		39,656,503
<u>3,665,446</u>		<u>59,165,299</u>
<u>\$ 3,762,891</u>	<u>\$</u>	<u>74,014,515</u>

WORCESTER COUNTY, MARYLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2013

Total fund balances, governmental funds	\$ 59,165,299
Amounts reported for governmental activities in the statement of net position are different because:	
Pre-payment of post retirement employment benefits	22,684,729
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	98,203,225
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 Position.	3,577,963
Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:	
Bond, notes and capital leases payable	(71,269,208)
Compensated absences	<u>(862,000)</u>
Total long-term liabilities	<u>(72,131,208)</u>
Net assets of governmental activities in the Statement of Net Position	<u>\$ 111,500,008</u>

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, 2013

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>
REVENUES:			
Taxes and special assessments	\$ 160,199,368	\$ -	\$ -
Licenses and permits	1,756,502	-	-
Intergovernmental	2,822,568	1,034,264	-
Service charges and fees	7,513,274	-	-
Miscellaneous	1,017,266	1,215	8
Other	-	-	-
Total revenues	173,308,978	1,035,479	8
EXPENDITURES:			
Current:			
General government	12,850,452	-	-
Public safety	26,624,932	4,532,239	-
Public works	4,641,049	-	-
Health and hospitals	5,060,999	-	-
Social services	1,210,707	-	-
Education	77,254,710	-	-
Libraries, recreation and culture	4,674,945	-	-
Conservation of natural resources	220,813	-	-
Economic development	1,897,159	-	-
Distributions to incorporated municipalities	20,450,152	-	-
Capital projects	-	3,084,228	-
Debt service:			
Principal retirement	-	-	7,393,498
Interest and other charges	-	-	2,675,991
Total expenditures	154,885,918	7,616,467	10,069,489
(Deficiency) excess of revenues over expenditures	18,423,060	(6,580,988)	(10,069,481)
OTHER FINANCING SOURCES (USES):			
Issuance of long-term debt	-	13,105,000	-
Premium on debt issued	-	1,107,936	-
Payment to bond refunding escrow agent	-	(9,678,680)	-
Transfers in	-	1,398,325	10,069,489
Transfers out	(11,467,814)	-	-
Total other financing sources (uses)	(11,467,814)	5,932,581	10,069,489
Net change in fund balances	6,955,246	(648,407)	8
Fund balances, beginning	49,787,210	(599,589)	5,385
Fund balances, ending	\$ 56,742,456	\$ (1,247,996)	\$ 5,393

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

Other Governmental Funds	<u>Total</u>
\$ -	\$ 160,199,368
-	1,756,502
1,890,918	5,747,750
-	7,513,274
-	1,018,489
1,817	1,817
<u>1,892,735</u>	<u>176,237,200</u>
-	12,850,452
-	31,157,171
-	4,641,049
-	5,060,999
588,843	1,799,550
-	77,254,710
-	4,674,945
5,308	226,121
-	1,897,159
-	20,450,152
-	3,084,228
-	7,393,498
-	2,675,991
<u>594,151</u>	<u>173,166,025</u>
<u>1,298,584</u>	<u>3,071,175</u>
-	13,105,000
-	1,107,936
-	(9,678,680)
-	11,467,814
-	(11,467,814)
<u>-</u>	<u>4,534,256</u>
1,298,584	7,605,431
<u>2,366,862</u>	<u>51,559,868</u>
<u>\$ 3,665,446</u>	<u>\$ 59,165,299</u>

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, 2013

Net change in fund balances, governmental funds		\$ 7,605,431
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	1,953,979	
Transfer of asset	(1,665,007)	
Depreciation expense	(6,401,247)	
Excess of depreciation expense over capital outlay		(6,112,275)
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 increased by this amount this year.		(222,189)
Bond 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 of this amount were issued, net of premiums, discounts, and similar items.		(4,534,256)
Bond issue costs, premiums, discounts and similar items are reported in governmental funds when debt is issued, whereas these amounts are deferred and amortized in the statement of activities.		74,033
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.		7,393,498
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:		
Change in post retirement employee benefits, asset		(3,788,455)
Change in compensated absences		(47,000)
Change in net assets of governmental activities		<u>\$ 368,787</u>

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



WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION
BUSINESS - TYPE ACTIVITIES

June 30, 2013

	<u>Landfill</u>	Department of Water and Wastewater <u>Services</u>	Department of Liquor <u>Control</u>	<u>Total</u>
ASSETS				
<u>Current assets</u>				
Cash and short-term investments	\$ 8,055,732	\$ 2,422,830	\$ 318,481	\$ 10,797,043
Inventory	-	-	6,479,909	6,479,909
Accounts receivable	310,052	4,980,513	847,371	6,137,936
Total current assets	8,365,784	7,403,343	7,645,761	23,414,888
<u>Noncurrent assets</u>				
<u>Capital assets</u>				
Land, land rights and improvements	1,226,989	114,883	212,157	1,554,029
Construction in progress	-	10,280,443	-	10,280,443
Buildings and building improvements	4,233,213	-	2,038,071	6,271,284
Improvements other than buildings	27,960,299	-	-	27,960,299
Water and sewer systems	-	82,944,928	-	82,944,928
Machinery and equipment	6,620,213	5,461,553	506,705	12,588,471
	40,040,714	98,801,807	2,756,933	141,599,454
Less accumulated depreciation	(30,113,177)	(32,765,289)	(996,728)	(63,875,194)
	9,927,537	66,036,518	1,760,205	77,724,260
<u>Other assets</u>				
Long-term edu receivable	-	15,287,715	-	15,287,715
Total noncurrent assets	9,927,537	81,324,233	1,760,205	93,011,975
Total assets	18,293,321	88,727,576	9,405,966	116,426,863

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

BUSINESS - TYPE ACTIVITIES

Year Ended June 30, 2013

	<u>Landfill</u>	Department of Water and Wastewater Services	Department of Liquor Control	<u>Total</u>
OPERATING REVENUES:				
Domestic charges	\$ -	\$ 7,684,814	\$ -	\$ 7,684,814
Commercial charges	-	607,471	-	607,471
Hook-up charges	-	48,330	-	48,330
Future capital development	-	33,804	-	33,804
Interest and penalties on overdue accounts	399	130,093	-	130,492
Additional assessments	-	373,667	-	373,667
Payment by developers	-	6,422	-	6,422
Other revenue	15,766	5,598,832	-	5,614,598
Edu revenue	-	1,084,240	-	1,084,240
Tank fee revenue	-	3,200	-	3,200
White Horse Park revenue	-	195,300	-	195,300
Liquor sales	-	-	15,414,939	15,414,939
Recycling charges	158,998	-	-	158,998
Stump removal charges	54,824	-	-	54,824
Licenses and permits	317,365	-	-	317,365
Landfill fees	3,634,886	-	-	3,634,886
Total operating revenues	4,182,238	15,766,173	15,414,939	35,363,350
Cost of goods sold	-	-	11,905,141	11,905,141
Gross profit	4,182,238	15,766,173	3,509,798	23,458,209
Total operating expenses	3,601,030	8,653,312	1,887,755	14,142,097
Operating income (loss) before depreciation and general expenses	581,208	7,112,861	1,622,043	9,316,112
Depreciation and general expenses	1,766,735	2,347,808	1,107,315	5,221,858
Operating (loss) income	(1,185,527)	4,765,053	514,728	4,094,254
NONOPERATING INCOME (EXPENSE):				
Interest on investments	10,470	2,018	9,726	22,214
Loss on disposal of assets	-	-	(97,768)	(97,768)
Operating grants	-	47,000	-	47,000
Interest expense	(56,408)	(500,905)	(104,832)	(662,145)
Total nonoperating income (expense)	(45,938)	(451,887)	(192,874)	(690,699)
Change in net position	(1,231,465)	4,313,166	321,854	3,403,555
Distributions to municipalities	-	-	(321,854)	(321,854)
Change in net position after distributions	(1,231,465)	4,313,166	-	3,081,701
Net position, beginning	3,954,576	51,893,166	400,000	56,247,742
Net position, ending	\$ 2,723,111	\$ 56,206,332	\$ 400,000	\$ 59,329,443

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

	<u>Landfill</u>	Department of Water and Wastewater <u>Services</u>	Department of Liquor <u>Control</u>	<u>Total</u>
LIABILITIES				
<u>Current liabilities</u>				
Accounts payable and accrued expenses	194,032	572,455	1,246,938	2,013,425
Bonds and notes payable - current	-	1,875,023	65,973	1,940,996
Capital leases payable - current	435,356	-	-	435,356
Landfill - closure and postclosure costs	13,809,610	-	-	13,809,610
Accrued bond interest payable	-	111,883	-	111,883
Due to other funds	138,020	636,677	-	774,697
Total current liabilities	14,577,018	3,196,038	1,312,911	19,085,967
<u>Noncurrent liabilities</u>				
Unearned revenues	-	12,747,150	-	12,747,150
Vacation benefits	69,187	125,166	48,889	243,242
Bonds and notes payable	-	14,460,026	661,854	15,121,880
Bond costs deferred	-	(173,920)	-	(173,920)
Capital leases payable	924,005	-	-	924,005
Due to other funds	-	2,166,784	6,982,312	9,149,096
Total noncurrent liabilities	993,192	29,325,206	7,693,055	38,011,453
Total liabilities	15,570,210	32,521,244	9,005,966	57,097,420
NET POSITION				
Net investment in capital assets	8,568,176	49,701,469	1,032,378	59,302,023
Unrestricted (deficit)	(5,845,065)	6,504,863	(632,378)	27,420
Total net position	\$ 2,723,111	\$ 56,206,332	\$ 400,000	\$ 59,329,443

WORCESTER COUNTY, MARYLAND

STATEMENT OF CASH FLOWS
 BUSINESS-TYPE ACTIVITIES (Continued)
 Year Ended June 30, 2013

	<u>Landfill</u>	Department of <u>Water and</u> <u>Wastewater</u>	Department of <u>of Liquor</u> <u>Control</u>	<u>Total</u>
RECONCILIATION OF OPERATING (LOSS) INCOME TO				
NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating (loss) income	\$ (1,185,527)	\$ 4,765,053	\$ 514,728	\$ 4,094,254
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	1,766,735	2,347,808	139,642	4,254,185
Changes in assets and liabilities:				-
Accounts receivable	314,818	355,130	165,558	835,506
Inventories	-	-	(2,027,667)	(2,027,667)
Due from/to other funds	128,507	668,758	2,572,780	3,370,045
Deferred revenue	(23,906)	(864,472)	-	(888,378)
Vacation benefits	(5,998)	5,849	9,045	8,896
Accounts payable and accrued expenses	396,046	222,260	(646,199)	(27,893)
Net cash provided by operating activities	\$ 1,390,675	\$ 7,500,386	\$ 727,887	\$ 9,618,948
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Equipment acquired under capital leases	\$ 771,002	\$ -	\$ -	\$ 771,002
Total non-cash activities	\$ 771,002	\$ -	\$ -	\$ 771,002

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, 2013

	<u>Landfill</u>	<u>Department of Water and Wastewater</u>	<u>Department of Liquor Control</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for services	\$ 4,456,985	\$ 9,627,914	\$ -	\$ 14,084,899
Receipts from customers for liquor sales	-	-	15,580,497	15,580,497
Cash received from other revenues	16,165	5,598,832	-	5,614,997
Cash received for future capital development	-	33,804	-	33,804
Cash received from other funds	-	-	2,572,780	2,572,780
Cash payments to employees	(1,018,672)	(1,999,621)	(755,363)	(3,773,656)
Cash payments for fringe benefits	(586,294)	(1,197,632)	(347,197)	(2,131,123)
Cash payments for inventory, materials, supplies and services	(1,477,509)	(4,562,911)	(16,322,830)	(22,363,250)
Net cash provided by operating activities	1,390,675	7,500,386	727,887	9,618,948
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of property and equipment	(872,173)	(6,487,397)	(78,071)	(7,437,641)
Proceeds from sales of property and equipment	284,500	-	-	284,500
Principal paid on capital lease maturities	(651,253)	-	-	(651,253)
Proceeds from issuance of bonds and notes	771,001	823,582	-	1,594,583
Principal paid on bonds, line of credit, and notes payable	-	(3,046,371)	(63,029)	(3,109,400)
Interest paid on bonds, line of credit, and notes	(56,408)	(500,905)	(104,832)	(662,145)
Bond costs deferred	-	37,625	-	37,625
Front foot assessments deferred	-	2,071,571	-	2,071,571
Net cash used by capital and related financing activities	(524,333)	(7,101,895)	(245,932)	(7,872,160)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash distributed to governmental units in Worcester county	-	-	(321,854)	(321,854)
Cash received for operating grants	-	47,000	-	47,000
Net cash provided by noncapital and financing activities	-	47,000	(321,854)	(274,854)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	10,470	2,018	9,726	22,214
Net cash provided by investing activities	10,470	2,018	9,726	22,214
Net increase in cash and short-term investments	876,812	447,509	169,827	1,494,148
Cash and short-term investments, beginning	7,178,920	1,975,321	148,654	9,302,895
Cash and short-term investments, ending	\$ 8,055,732	\$ 2,422,830	\$ 318,481	\$ 10,797,043

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION
FIDUCIARY FUNDS

June 30, 2013

	Public Drainage <u>Associations</u>	Other Post Employment Benefits <u>Trust</u>	<u>Agency</u>
ASSETS			
Cash and short-term investments	\$ 442,846	\$ 3,990,085	\$ 2,519,515
Trust investments:			
Money market funds	-	517,836	-
MLGIP	-	625,151	-
Fixed income securities	-	11,163,943	-
Equities securities	-	19,701,282	-
Certificates of deposit	-	226,301	-
Taxes receivable	-	-	1,825,936
Special assessments receivable	7,788	-	-
Due from other funds	552	66,664	475,022
Total assets	451,186	36,291,262	4,820,473
LIABILITIES			
Due to other governmental units	-	-	2,401,812
Due to other funds	-	344,873	1,133
Other liabilities	1,600	-	2,417,528
Total liabilities	1,600	344,873	4,820,473
NET POSITION			
Held in trust for other post employment benefits	-	35,946,389	-
Restricted	449,586	-	-
Total net position	\$ 449,586	\$ 35,946,389	\$ -

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF CHANGES IN NET POSITION
Year Ended June 30, 2013

	Public Drainage <u>Associations</u>	Other Post Employment Benefits <u>Trust</u>
ADDITIONS:		
Contributions:		
Special assessments	\$ 99,638	\$ -
Employer contributions	-	1,500,000
Plan member contributions	-	164,136
Miscellaneous	20,600	-
Total contributions	120,238	1,664,136
Investment earnings:		
Interest	2,335	7,913
Increase in fair value of investments	-	2,792,575
Total investment earnings	2,335	2,800,488
Total additions	122,573	4,464,624
DEDUCTIONS:		
Ditch maintenance	118,180	-
Claims incurred	-	1,920,440
Miscellaneous	220	8,375
Total deductions	118,400	1,928,815
Change in net position	4,173	2,535,809
Net position, beginning	445,413	33,410,580
Net position, ending	\$ 449,586	\$ 35,946,389

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. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are allowed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The County has elected to follow subsequent private-sector guidance provided they do not conflict with or contradict GASB pronouncements. 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.

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

The *Board of Education of Worcester* (BOE) is a separately elected body that administers the public school system in the county. The BOE is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The BOE's budget is subject to approval by the County Commissioners, and the BOE receives a significant portion of its operational and capital project funding from the County.

Separately issued financial statements can be obtained from the following:

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

B. Basis of Presentation

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

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 position presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or 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 governmental funds which the County has chosen to show as major due to their importance to the overall performance of the County:

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

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.

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

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

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 position.

Enterprise Funds - Enterprise Funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that 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, the Department of Liquor Control, 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. Agency funds are custodial in nature and do not involve measurement of results of operations.

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

D. Measurement Focus

GOVERNMENT WIDE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund 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

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

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 position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

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 not collected within the available period 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

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.

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 assignments 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, 2013. All annual appropriations lapse at fiscal year end.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

G. Encumbrances

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

H. Cash and Short-Term Investments

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond 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 position and in the respective funds.

All capital assets are capitalized at cost or estimated cost and updated for additions and reductions during the year. Donated fixed assets are recorded at their 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 statement of net position. The only interfund balances, which remain on the government-wide statement of net position are those between governmental and fiduciary activities. These amounts are reflected as due to fiduciary funds.

N. Compensated Absences

Vacation benefits are earned by employees of the 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.

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 Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, 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 position is 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 positions are available.

Q. Governmental Fund Balance

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

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

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

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

Assigned – Amounts that are designated by the Commissioners or management with intent to be used for specific purposes, but are neither restricted or committed by approval of a resolution.

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

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

R. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the County, these revenues are charges for services for department of water and waste water and landfill and sales of liquor in the department of liquor control. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as nonoperating.

NOTES TO FINANCIAL STATEMENTS

Note 2. Significant Accounting Policies (continued)

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.

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's investment policy, in order to minimize credit and interest rate risk, allows the County to 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, 2013, Worcester County had deposits of \$10,094,776 (carrying value \$7,983,829). 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, 2013, and therefore have no custodial risk associated with them.

The County is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for 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 PNC Safe Deposit and Trust Company, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAA by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. At June 30, 2013, the County had investments of \$59,393,037 with the Maryland Local Government Investment Pool, which are recorded at cost, which approximates fair value.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's exposure to credit risk on deposits is minimal, as all deposits are in the form of cash, fully insured by the FDIC or collateralized by securities pledged in the County's name. The County minimizes its exposure to credit risk on investments by limiting its investments to U.S. Treasury obligations and MLGIP. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's exposure to interest rate risk is minimal as of June 30, 2013, as its only investments consisted of MLGIP within the primary government. The only other investments are within the Retiree Benefit Trust Fund.

NOTES TO FINANCIAL STATEMENTS

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

Investments within the Retiree Benefit Trust Fund are as follows:

Investments in the Retiree Benefit Trust Fund by type and maturity at June 30, 2013 were as follows:

	1 Year	1-5 Years	Over 5 Years	Total	Rate
MLGIP	\$ 625,151	\$ -	\$ -	\$ 625,151	0.14%
M&T Investments					
Money Market	517,836	-	-	517,836	
Fixed Income:					
U.S. Treasury	-	1,188,931	296,640	1,485,571	0.25% - 3.25%
U.S. Government Agency	-	262,520	1,795,085	2,057,605	3.00% - 5.00%
Other Fixed Income	-	1,351,911	6,268,856	7,620,767	1.20% - 5.95%
Equities	19,701,282	-	-	19,701,282	N/A
Certificates of Deposit	226,301	-	-	226,301	0.20%
Total	\$ 21,070,570	\$ 2,803,362	\$ 8,360,581	\$ 32,234,513	

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

Petty cash	\$ 12,956
Carrying amount of deposits	8,609,091
Money market funds	517,836
Fixed income securities	11,163,943
Equities securities	19,701,282
Certificates of deposit	226,301
MLGIP	60,018,188
Less cash and investments recorded within fiduciary funds	<u>(39,186,959)</u>
Total	<u><u>\$ 61,062,638</u></u>

Note 4. Interfund Balances and Transfers

As a result of its operations, the County effects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2013, 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.

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Balances and Transfers (continued)

Interfund balances at June 30, 2013, consisted of the following individual fund receivables and payables:

	Due From Other Funds	Due to Other Funds
General fund:		
Enterprise funds:		
Landfill	\$ 138,020	\$ -
Department of Liquor Control	2,803,461	-
Department of Water and Wastewater	6,982,312	-
Total due from enterprise funds	9,923,793	-
Other funds:		
Energy service fund	-	(458,151)
Capital Projects fund	-	-
Casino fund	-	(259,537)
State of Maryland property tax agency fund	-	(106,341)
Maryland department of motor vehicles agency fund	1,133	-
Snow Hill property tax agency fund	-	(32,165)
Berlin property tax agency fund	-	(14,949)
Ocean City property tax agency fund	-	(283,082)
Pocomoke property tax agency fund	-	(18,325)
Bay restoration fund	-	(20,160)
Public Drainage Association	-	(552)
OPEB Trust	278,209	-
Total due from (to) other funds	279,342	(1,193,262)
Total General fund due from (to) other funds	10,203,135	(1,193,262)
Other governmental funds:		
General fund	717,688	-
Fiduciary funds	196,232	-
Capital projects funds:		
General fund	-	-
Enterprise funds:		
General fund	-	(9,923,793)
	\$ 11,117,055	\$ (11,117,055)

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Balances and Transfers (continued)

Interfund transfers activity for the year ended June 30, 2013, consisted of the following individual amounts:

	Transfers In	Transfers Out
General fund:		
Capital Projects fund	\$ -	\$ 1,398,325
Debt service fund	-	10,069,489
Debt Service Fund:		
General fund	10,069,489	-
Capital projects funds:		
General fund	1,398,325	-
	<u>\$ 11,467,814</u>	<u>\$ 11,467,814</u>

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Transfers and Reductions	Balance June 30, 2013
Primary Government				
Governmental Activities:				
Nondepreciable Capital Assets:				
Land and improvements	\$ 11,355,631	\$ -	\$ 2,500	\$ 11,358,131
Construction in progress	5,509,271	952,016	(2,434,208)	4,027,079
Total Nondepreciable Capital Assets	<u>16,864,902</u>	<u>952,016</u>	<u>(2,431,708)</u>	<u>15,385,210</u>
Depreciable Capital Assets:				
Building and building improvements	81,589,274	-	721,602	82,310,876
Improvements other than buildings	11,249,863	-	-	11,249,863
Machinery and equipment	26,669,659	1,001,963	(419,260)	27,252,362
Infrastructure	106,429,883	-	-	106,429,883
Total Depreciable Assets	<u>225,938,679</u>	<u>1,001,963</u>	<u>302,342</u>	<u>227,242,984</u>
Less accumulated depreciation for:				
Buildings and building improvements	(17,895,115)	(2,086,888)	-	(19,982,003)
Improvements other than buildings	(3,918,268)	(566,262)	-	(4,484,530)
Machinery and equipment	(19,381,541)	(1,674,397)	1,141,589	(19,914,349)
Infrastructure	(97,293,157)	(2,073,700)	(677,230)	(100,044,087)
Total accumulated depreciation	<u>(138,488,081)</u>	<u>(6,401,247)</u>	<u>464,359</u>	<u>(144,424,969)</u>
Total Depreciable Capital Assets, Net	<u>87,450,598</u>	<u>(5,399,284)</u>	<u>766,701</u>	<u>82,818,015</u>
Governmental Activities Capital Assets, Net	<u>\$ 104,315,500</u>	<u>\$ (4,447,268)</u>	<u>\$ (1,665,007)</u>	<u>\$ 98,203,225</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General government	\$ 577,100
Public safety	2,184,236
Public works	2,269,665
Health and hospitals	532,576
Libraries, recreation and culture	832,014
Economic development	<u>5,656</u>
 Total depreciation expense	 <u>\$ 6,401,247</u>

	Balance June 30, 2012	Additions	Transfers and Reductions	Balance June 30, 2013
Business-type Activities				
Nondepreciable Capital Assets:				
Land, land rights and improvements	\$ 1,554,029	\$ -	\$ -	\$ 1,554,029
Construction in progress	5,838,585	4,450,440	(8,582)	10,280,443
Total Nondepreciable Capital Assets	7,392,614	4,450,440	(8,582)	11,834,472
Depreciable Capital Assets:				
Buildings and building improvements	6,396,048	62,909	(187,673)	6,271,284
Improvements other than buildings	27,926,353	33,946	-	27,960,299
Machinery and equipment	12,959,011	921,383	(1,291,923)	12,588,471
Water and sewer systems	80,967,646	1,968,700	8,582	82,944,928
Total Depreciable Assets	128,249,058	2,986,938	(1,471,014)	129,764,982
Less accumulated depreciation for:				
Buildings and building improvements	(1,648,573)	(203,506)	89,904	(1,762,175)
Improvements other than buildings	(23,624,577)	(1,220,654)	-	(24,845,231)
Machinery and equipment	(9,334,107)	(679,591)	1,007,707	(9,005,991)
Water and sewer systems	(26,111,363)	(2,150,434)	-	(28,261,797)
Total accumulated depreciation	(60,718,620)	(4,254,185)	1,097,611	(63,875,194)
Total Depreciable Capital Assets, Net	67,530,438	(1,267,247)	(373,403)	65,889,788
Business-type Activities Capital Assets, Net	\$ 74,923,052	\$ 3,183,193	\$ (381,985)	\$ 77,724,260

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

Changes in the County's long-term obligations during 2013 were as follows:

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Amount Due in One Year
Governmental Activities					
Estimated landfill closure costs	\$ 2,800,000	\$ -	\$ -	\$ 2,800,000	\$ -
General obligation bonds:					
Consolidated Public Improvement Bonds, 1998 Series; interest 4% to 5%; due annually to 2013	1,085,000	-	(530,000)	555,000	555,000
Consolidated Public Improvement Bonds, 2002 Series; interest 2% to 3.75%; due annually to 2017	2,120,736	-	(2,120,736)	-	-
Consolidated Public Improvement Bonds, 2004 Series; interest at 2.5% to 5%; payable due annually to 2020	13,790,000	-	(8,935,000)	4,855,000	2,825,000
Consolidated Public Improvement Bonds, 2007 Series; interest at 3.5% to 4.5%; payable semiannually to 2022	22,205,000	-	(1,635,000)	20,570,000	1,700,000
MDE Water Quality Bond; interest at .4%, due annually to 2024	2,140,475	-	(232,174)	1,908,301	233,103
Consolidated Public Improvement Bonds, 2008 Series; interest at 3.25% to 5%; payable semiannually to 2024	29,360,000	-	(1,980,000)	27,380,000	2,045,000
Consolidated Public Improvement Bonds, 2013 Series; interest at 3% to 4%; payable semiannually to 2020	-	7,686,691	-	7,686,691	270,600
Consolidated Public Improvement Bonds, 2013 Series; interest at 2.5% to 3.4%; payable semiannually to 2033	-	4,595,000	-	4,595,000	-
Deferred Bond Premium, net	701,272	291,977	(74,033)	919,216	(147,500)
	74,202,483	12,573,668	(15,506,943)	71,269,208	7,481,203
Compensated absences	1,482,000	1,116,343	(1,030,343)	1,568,000	706,000
Total Governmental Activities	\$ 75,684,483	\$ 13,690,011	\$(16,537,286)	\$ 72,837,208	\$ 8,187,203

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Amount Due in One Year
Business-Type Activities					
Estimated landfill closure costs	\$ 13,450,353	\$ 359,257	\$ -	\$13,809,610	\$13,809,610
General obligation bonds:					
Consolidated Public Improvement Bonds, 1998 Series; interest 4% to 5%; due annually to 2013	530,000	-	(260,000)	270,000	270,000
Consolidated Public Improvement Bonds, 2002 Series; interest 2% to 3.75%; due annually to 2017	1,014,268	-	(1,014,268)	-	-
Consolidated Public Improvement Bonds, 2013 Refunding Series; interest 3% to 4%; due annually to 2017	-	823,582	-	823,582	129,400
Consolidated Public Improvement Bonds, 2004 Series; interest 2.5% to 5%, due annually to 2020	1,070,000	-	(195,000)	875,000	205,000
MDE Water Quality Bond; interest at .4%; due annually to 2024	3,975,920	-	(411,416)	3,564,504	412,790
Public Refunding Bonds, 2007; interest at 3.5% to 4.5%; payable semiannually to 2022	3,735,000	-	(905,000)	2,830,000	590,000
Snug Harbor Water Quality Loan Agreement, 2007; interest 0.04%, due semiannually to 2026	432,948	-	(30,636)	402,312	30,759
MDE Drinking Water Bond; interest at 1.1%; due annually to 2029	331,014	-	(17,814)	313,200	18,010
Note payable; interest at 3.94%; due quarterly till 2026	2,406,688	-	(128,592)	2,278,096	133,731
Mystic Harbor USDA note payable, 2012; interest at 2%, due quarterly till 2052	5,062,000	-	(83,645)	4,978,355	85,327
Note payable, interest at 4.09%; due monthly to 2039	527,996	-	(11,491)	516,505	11,934
Note payable, interest at 4.76%; due monthly to 2017	262,860	-	(51,538)	211,322	54,045
Deferred Bond Costs, net	(211,545)	-	37,625	(173,920)	37,625
Capital lease payable	1,239,613	771,001	(651,253)	1,359,361	435,356
	33,827,115	1,953,840	(3,723,028)	32,057,927	16,223,587
Compensated absences	426,083	344,993	(329,000)	442,076	198,834
Total Business-Type Activities	\$ 34,253,198	\$ 2,298,833	\$ (4,052,028)	\$ 32,500,003	\$ 16,422,421

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.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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.

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 \$2,800,000. 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 County does not anticipate this to occur in the next fiscal year, therefore the entire amount is included as long-term.

In August 2004, the County entered into an agreement with the Maryland Department of the Environment's State Revolving Loan Fund to finance water quality capital projects totaling \$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 was 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.

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 were used 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.

In November 2008, the County issued \$35,000,000 in Consolidated Public Improvement Bonds, 2008 Series, with an average interest rate of 4.13% and maturing in 2024. Proceeds are being used to finance renovations and additions to the Pocomoke High School and to pay all costs of issuance of the bond.

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

In March 2010, the County obtained a \$2,500,000 line of credit from a local financial institution, with an interest rate of 3.94%, and maturing in September 2011. At maturity, the line will be converted to a 15 year term note, with an interest rate of 3.94%. The loan is being used to fund the Ocean Pines fire protection system project. At June 30, 2013, undrawn proceeds of \$480,825 were still available under this line.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

In June 2011, the County acquired the debt of the previous Worcester County Liquor Control Board. This included two mortgage payable, which are secured by real estate.

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

In prior years, the County defeased certain general obligation bonds by placing the proceeds of new bonds with an escrow agent in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the financial statements for the County. At June 30, 2013, \$2,730,000 of bonds are considered defeased during prior years which are related to Business-Type Activities.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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

Governmental Activities

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 7,628,703	\$ 2,972,928	\$ 10,601,631
2015	7,067,155	2,594,936	9,662,091
2016	5,610,134	2,257,056	7,867,190
2017	5,822,986	1,995,848	7,818,834
2018	6,057,460	1,702,191	7,759,651
2019-2023	28,853,554	4,394,677	33,248,231
2024-2028	4,630,000	484,099	5,114,099
2029-2033	1,880,000	158,310	2,038,310
Total	\$ 67,549,992	\$ 16,560,045	\$ 84,110,037

Business-Type Activities

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 15,750,606	\$ 420,028	\$ 16,170,634
2015	1,730,516	356,498	2,087,014
2016	1,696,170	304,044	2,000,214
2017	1,716,104	253,711	1,969,815
2018	1,486,808	202,891	1,689,699
2019-2023	3,191,140	768,987	3,960,127
2024-2028	1,504,211	498,218	2,002,429
2029-2033	740,008	366,921	1,106,929
2034-2038	808,731	276,739	1,085,470
2039-2043	739,556	189,926	929,482
2044-2048	808,137	113,147	921,284
2049-2052	700,499	29,899	730,398
Total	\$ 30,872,486	\$ 3,781,009	\$ 34,653,495

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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.

The assets acquired through capital leases are as follows:

Business-Type Activities

Equipment	\$ 3,418,899
Less accumulated depreciation	(1,204,519)
<hr/>	
Total	\$ 2,214,380
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The following is a summary of the future minimum lease payments on the capital leases:

Business-Type Activities

Year Ending June 30,	
2014	\$ 473,290
2015	374,870
2016	310,734
2017	239,968
2018	41,769
<hr/>	
	1,440,631
Less amount representing interest	(81,270)
<hr/>	
Present value of future minimum lease payments	\$ 1,359,361
<hr/> <hr/>	

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). Law enforcement officers employed by the County participate in the State of Maryland Law Enforcement Officers Pension Systems (LEOPS). Correctional officers employed by the County participate in the State of Maryland Correctional Officers Retirement System (CORS). Teachers employed by the Board of Education generally participate in the State of Maryland Teachers Retirement and Pensions Systems (Teachers Systems). All of these plans (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:

	2013	2012	2011
Payroll covered under the plan	\$ 27,838,991	\$ 28,154,368	\$ 28,161,540
Contributions paid in:			
County payments	7,335,735	3,826,219	3,862,556
Actual contributions to required contributions	100%	100%	100%
On-behalf payments (Library)	180,236	192,574	204,062

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

The employees of the Department of Water and Wastewater Services are covered by a cost sharing multiple employer 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. Separate audited financial statements are not issued by the plan.

The plan's accrued benefits and net assets available as of June 30, 2013, the latest date available, are:

Actuarially computed value of:

Vested accrued benefit obligation	\$ 5,684,056
Nonvested accrued benefit obligation	-
	<hr/>
	5,684,056
Net assets available for pension benefits	<hr/>
	7,303,843
	<hr/>
Net pension (obligation) asset	<u>\$ 1,619,787</u>

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, 2013 was \$71,633 and is based on the entry age normal cost method. The department has contributed 100% of the required contribution for the past three years.

Covered payroll for the Department totaled approximately \$2,384,769.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

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, 2013, 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 plan years 2013-2011 is as follows:

	2013	2012	2011
Net assets available for pension benefits	\$ 7,303,843	\$ 7,015,088	\$ 6,657,801
Pension obligation	\$ 5,684,056	\$ 5,334,563	\$ 4,867,778
Percentage funded	128%	132%	137%
Net pension assets	\$ 1,619,787	\$ 1,680,525	\$ 1,790,023
Annual covered payroll	\$ 2,384,769	\$ 2,432,910	\$ 2,489,490
Assets in excess of pension obligation as a percentage of covered payroll	68%	69%	72%
Employer contributions	\$ 174,314	\$ 185,554	\$ 175,677
Employer contributions as a percentage of covered payroll	7%	8%	7%

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits

Plan Description

The Worcester County Post-Retirement Medical Benefits Plan (the "Plan") is an agent multiple employer defined benefit healthcare plan administered by the County. The Plan provides medical and prescription drug benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Retirement System, which are age 55 with 15 years of service, age 62 with 5 years of service (15 years if hired on or after November 1, 2007) or 30 years of service regardless of age. Eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of July 1, 2012, the date of the last actuarial valuation, the following number of employees were receiving or are potentially eligible to receive future benefits:

	County	Board of Education
Active	526	1,005
Retirees	296	670
Total	822	1,675

Separate financial statements are not issued for the OPEB Trust.

Funding Policy

The County provides basic major medical insurance (medicare supplemental program for those over 65) and a prescription drug plan for its retired employees. It is the County's policy to pay 90% of the cost of such benefits for eligible retirees, dependents and spouses. The County's OPEB Trust currently pays for the cost of these benefits on a pay as you go basis. For the year ended June 30, 2013, the OPEB Trust paid for coverage of 233 retirees at a total cost, net of retiree contributions, of approximately \$1,756,000.

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

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

	County	Board of Education	Total
Annual required contribution	\$ 4,958,096	\$ 19,035,256	\$ 23,993,352
Interest on net OPEB obligation	(1,853,123)	511,934	(1,341,189)
Adjustment to annual required contribution	2,183,482	(573,612)	1,609,870
Annual OPEB cost (expense)	5,288,455	18,973,578	24,262,033
Contributions made:			
Contributions to trust	(1,500,000)	(1,500,000)	(3,000,000)
Pay as you go	-	-	-
Total contributions made	(1,500,000)	(1,500,000)	(3,000,000)
Net OPEB change	3,788,455	17,473,578	21,262,033
Net OPEB obligation (asset) at beginning	(26,473,184)	7,313,344	(19,159,840)
Net OPEB obligation (asset) at ending	\$ (22,684,729)	\$ 24,786,922	\$ 2,102,193

The OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation (asset) was as follows:

	Fiscal Year Ended	Annual Required Contribution	Percentage of Annual Required Contribution	Net OPEB Obligation (Asset)
County	June 30, 2013	\$ 4,958,096	30%	\$ (22,684,729)
Board of Education	June 30, 2013	19,035,256	8%	24,786,922

Funding Status and Funding Progress

The following table is as of July 1, 2012 the most recent actuarial valuation date:

	(June 30, 2013) Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
County	\$ 36,291,262	\$ 63,963,271	\$ 27,672,009	56.74%	\$ 27,838,991	99.40%
Board of Education	25,928,324	163,448,619	137,520,295	15.86%	64,475,676	213.29%
Total	\$ 62,219,586	\$ 227,411,890	\$ 165,192,304	72.60%	\$ 92,314,667	312.69%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, is designated to present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

Actuarial Methods and Assumptions

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

In the July 1, 2012 actuarial valuation, the cost method used was the projected unit credit, with linear proration to decrement attribution. The actuarial assumptions include a 7.0% investment return per annum, an inflation rate of 3.0%, and an assumed medical trend rate of 5%-8.2%. The projected annual healthcare cost trend rate is 9.0% initially, reduced by decrements to an ultimate rate of 5.0% after ten years. The UAAL is being amortized over thirty (30) years based on a level percentage of projected payrolls on a closed basis.

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 Security Benefits.

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

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

Note 10. Commitments and Contingencies

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

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

NOTES TO FINANCIAL STATEMENTS

Note 10. Commitments and Contingencies (continued)

The County entered into multiple contracts for the replacement of the Mystic Harbor Wastewater Treatment Plant. Financing for the project will come from the U.S. Department of Agriculture and will consist of \$4.7 million in Grants and about \$8.1 million in low-interest loans payable over 40 years. The project is expected to take 18 months. Various components of the project include: a contract awarded in January 2009 for membrane bioreactor equipment at a cost of \$1,298,018; a contract awarded in April 2011 for \$8,801,962 for the Wastewater Treatment Plant replacement and contract services awarded in May 2011 for Construction Administration for \$264,422 and Construction Inspections for \$129,932.

The County entered into a contract on July 3, 2012 totaling \$20,315 for generator preventative maintenance services with Curtis Engine & Equipment Inc. for the County to continue through June 30, 2015.

The County entered into a contract on March 5, 2013 with EA Engineering, Science and Technology in the amount of \$89,984 for groundwater monitoring and analytical service at the Central Landfill for the calendar years 2013-2014.

The County entered into a contract on April 16, 2013 with Hi-Tide Marine Construction, Inc. for \$204,705 for the Public Landing Marina phase II project for construction of bulkhead and dredging with 210 estimated days to complete. Funds for the project include State waterway improvement grant of \$141,510 and \$63,195 in County pay as you go funds.

The County entered into a contract on May 21, 2013 with Rehak's Contracting, LLC for \$194,827 for the Public Landing pier repair project with an estimated completion date of August 31, 2013. Funds for the project include an insurance settlement of \$130,861, FEMA funds of \$18,750, and \$45,216 in County pay as you go funds.

The County entered into a contract on June 1, 2013 with Complete Homeowner's Assistance, LLC for \$66,065 for metal roof replacement projects for two Roads division equipment buildings.

The County entered into a contract on June 5, 2013 with All States Construction for exterior finishes for the Public Works Roads Division North Shop in Berlin at a total cost of \$52,500 with an estimated completion date of 90 days.

The County entered into a contract on August 2013 with Mid Atlantic Storage Systems, Inc. totaling \$1,079,440 for a leachate storage tank at the Central Landfill. Installation is scheduled to be complete within 150 days.

There is currently a tax case being appealed to the U.S. Supreme Court (Maryland State Comptroller of the Treasury vs. Bryan Wynne) which potentially exposes the County to issue income tax refunds. The case is an appeal of a January 2013 ruling by the Maryland Court of Appeals which reversed the decision of a lower court and found that the State has to allow a credit for income taxes paid to other jurisdictions against both the state tax and the local (County) tax. Currently the credit is only applied at the State level. The County is closely monitoring the case and the ultimate outcome or exposure is still not determined at this time.

NOTES TO FINANCIAL STATEMENTS

Note 11. Assigned Fund Balance

Assignments of fund balance are intended to be used for specific purposes but are not legally restricted. The assignments for 2013 are summarized as follows:

Assigned for:

ADA County Buildings	\$ 10,000
Berlin Health Department storage and parking lot	220,000
Berlin Rubblefill Cap and Closure	600,000
Berlin Library Project	2,000,000
Board of Education Safety/Security Upgrades	215,000
Cedar Hall boat landing (replacement finger piers and ramps)	99,000
Commission on Aging - Snow Hill building parking lot lights	10,000
Economic Development Building Renovations	60,000
Encumbrances	1,527,289
Financial System upgrades and connectivity projects	191,000
Fire Training Center water tank	30,000
Fire Training Center Pole Building (public safety trailer storage)	100,000
Government Center building repairs	165,000
Gum Point boat landing improvements	99,000
Isle of Wight Building	400,000
Jail Door Project	115,000
Jail heating/air controls upgrade	500,000
Landfill Gas Remediation	750,000
Maryland Broadband fiber project	300,000
Mason landing improvements	25,000
Mystic Harbor sewer plant improvements	1,000,000
North End Public Works Building	447,000
Oscar Purnell House Renovation	50,000
Other Post Employment Benefits transfer	2,000,000
Public Landing Marina	130,000
Public Landing Boat Slips and Well House	99,000
Public Works Building Expansion	100,000
Recreation Center building and grounds improvement	76,000
Roads department paving projects	1,000,000
Roads equipment building roof replacement	36,000
Route 50 Service Road design	277,000
Shell Mill boat ramp improvements	99,000
Snow Hill High School Athletic Fields	512,730
Snow Hill High School Design and Construction	1,602,000
Snow Hill High School temporary improvements	175,000
Snow Hill Middle School Light Ballast Retrofit	166,000
Taylor Landing improvements	99,000
Server upgrades for Public safety/CAD	125,000
Wor-Wic College Building Renovations	325,000
Total	\$ 15,735,019

NOTES TO FINANCIAL STATEMENTS

Note 12. 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, Pocomoke and Snow Hill landfills stopped accepting waste in 1990. These landfills have been capped and only have postclosure care costs associated with them.

The County has reported \$2,800,000 as the landfill closure and postclosure care liability at June 30, 2013 in the long-term liabilities section of the Statement of Net Position relating to the closed landfill, mentioned above (see also Note 6). Also, \$13,809,610 has been reported as the estimated landfill closure and postclosure care liability at June 30, 2013 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, 2013, cells #2 and #3 are full and cells #1 and #4 are at approximately 98% and 33% of their capacity, respectively. The County received approval from the Maryland Department of the Environment to begin mining the existing cell #1 instead of closing or "capping" it in order to reclaim as much as 40% of the airspace for future use. If successful, the mining operation will likely continue to the other closed or "filled" cells in order to reclaim landfill capacity and extend the overall life of the facility. The County began mining of cell #1 during fiscal year 2010 and reclaimed approximately 2% of capacity during the year ended June 30, 2012.

Though there are currently no legal restrictions on available funds, the County has approximately \$8,366,000 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, 2012. The County expects to satisfy these requirements as of June 30, 2013 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.

Note 13. Risk Management

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

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

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.

NOTES TO FINANCIAL STATEMENTS

Note 14. 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, 2013 was \$180,236 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, 2013, the Board of Education had deposits of \$7,151,170 (carrying value \$5,897,230), which were either fully insured or collateralized with securities held in the name of the Board of Education.

Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Transfers and Reductions	Balance June 30, 2013
Governmental Activities:				
Nondepreciable Capital Assets:				
Land and improvements	\$ 1,886,779	\$ -	\$ -	\$ 1,886,779
Construction in progress	1,128,689	566,913	(51,088)	1,644,514
Total Nondepreciable Capital Assets	3,015,468	566,913	(51,088)	3,531,293
Depreciable Capital Assets:				
Building and building improvements	173,432,650	252,057	-	173,684,707
Machinery and equipment	3,658,839	214,630	(7,000)	3,866,469
Total Depreciable Assets	177,091,489	466,687	(7,000)	177,551,176
Less accumulated depreciation for:				
Buildings and building improvements	(44,535,856)	(3,881,545)	-	(48,417,401)
Machinery and equipment	(2,243,478)	(340,861)	7,000	(2,577,339)
Total accumulated depreciation	(46,779,334)	(4,222,406)	7,000	(50,994,740)
Total Depreciable Capital Assets, Net	130,312,155	(3,755,719)	-	126,556,436
Governmental Activities Capital Assets, Net	\$ 133,327,623	\$ (3,188,806)	\$ (51,088)	\$ 130,087,729
Business-type Activities				
Depreciable Capital Assets:				
Machinery and equipment	\$ 239,958	\$ -	\$ -	\$ 239,958
Less accumulated depreciation for:				
Machinery and equipment	(187,538)	(11,926)	-	(199,464)
Total Depreciable Capital Assets, Net	52,420	(11,926)	-	40,494
Business-type Activities Capital Assets, Net	\$ 52,420	\$ (11,926)	\$ -	\$ 40,494

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, 2013:

Amounts payable at June 30, 2012	\$ 528,107
Decrease in early retirement incentive payments	(75,350)
Decrease in vested vacation benefits	(9,997)
<hr/>	
Amounts payable at June 30, 2013	\$ 442,760

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's OPEB Trust currently pays for the cost of these benefits on a pay as you go basis. For the year ended June 30, 2013, the Board's OPEB Trust, paid for coverage of 635 retirees at a total cost, net of retiree contributions, of \$3,673,941. For the year ended June 30, 2013, the County contributed \$1,500,000 to the Board's OPEB Trust to fund the ARC and the pay as you go post retirement health care benefits.

Commitments and Contingencies

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The Board has not entered into any material contracts as of June 30, 2013.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 16. Component Units (continued)

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.

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, 2013 was \$6,044,042 for the Board, which is included in intergovernmental revenue and education expenditures, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
REVENUES:				
Taxes:				
Real and personal property:				
Real property:				
Full-year levy	\$ 119,678,288	\$ 119,678,288	\$ 119,183,110	\$ (495,178)
Semi-year levy	21,175	21,175	49,944	28,769
Personal property	594,536	594,536	305,066	(289,470)
Corporations and utilities	5,367,902	5,367,902	5,712,738	344,836
Net additions and abatements	(391,134)	(391,134)	(75,191)	315,943
	125,270,767	125,270,767	125,175,667	(95,100)
Interest on delinquent taxes	750,000	750,000	863,536	113,536
Discounts allowed on taxes	(400,000)	(400,000)	(418,697)	(18,697)
Tax credits for assessment increase	(4,300,000)	(4,300,000)	(4,049,702)	250,298
Total real and personal property	121,320,767	121,320,767	121,570,804	250,037
Local income tax	11,200,000	11,200,000	12,676,852	1,476,852
Other local taxes:				
Room tax	11,250,000	11,250,000	13,632,599	2,382,599
Admission and amusement	560,000	560,000	481,880	(78,120)
Recordation	5,750,000	5,750,000	6,648,660	898,660
Trailer park excise tax	100,000	100,000	123,695	23,695
Transfer tax	2,750,000	2,750,000	2,912,623	162,623
Food tax	1,050,000	1,050,000	1,247,890	197,890
State shared:				
Highway user revenue	458,919	458,919	475,553	16,634
911 State fees	460,000	460,000	428,812	(31,188)
Total taxes	154,899,686	154,899,686	160,199,368	5,299,682

WORCESTER COUNTY, MARYLAND

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

GENERAL FUND

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Licenses and permits:				
Business:				
Liquor licenses	\$ 675,000	\$ 675,000	\$ 763,325	\$ 88,325
Vending machine licenses	110,000	110,000	118,000	8,000
Traders licenses	85,000	85,000	96,227	11,227
Occupational licenses	4,000	4,000	4,725	725
Bingo permits	15,000	15,000	19,427	4,427
Tourist and trailer park permits	9,000	9,000	11,995	2,995
Other:				
Building permits	175,000	175,000	180,463	5,463
Electrical permits	8,000	8,000	12,430	4,430
Marriage licenses	22,700	22,700	26,970	4,270
Civil ceremony licenses	1,300	1,300	1,960	660
Shoreline permits	12,000	12,000	16,175	4,175
Fraternal slots licenses	1,600	1,600	-	(1,600)
Environmental permits	117,300	117,000	49,950	(67,050)
EDU transfer fee	600	600	1,600	1,000
Health permits	358,000	358,000	380,625	22,625
Raffle permits	2,500	2,500	1,862	(638)
Plumbing permits	40,000	40,000	33,249	(6,751)
Gas permits	12,000	12,000	5,480	(6,520)
Planning and zoning permits	65,975	65,975	32,039	(33,936)
Total licenses and permits	1,714,975	1,714,675	1,756,502	41,827
Intergovernmental:				
Federal grants:				
Payments in lieu of taxes	17,500	17,500	17,666	166
CDBG economic development grant	-	-	98,000	98,000
Emergency service grant	9,600	9,600	9,930	330
Critical area grant	14,000	14,000	14,000	-
Crime analyst state's attorney	16,912	16,912	-	(16,912)
CDBG housing rehab grant	150,000	150,000	136,150	(13,850)
Homeland security grant	170,325	170,325	423,990	253,665
Bulletproof vest program	4,000	4,000	-	(4,000)
DOJ - ATF sheriff grant	-	-	5,996	5,996
DOJ - sheriff grant	-	-	9,789	9,789

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental, continued:				
Federal grants, continued:				
Emergency shelter grant	\$ 37,000	\$ 37,000	\$ 46,613	\$ 9,613
MDE beach monitoring grant	3,100	3,100	2,954	(146)
TEFAP grant	-	-	1,867	1,867
FEMA disaster grant	-	-	173,655	173,655
Federal overtime grant	-	-	22,923	22,923
State grants:				
Police protection	93,769	93,769	93,769	-
911 support	2,500	2,500	6,565	4,065
Child support enforcement	7,000	7,000	20,708	13,708
Open space program - parks	118,136	118,136	209,205	91,069
Open space program - recreation	26,000	26,000	13,810	(12,190)
Library aid	144,071	144,071	144,071	-
Other housing rehab income	2,500	2,500	-	(2,500)
Rural Legacy administrative fee	8,000	8,000	-	(8,000)
Share of state forest land	48,000	48,000	36,372	(11,628)
Eastern Shore library grant	75,000	75,000	75,000	-
Traffic grant health department	-	-	7,699	7,699
Gun violence reduction grant	-	-	30,000	30,000
Family support services MACRO grant	17,530	17,530	13,875	(3,655)
Department of environmental training - LEPC	7,843	7,843	7,843	-
Homeless women grant	24,557	24,557	24,557	-
Sheriff-sex offender grant	25,000	25,000	23,510	(1,490)
Sheriff-health underage drinking	2,000	2,000	-	(2,000)
CREP program	12,780	12,780	12,780	-
Senator Amoss grant	261,394	261,394	259,860	(1,534)
Tourism	109,836	109,836	90,278	(19,558)

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013
(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Intergovernmental, continued:				
State grants, continued:				
DHCD housing administration fees	\$ 7,000	\$ 7,000	\$ 4,987	\$ (2,013)
Conservation easement reimbursements	-	-	8,397	8,397
Rental assistance program	40,000	40,000	40,000	-
Prosecuting homicide cases	-	-	5,872	5,872
Technical operations investigator	-	-	22,168	22,168
Septic system monitoring	20,100	20,100	19,965	(135)
Sheriff grants	-	-	2,176	2,176
Trial jury reimbursement	54,000	54,000	40,860	(13,140)
Family support grant	182,917	182,917	163,107	(19,810)
Drug court coordinator	240,878	240,878	278,783	37,905
Waterway improvement grants	109,000	109,000	38,724	(70,276)
Water resources grant	260,000	260,000	164,094	(95,906)
Total intergovernmental	2,322,248	2,322,248	2,822,568	500,320
Service charges and fees:				
Department of liquor control profit	250,435	250,435	620,428	369,993
Liquor advertising fees	1,500	1,500	2,400	900
Donation sponsorship program	-	-	1,269	1,269
Dental program reimbursement	26,915	26,915	22,946	(3,969)
Commercial plumbing plan review	5,000	5,000	-	(5,000)
Sheriff fees	-	-	102,234	102,234
Sales of publications and copies	4,925	4,925	3,006	(1,919)
Library use charges	37,000	37,000	31,336	(5,664)
Library erate reimbursements	11,000	11,000	11,713	713
First offender program fees	50,000	50,000	127,050	77,050
Tourism programs and events	-	-	3,713	3,713
Mosquito control charges	39,000	39,000	54,291	15,291
Security	102,696	102,696	116,124	13,428
Salary reimbursement	1,500	1,500	1,174	(326)
Recreation center fees	65,000	65,000	66,111	1,111
Vehicle tag fees	4,500	4,500	4,647	147
Critical area fees	20,000	20,000	24,301	4,301
Library special projects	4,000	4,000	-	(4,000)
Casino security	15,000	15,000	15,540	540
Forestry review fees	5,000	5,000	3,108	(1,892)
Shared facility fees	500	500	250	(250)
Stormwater management review fees	60,000	60,000	36,191	(23,809)
Tourism co-op advertising	2,000	2,000	-	(2,000)
Public works revenues	10,000	10,000	20,584	10,584
Roads department fees	30,000	30,000	52,858	22,858
Bay restoration administration fee	-	-	20,557	20,557
Traffic safety revenues	-	-	925	925
Drug enforcement	-	-	1,115	1,115

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013
(Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
Service charges and fees, continued:				
Park fees	\$ 15,410	\$ 15,410	\$ 20,359	\$ 4,949
Concession stand fees	20,000	20,000	19,608	(392)
Environmental fees	28,150	28,150	15,960	(12,190)
Recreation fees	53,405	53,405	47,579	(5,826)
Solar renewable energy credits	8,000	8,000	-	(8,000)
Water and sewer plan amendment fees	2,000	2,000	500	(1,500)
Circuit court bar library	5,000	5,000	1,916	(3,084)
Firearms training center fees	3,000	3,000	-	(3,000)
Payments for jail use	5,281,200	5,281,500	5,896,604	615,104
Fire inspection fees	50,000	50,000	51,432	1,432
Family service fees	3,000	3,000	5,052	2,052
Community service fees	88,000	88,000	79,417	(8,583)
Housing program fees	-	-	9,132	9,132
Franchise fees	32,100	32,100	21,844	(10,256)
Total service charges and fees	6,335,236	6,335,536	7,513,274	1,177,738
Miscellaneous:				
Court fines	40,000	40,000	44,951	4,951
Civil infraction fines	2,500	2,500	11,680	9,180
Retiree drug subsidy	260,000	260,000	358,478	98,478
Interest on investments	150,000	150,000	190,069	40,069
Rent revenue	104,611	104,611	113,862	9,251
Sale of fixed assets	25,000	25,000	18,407	(6,593)
Miscellaneous	50,000	50,000	99,583	49,583
On-behalf payments MSRS library	-	-	180,236	180,236
Total miscellaneous	632,111	632,111	1,017,266	385,155
Total revenues	\$ 165,904,256	\$ 165,904,256	\$ 173,308,978	\$ 7,404,722

WORCESTER COUNTY, MARYLAND

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

GENERAL FUND

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
EXPENDITURES:				
General government:				
County Commissioners' office:				
Salaries	\$ 878,123	\$ 878,123	\$ 955,984	\$ (77,861)
Benefits	489,202	489,202	371,600	117,602
Administrative	25,880	25,880	21,935	3,945
Other supplies and equipment	5,000	5,000	4,113	887
Legal	6,900	6,900	(1,063)	7,963
Vehicle operations	3,500	3,500	1,932	1,568
Building site	7,000	7,000	4,430	2,570
Advertisements	18,000	18,000	8,789	9,211
Training and travel	31,500	31,500	29,627	1,873
Enterprise fund credits	(142,857)	(142,857)	(142,857)	-
	1,322,248	1,322,248	1,254,490	67,758
Circuit Court:				
Salaries	867,752	867,752	878,814	(11,062)
Benefits	449,712	449,712	341,603	108,109
Administrative	22,200	22,616	22,616	-
Other supplies and equipment	8,085	12,006	21,090	(9,084)
Equipment maintenance	25,650	21,313	6,440	14,873
Grant services	192,789	192,789	199,364	(6,575)
Legal	123,500	123,500	91,509	31,991
Building site	16,700	16,700	15,873	827
Other maintenance and services	1,800	1,800	517	1,283
Advertisements	398	398	-	398
Training and travel	8,650	8,650	7,927	723
	1,717,236	1,717,236	1,585,753	131,483
Orphans' Court:				
Salaries	15,000	15,000	15,000	-
Benefits	7,676	7,676	5,831	1,845
Training and travel	4,800	4,800	4,965	(165)
	27,476	27,476	25,796	1,680

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
General government, continued:				
State's Attorney's office:				
Salaries	\$ 1,134,494	\$ 1,134,494	\$ 1,128,180	\$ 6,314
Benefits	577,319	577,319	438,534	138,785
Overtime pay	5,000	5,000	-	5,000
Administrative	23,900	29,377	27,716	1,661
Other supplies and equipment	6,250	8,429	8,427	2
Equipment maintenance	8,158	8,251	8,207	44
Uniforms and personal equipment	1,000	3,467	3,466	1
Grant services	-	-	11,210	(11,210)
Legal	5,800	7,613	6,664	949
Vehicle operating expense	11,500	11,500	10,341	1,159
Building site	14,000	14,000	10,059	3,941
Training and travel	34,700	22,671	21,956	715
Interfund	(54,059)	(54,059)	(53,725)	(334)
	1,768,062	1,768,062	1,621,035	147,027
Treasurer's office:				
Salaries	1,102,447	1,102,447	1,067,146	35,301
Benefits	546,086	546,086	414,809	131,277
Administrative	42,660	42,660	34,862	7,798
Other supplies and equipment	5,068	5,068	1,343	3,725
Equipment maintenance	14,500	14,500	14,975	(475)
Legal	1,500	1,500	179	1,321
Consulting services	-	-	380	(380)
Building site	16,150	16,150	16,353	(203)
Training and travel	6,300	6,300	3,205	3,095
Enterprise fund credits	(323,105)	(323,105)	(308,911)	(14,194)
	1,411,606	1,411,606	1,244,341	167,265
Elections office:				
State employees' salaries and benefits	346,143	346,143	328,211	17,932
Salaries	11,400	11,400	11,400	-
Benefits	5,862	5,862	4,453	1,409
Administrative	16,300	16,300	12,815	3,485
Other supplies and equipment	13,512	66,726	72,997	(6,271)
Voting machines and poll expenses	173,033	164,757	102,513	62,244

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
General government, continued:				
Elections office, continued:				
Equipment maintenance	\$ 43,081	\$ 43,081	\$ 4,210	\$ 38,871
Consulting services	20,000	20,000	5,614	14,386
Building site	20,074	20,074	17,852	2,222
Other maintenance and services	900	900	-	900
Training and travel	7,700	15,976	15,976	-
New equipment	89,704	36,490	-	36,490
	747,709	747,709	576,041	171,668
Human resources:				
Salaries	318,907	318,907	339,703	(20,796)
Benefits	173,835	173,835	132,046	41,789
Administrative	9,405	9,405	5,487	3,918
Other supplies and equipment	2,875	2,875	743	2,132
Equipment maintenance	3,700	3,700	3,121	579
Program expense	1,500	1,500	1,500	-
Legal	650	650	75	575
Consulting services	12,500	12,500	6,442	6,058
Vehicle operating expenses	5,000	5,000	2,487	2,513
Building site	2,000	2,000	1,724	276
Advertising	200	200	-	200
Training and travel	1,750	1,750	588	1,162
Enterprise fund credits	(82,915)	(82,915)	(82,916)	1
	449,407	449,407	411,000	38,407
Development review and permitting:				
Salaries	1,706,789	1,706,789	1,561,303	145,486
Benefits	798,959	798,959	606,892	192,067
Administrative	14,860	14,860	10,372	4,488
Other supplies and equipment	9,200	9,200	5,154	4,046
Equipment maintenance	12,200	12,200	7,401	4,799
Legal	27,500	27,500	23,425	4,075
Consulting services	57,000	57,000	33,853	23,147
Vehicle operating expenses	24,600	24,600	22,829	1,771

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCE- BUDGET AND ACTUAL
 GENERAL FUND
 Year Ended June 30, 2013
 (Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
General government, continued:				
Development review and permitting, continued:				
Building site	\$ 12,000	\$ 12,000	\$ 7,896	\$ 4,104
Other maintenance and services	1,000	1,000	-	1,000
Advertisements	17,000	17,000	11,342	5,658
Training and travel	21,900	21,900	16,131	5,769
Enterprise fund credits	(121,806)	(121,806)	(121,806)	-
	2,581,202	2,581,202	2,184,792	396,410
Environmental programs:				
Salaries	502,779	502,779	496,192	6,587
Benefits	253,914	253,914	192,874	61,040
Administrative	3,615	3,615	1,374	2,241
Other supplies and equipment	5,045	5,045	940	4,105
Equipment maintenance	2,400	2,400	2,628	(228)
Building and property	3,000	3,000	4,409	(1,409)
Vehicle operating expenses	14,200	14,200	15,928	(1,728)
Advertising	1,730	1,730	471	1,259
Legal	2,000	2,000	134	1,866
Other maintenance and services	375	375	-	375
Training and travel	3,875	3,875	2,655	1,220
Grant programs	260,000	260,000	150,006	109,994
Interfund	28,152	28,152	28,152	-
	1,081,085	1,081,085	895,763	185,322
Other general government:				
Tri-County Council	345,246	345,246	345,246	-
Ocean City Chamber of Commerce	-	-	100,000	(100,000)
Building site	810,459	810,459	755,594	54,865
Training and travel	6,750	6,750	5,584	1,166
Administrative	160,085	160,085	183,720	(23,635)
Consulting services	50,000	50,000	50,324	(324)
Grant programs	-	-	20,751	(20,751)
Property-liability insurance	400,000	400,000	282,000	118,000
Energy	30,000	30,000	-	30,000
Equipment maintenance	250,301	250,301	199,523	50,778
Other supplies and equipment	42,500	42,500	35,507	6,993
Other expenses	63,797	63,797	27,320	36,477
Other non-matching expenses	1,123,147	1,123,147	1,045,872	77,275
	3,282,285	3,282,285	3,051,441	230,844
Total general government	14,388,316	14,388,316	12,850,452	1,537,864

WORCESTER COUNTY, MARYLAND

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

GENERAL FUND

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public safety:				
Sheriff's office:				
Salaries	\$ 4,087,499	\$ 4,087,499	\$ 4,045,776	\$ 41,723
Overtime pay	383,920	383,920	493,972	(110,052)
Benefits	2,323,106	2,323,106	1,764,641	558,465
Administrative	18,395	24,638	24,639	(1)
Other supplies and equipment	142,938	121,756	136,209	(14,453)
Equipment maintenance	99,987	84,741	84,741	-
Uniforms and personal equipment	110,512	148,194	152,282	(4,088)
Grant programs	-	-	10,505	(10,505)
Legal	1,000	1,146	647	499
Consulting	25,700	11,624	11,069	555
Vehicle operating expenses	298,300	299,130	367,833	(68,703)
Building site	47,200	42,258	42,641	(383)
Training and travel	26,000	36,545	36,545	-
New equipment	83,004	83,004	216,178	(133,174)
	7,647,561	7,647,561	7,387,678	259,883
Emergency services:				
Salaries	1,171,203	1,171,203	1,217,054	(45,851)
Benefits	622,800	622,800	472,603	150,197
Administrative	4,131	4,131	3,501	630
Other supplies and equipment	53,124	53,124	39,677	13,447
Equipment maintenance	316,521	316,521	307,479	9,042
Uniforms and personal equipment	1,000	1,000	1,023	(23)
Grant programs	163,188	163,188	307,602	(144,414)
Legal	-	-	15	(15)
Vehicle operating expenses	7,000	7,000	7,390	(390)
Building site	181,750	181,750	168,047	13,703
Training and travel	3,500	3,500	4,019	(519)
Information technology operations	435,408	435,408	410,068	25,340
	2,959,625	2,959,625	2,938,478	21,147
Jail:				
Salaries	5,124,801	5,124,801	4,854,685	270,116
Overtime pay	17,500	17,500	15,158	2,342
Benefits	2,492,024	2,492,024	1,892,952	599,072
Administrative	6,850	6,850	4,640	2,210
Other supplies and equipment	7,900	7,900	4,169	3,731
Equipment maintenance	25,900	25,900	27,959	(2,059)
Uniforms and personal equipment	33,700	33,700	29,232	4,468
Inmate supplies and services	1,987,176	1,987,176	2,202,469	(215,293)
Legal	250	250	75	175
Consulting services	3,755	3,755	6,827	(3,072)
Vehicle operating expenses	13,800	13,800	14,929	(1,129)
Building site	726,625	726,625	876,359	(149,734)

WORCESTER COUNTY, MARYLAND

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

GENERAL FUND

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public safety, continued:				
Jail, continued:				
Other maintenance and services	\$ 7,950	\$ 7,950	\$ 8,777	\$ (827)
Training and travel	13,350	13,350	6,505	6,845
	<u>10,461,581</u>	<u>10,461,581</u>	<u>9,944,736</u>	<u>516,845</u>
Fire Marshall:				
Salaries	287,382	287,382	287,293	89
Overtime pay	10,000	10,000	7,964	2,036
Benefits	151,091	151,091	114,769	36,322
Administrative	6,180	6,180	4,625	1,555
Other supplies and equipment	20,975	14,302	8,939	5,363
Equipment maintenance	8,700	8,700	5,229	3,471
Uniforms and personal equipment	3,500	3,500	2,264	1,236
Consulting services	600	600	-	600
Vehicle operating expenses	17,000	23,673	23,673	-
Building site	2,000	2,000	1,330	670
Training and travel	18,025	18,025	4,763	13,262
	<u>525,453</u>	<u>525,453</u>	<u>460,849</u>	<u>64,604</u>
Volunteer fire departments:				
County grant to fire companies	2,059,470	2,059,470	2,059,474	(4)
Fireman's Training Center	22,390	22,390	16,140	6,250
State grant for fire companies	261,394	261,394	259,859	1,535
County grant to ambulance companies	3,470,521	3,470,521	3,470,518	3
LOSAP appropriation	88,800	88,800	87,200	1,600
	<u>5,902,575</u>	<u>5,902,575</u>	<u>5,893,191</u>	<u>9,384</u>
Total public safety	<u>27,496,795</u>	<u>27,496,795</u>	<u>26,624,932</u>	<u>871,863</u>

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public works:				
Maintenance:				
Salaries	\$ 710,205	\$ 707,283	\$ 676,768	\$ 30,515
Benefits	346,320	346,320	263,066	83,254
Administrative	1,700	1,327	1,044	283
Other supplies and equipment	10,076	12,678	16,885	(4,207)
Equipment maintenance	1,680	1,680	1,586	94
Uniforms and personal equipment	3,655	3,655	2,977	678
Vehicle operating expenses	44,300	41,678	41,642	36
Building expenses	22,004	22,024	18,744	3,280
Advertising	500	500	373	127
Training and travel	410	783	783	-
	1,140,850	1,137,928	1,023,868	114,060
Roads department:				
Salaries	1,252,359	1,252,359	1,165,142	87,217
Benefits	596,233	596,233	452,901	143,332
Administrative	1,800	1,800	1,117	683
Other supplies and equipment	70,860	70,860	74,387	(3,527)
Equipment maintenance	2,100	2,100	1,855	245
Road maintenance materials	567,000	567,000	554,946	12,054
Uniforms and personal equipment	7,300	7,300	6,514	786
Consulting services	1,000	1,065	1,015	50
Vehicle operating expenses	281,500	281,034	254,619	26,415
Building and property	44,200	44,200	30,532	13,668
Road maintenance	151,012	151,012	146,929	4,083
Advertising	200	601	600	1
Training and travel	1,000	1,000	706	294
New vehicle	350,000	350,000	321,019	28,981
	3,326,564	3,326,564	3,012,282	314,282
Public works administration:				
Salaries	499,676	499,676	497,131	2,545
Benefits	254,395	254,395	193,239	61,156
Administrative	3,150	2,887	1,756	1,131
Supplies and equipment	6,410	6,410	4,911	1,499

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Public works, continued:				
Public works administration, continued:				
Equipment maintenance	\$ 5,645	\$ 5,692	\$ 5,241	\$ 451
Uniforms and personal equipment	705	705	676	29
Program expense	225	300	300	-
Legal	2,700	2,700	1,970	730
Consulting services	130,300	130,300	50,595	79,705
Vehicle operating expenses	9,500	9,500	7,372	2,128
Building and property	9,100	9,107	47,268	(38,161)
Other maintenance and services	1,200	1,200	895	305
Fleet services	(82,124)	(82,124)	(62,833)	(19,291)
Custodial services	5,000	5,000	(18,984)	23,984
Central gas facility	-	-	27,645	(27,645)
Advertising	150	284	284	-
Training and travel	2,450	2,450	1,153	1,297
Enterprise fund credits	(152,719)	(152,719)	(153,720)	1,001
	695,763	695,763	604,899	90,864
Total public works	5,163,177	5,160,255	4,641,049	519,206
Health and hospitals:				
Health department:				
Administrative	3,000	3,000	263	2,737
Health clinic's building expenses	394,708	395,791	406,567	(10,776)
Other non-matching expenses	47,468	47,468	45,967	1,501
Matching appropriation	4,166,168	4,166,168	4,166,168	-
	4,611,344	4,612,427	4,618,965	(6,538)
Mosquito control:				
Salaries	36,504	36,504	36,504	-
Benefits	18,680	18,680	14,189	4,491
Administrative	375	573	472	101
Equipment maintenance	520	520	506	14
Uniforms and personal equipment	235	235	119	116
Vehicle operations	22,000	20,472	14,639	5,833
Building and property expenses	3,470	4,800	4,752	48
Appropriation for spraying	23,544	23,544	90,106	(66,562)
	105,328	105,328	161,287	(55,959)

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
Health and hospitals, continued:				
Other health and hospitals:				
Worcester Development Center	\$ 219,497	\$ 219,497	\$ 219,497	\$ -
Hartley Hall	11,250	11,250	11,250	-
Atlantic General Hospital	50,000	50,000	50,000	-
	280,747	280,747	280,747	-
Total health and hospitals	4,997,419	4,998,502	5,060,999	(62,497)
Social services:				
Commission on Aging:				
Administrative	1,500	1,500	1,500	-
Supplies and equipment	1,700	1,700	1,700	-
Consulting services	17,000	17,000	17,000	-
Senior Transportation	7,500	7,500	7,500	-
Senior center building expenses	180,815	181,024	184,923	(3,899)
Other maintenance and services	200	200	200	-
Training and travel	2,000	2,000	2,000	-
Appropriation for Commission on Aging	650,537	650,537	650,537	-
	861,252	861,461	865,360	(3,899)
Other social services:				
State pass through grant Diakonia	49,157	49,157	58,144	(8,987)
State pass through grant Samaritan Shelter	12,400	12,400	13,026	(626)
State pass through grant Social Services	40,000	40,000	41,867	(1,867)
Social Services Pharmacy grant	15,000	15,000	15,000	-
Maryland Food Bank	900	900	900	-
Life Crisis Center	8,100	8,100	8,100	-
Youth and Family counseling	91,710	91,710	91,710	-
Diakonia	42,000	42,000	42,000	-
Samaritan shelter	15,000	15,000	15,000	-
Save the Youth programs	18,000	18,000	18,000	-
Drug and alcohol council	9,000	9,000	9,000	-
Oasis Ministries, Inc.	9,000	9,000	9,000	-
Salvation Army Pocomoke youth	9,000	9,000	9,000	-
American Red Cross	2,000	2,000	2,000	-

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
Social services, continued:				
Other social services, continued:				
BRAVE program	\$ 3,600	\$ 3,600	\$ 3,600	\$ -
Worcester County G.O.L.D.	9,000	9,000	9,000	-
	333,867	333,867	345,347	(11,480)
Total social services	1,195,119	1,195,328	1,210,707	(15,379)
Education:				
Board of Education:				
Non-recurring appropriations	-	-	300,000	(300,000)
Retirement	484,994	484,994	445,186	39,808
Post retirement benefits	1,500,000	1,500,000	1,500,000	-
School building improvements	100,000	100,000	100,000	-
Operating appropriations	72,051,483	72,051,483	72,051,483	-
Technology program	200,000	200,000	200,000	-
Teacher pension shift	1,271,561	1,271,561	1,271,561	-
	75,608,038	75,608,038	75,868,230	(260,192)
WOR-WIC Community College:				
Operating appropriation	1,386,480	1,386,480	1,386,480	-
Total education	76,994,518	76,994,518	77,254,710	(260,192)
Libraries, recreation, parks and culture:				
Recreation department:				
Salaries	582,232	582,232	498,795	83,437
Benefits	255,246	255,246	193,886	61,360
Administrative	11,975	11,182	9,390	1,792
Other supplies and equipment	16,690	18,881	18,880	1
Equipment maintenance	5,100	5,100	5,032	68
Uniforms and personal equipment	500	571	570	1
Grant programs	28,889	29,384	7,020	22,364
Recreation program	66,793	66,793	59,790	7,003
Vehicle and equipment operating	2,500	3,734	3,733	1
Building site	119,949	118,715	111,714	7,001

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
Libraries, recreation, parks and culture:				
Recreation department, continued:				
Training and travel	\$ 4,700	\$ 3,231	\$ 3,196	\$ 35
	1,094,574	1,095,069	912,006	183,063
Parks department:				
Salaries	263,058	263,058	249,497	13,561
Benefits	127,674	127,674	96,982	30,692
Administrative	1,325	985	773	212
Supplies and equipment	11,560	11,560	11,489	71
Uniforms and personal equipment	1,820	1,754	1,737	17
Grant programs	131,264	130,769	215,142	(84,373)
Other supplies and materials	19,941	21,253	21,249	4
Vehicle and equipment operating	27,000	27,824	27,824	-
Park expenses	54,250	52,472	51,405	1,067
Other maintenance and services	1,075	1,057	1,019	38
Advertisements	200	246	245	1
Training and travel	210	230	230	-
	639,377	638,882	677,592	(38,710)
Boat Landings:				
Grant programs	99,000	99,000	33,379	65,621
Landing expenses	10,520	10,520	4,534	5,986
Advertisements	2,650	2,650	252	2,398
	112,170	112,170	38,165	74,005
Library:				
Salaries	1,511,325	1,511,325	1,535,337	(24,012)
Benefits	785,671	785,671	596,799	188,872
Administrative	54,800	55,254	55,254	-
Other supplies and equipment	214,350	231,251	249,540	(18,289)
Equipment maintenance	36,000	42,267	42,245	22
Grant services	77,000	75,200	75,200	-

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE- BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2013
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance With
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Libraries, recreation, parks and culture, continued:				
Library, continued:				
Building site expense	\$ 299,475	\$ 279,597	\$ 284,885	\$ (5,288)
Training and travel	8,000	7,686	7,686	-
MSRS library on behalf payments	-	-	180,236	(180,236)
	2,986,621	2,988,251	3,027,182	(38,931)
Other recreation and culture				
Art League of Ocean City	20,000	20,000	20,000	-
	20,000	20,000	20,000	-
Total libraries, recreation, parks and culture	4,852,742	4,854,372	4,674,945	179,427
Conservation of natural resources:				
Extension service:				
Administrative	7,749	7,749	6,147	1,602
Other supplies and equipment	9,000	9,000	9,000	-
Equipment maintenance	3,000	3,000	3,267	(267)
Building and property	23,770	23,770	23,000	770
Operating appropriation	125,006	125,006	125,006	-
	168,525	168,525	166,420	2,105
Other natural resources:				
Gypsy moth control	1,500	1,500	1,708	(208)
Soil Conservation District	30,450	30,450	30,450	-
Maryland agricultural land preservation fund	4,680	4,680	-	4,680
Conservation Easements	-	-	22,235	(22,235)
	36,630	36,630	54,393	(17,763)
Total conservation of natural resources	205,155	205,155	220,813	(15,658)

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
Economic development:				
Economic development department:				
Salaries	\$ 183,219	\$ 183,219	\$ 160,238	\$ 22,981
Benefits	81,998	81,998	62,286	19,712
Administrative	33,300	23,589	23,589	-
Equipment maintenance	-	132	1,233	(1,101)
Other supplies and equipment	950	1,490	1,489	1
Economic/industrial development	-	-	98,000	(98,000)
Home innovation	99,500	99,500	89,987	9,513
Housing rehabilitation program	216,300	216,300	178,724	37,576
Consulting services	27,300	27,300	53,575	(26,275)
Vehicle operating expenses	1,500	2,568	2,565	3
Building and property	1,600	2,980	2,980	-
Advertisements	3,000	3,000	355	2,645
Training and travel	8,053	14,644	14,644	-
	656,720	656,720	689,665	(32,945)
Tourism:				
Salaries	185,588	185,588	173,731	11,857
Benefits	88,903	88,903	67,531	21,372
Administrative	2,546	2,546	1,713	833
Advertising	-	-	6	(6)
Other supplies and equipment	61,770	61,770	117,280	(55,510)
Equipment maintenance	1,098	1,098	1,093	5
Grant programs	109,836	109,836	130,360	(20,524)
Consulting services	20,000	20,000	7,184	12,816
Vehicle operating expenses	1,100	1,100	1,815	(715)
Building and property	19,370	19,370	15,061	4,309
Advertising	583,500	583,500	585,762	(2,262)
Training and travel	4,300	4,300	4,374	(74)
Economic/Industrial development program	80,000	80,000	80,000	-
Capital equipment	25,000	25,000	21,584	3,416
	1,183,011	1,183,011	1,207,494	(24,483)
Total economic development	1,839,731	1,839,731	1,897,159	(57,428)

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

(Continued)

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
Intergovernmental:				
Towns share county room tax	\$ 10,867,500	\$ 10,867,500	\$ 13,055,728	\$ (2,188,228)
Towns share county bingo fees	2,000	2,000	3,548	(1,548)
Towns share county income tax	1,155,000	1,155,000	1,327,660	(172,660)
Towns share county food tax	997,500	997,500	1,185,496	(187,996)
Towns share liquor license fees	311,345	311,345	317,720	(6,375)
Grants to towns for police	400,000	400,000	400,000	-
Grants to towns for fire	485,000	485,000	485,000	-
Grants to towns for tourism	45,000	45,000	45,000	-
Other grants to towns	3,630,000	3,630,000	3,630,000	-
Total intergovernmental	17,893,345	17,893,345	20,450,152	(2,556,807)
Total expenditures	155,026,317	155,026,317	154,885,918	140,399
Excess of revenues over expenditures	10,877,939	10,877,939	18,423,060	7,545,121
OTHER FINANCING (SOURCES) USES:				
Transfer to Worcester County Debt Service Fund	10,225,409	10,225,409	10,069,489	155,920
Transfer to Worcester County Capital Projects Fund	-	-	1,398,325	(1,398,325)
Other transfers	652,530	652,530	-	652,530
Total other financing uses	10,877,939	10,877,939	11,467,814	(589,875)
Net change in fund balance	\$ -	\$ -	6,955,246	\$ 6,955,246
Fund balance, beginning			49,787,210	
Fund balance, ending			<u>\$ 56,742,456</u>	

WORCESTER COUNTY, MARYLAND

OTHER POST-EMPLOYMENT BENEFITS TRUST

June 30, 2013

Schedule of Funding Progress

Entity	Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
County	July 1, 2008	\$26,357,428	\$ 36,710,468	71.80%	\$ 10,353,040	\$28,161,540	36.76%
County	July 1, 2010	\$31,701,180	\$ 51,768,790	61.24%	\$ 20,067,610	\$28,161,540	71.26%
County	July 1, 2012	\$36,291,262	\$ 63,963,271	56.74%	\$ 30,552,691	\$27,838,991	109.75%
Board of Education	July 1, 2008	\$26,357,428	\$105,112,064	25.08%	\$ 78,754,636	\$64,512,561	122.08%
Board of Education	July 1, 2010	\$29,842,558	\$138,892,659	21.49%	\$ 109,050,101	\$64,335,742	169.50%
Board of Education	July 1, 2012	\$25,928,324	\$163,448,619	15.86%	\$ 137,520,295	\$64,475,676	213.29%

Schedule of Employer Contributions

Entity	Year Ended June 30,	Annual Required Contribution	Percentage of Annual Required Contribution	Net OPEB (Asset) Obligation
County	2009	\$ 2,862,792	955%	\$ (24,483,919)
County	2010	\$ 2,862,792	255%	\$ (28,924,711)
County	2011	\$ 3,865,862	70%	\$ (27,472,816)
County	2012	\$ 3,865,862	82%	\$ (26,473,184)
County	2013	\$ 4,958,096	30%	\$ (22,684,729)
Board of Education	2009	\$ 12,499,017	235%	\$ (16,862,411)
Board of Education	2010	\$ 12,499,017	78%	\$ (14,141,595)
Board of Education	2011	\$ 15,872,679	32%	\$ (3,175,256)
Board of Education	2012	\$ 15,872,679	35%	\$ 7,313,344
Board of Education	2013	\$ 19,035,256	8%	\$ 24,786,922

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.

ADDITIONAL SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2013

	Department of Social Services <u>Fund</u>	Local Management <u>Board</u>	Casino <u>Fund</u>	Energy Service <u>Fund</u>	<u>Total</u>
ASSETS					
Assets:					
Cash and short-term investments	\$ 74,914	\$ 65,713	\$ 2,879,021	\$ -	\$ 3,019,648
Accounts receivable	-	555	-	25,000	25,555
Due from other funds	-	-	259,537	458,151	717,688
Total assets	\$ 74,914	\$ 66,268	\$ 3,138,558	\$ 483,151	\$ 3,762,891
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 35,116	\$ -	\$ -	\$ 35,116
Deferred revenue	-	62,329	-	-	62,329
Total liabilities	-	97,445	-	-	97,445
Fund balances:					
Reserved for fund purposes	74,914	(31,177)	3,138,558	483,151	3,665,446
Total liabilities and fund balances	\$ 74,914	\$ 66,268	\$ 3,138,558	\$ 483,151	\$ 3,762,891

WORCESTER COUNTY, MARYLAND

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2013

	Department of Social Services <u>Fund</u>	Local Management <u>Board</u>	Casino <u>Fund</u>	Energy Service <u>Fund</u>	<u>Total</u>
REVENUES:					
Intergovernmental	\$ 49,801	\$ 476,271	\$ 1,364,846	\$ -	\$ 1,890,918
Interest income	-	4	1,813	-	1,817
Total revenues	49,801	476,275	1,366,659	-	1,892,735
EXPENDITURES:					
Social services	50,892	537,951	-	-	588,843
Administrative expenses	-	-	-	5,308	5,308
Total expenditures	50,892	537,951	-	5,308	594,151
(Deficiency) excess of revenues over expenditures	(1,091)	(61,676)	1,366,659	(5,308)	1,298,584
Fund balances, beginning	76,005	30,499	1,771,899	488,459	2,366,862
Fund balances (deficit), ending	\$ 74,914	\$ (31,177)	\$ 3,138,558	\$ 483,151	\$ 3,665,446

WORCESTER COUNTY, MARYLAND

BALANCE SHEET
LOCAL MANAGEMENT BOARD- NONMAJOR GOVERNMENTAL FUND
June 30, 2013

ASSETS

Cash	\$	65,713
Accounts receivable		555
<hr/>		
Total assets	\$	66,268
<hr/> <hr/>		

LIABILITIES AND FUND BALANCE (DEFICIT)

Liabilities:		
Accounts payable	\$	35,116
Deferred revenue		62,329
<hr/>		
Total liabilities		97,445
<hr/>		
Fund balance (deficit)		(31,177)
<hr/>		
Total liabilities and fund balance (deficit)	\$	66,268
<hr/> <hr/>		

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

LOCAL MANAGEMENT BOARD- NONMAJOR GOVERNMENTAL FUND

Year Ended June 30, 2013

REVENUES:

Community partnership grant	\$ 362,071
CARP	3,324
Cultural diversity	-
System of care grant	110,876
<hr/>	
Total revenues	476,271

EXPENDITURES:

Administrative:	
Salaries and benefits	48,919
Training, travel and support	1,283
Supplies and equipment	14,175
Miscellaneous	627
Community partnership grant	362,071
Direct program grant	110,876
<hr/>	
Total expenditures	537,951

Change in fund balance before other financing sources	(61,680)
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OTHER FINANCING SOURCES:

Interest income	4
<hr/>	
Change in fund balance	(61,676)
Fund balance, beginning	30,499
<hr/>	
Fund balance (deficit), ending	\$ (31,177)

WORCESTER COUNTY, MARYLAND

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

June 30, 2013

	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	\$ 431,843	\$ (633,583)	\$ (70,899)	\$ 26,190	\$ 40,332	\$ (63,040)
Accounts receivable - usage billings	358,717	1,349,115	31,921	3,315	-	44,574
Total current assets	790,560	715,532	(38,978)	29,505	40,332	(18,466)
<u>Capital assets</u>						
Land and land rights	47,037	63,319	4,527	-	-	-
Water and sewer systems	10,566,997	41,172,431	1,480,788	315,439	-	94,806
Machinery and equipment	-	3,981,534	-	-	-	81,156
Construction in progress	94,603	20,894	-	15,502	-	-
	10,708,637	45,238,178	1,485,315	330,941	-	175,962
Less accumulated depreciation	(7,041,003)	(18,354,355)	(592,824)	(192,811)	-	(110,393)
	3,667,634	26,883,823	892,491	138,130	-	65,569
Total assets	4,458,194	27,599,355	853,513	167,635	40,332	47,103
LIABILITIES						
<u>Current liabilities</u>						
Accounts payable and accrued expenses	15,544	243,310	4,342	3,537	2,511	9,486
Due to other funds	18,561	656,806	7,034	3,363	1,001	3,286
Interfund payable	29,225	1,517,427	26,360	-	-	-
Total current liabilities	63,330	2,417,543	37,736	6,900	3,512	12,772
NET POSITION						
Unrestricted net position	\$ 4,394,864	\$ 25,181,812	\$ 815,777	\$ 160,735	\$ 36,821	\$ 34,331

Assateague Point S.A.	River Run S.A.	Mystic Harbour S.A.	Lighthouse Sound S.A.	Riddle Farm S.A.	The Landings S.A.	Support Groups	Total
\$ 64,625	\$ 262,603	\$ 495,368	\$ 68,899	\$ (233,821)	\$ (156,177)	\$ 199,879	\$ 432,219
56,672	27,793	194,236	26,415	84,324	67,898	-	2,244,980
121,297	290,396	689,604	95,314	(149,497)	(88,279)	199,879	2,677,199
-	-	-	-	-	-	-	114,883
1,130,229	-	539,602	-	18,645,798	8,998,838	-	82,944,928
-	128,233	577,325	-	-	-	693,305	5,461,553
-	-	100,822	-	-	-	-	231,821
1,130,229	128,233	1,217,749	-	18,645,798	8,998,838	693,305	88,753,185
(438,044)	(109,138)	(694,446)	-	(3,253,302)	(1,348,293)	(630,680)	(32,765,289)
692,185	19,095	523,303	-	15,392,496	7,650,545	62,625	55,987,896
813,482	309,491	1,212,907	95,314	15,242,999	7,562,266	262,504	58,665,095
5,899	1,098	352,912	2,214	9,076	1,242	22,243	673,414
6,510	4,121	37,263	6,286	26,331	199,975	178,411	1,148,948
(7,466)	-	(490,048)	-	-	-	-	1,075,498
4,943	5,219	(99,873)	8,500	35,407	201,217	200,654	2,897,860
\$ 808,539	\$ 304,272	\$ 1,312,780	\$ 86,814	\$ 15,207,592	\$ 7,361,049	\$ 61,850	\$ 55,767,236

WORCESTER COUNTY, MARYLAND

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

June 30, 2013

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Oyster Harbor <u>S.A.</u>	Newark Service <u>Area</u>
ASSETS				
<u>Current assets</u>				
Cash and short-term investments	\$ 317,232	\$ 1,556,306	\$ 23,491	\$ 25,594
Accounts receivable - edu	119,299	2,322,152	56,715	34,010
Interfund receivable	29,226	1,517,427	6,726	-
Total current assets	465,757	5,395,885	86,932	59,604
<u>Other assets</u>				
Long-term edu receivable	352,078	8,922,273	313,948	338,568
Construction in process	-	-	-	-
Total other assets	352,078	8,922,273	313,948	338,568
Total assets	817,835	14,318,158	400,880	398,172
LIABILITIES				
<u>Current liabilities</u>				
Interfund payable	-	-	-	(26,360)
Due to other funds	-	600,000	36,677	-
Accounts payable	-	-	-	-
Bonds payable - current portion	62,853	1,652,311	-	26,010
Accrued bond interest payable	5,141	101,305	-	3,617
Total current liabilities	67,994	2,353,616	36,677	3,267
<u>Other</u>				
Unearned revenue	-	6,529,966	352,106	366,373
Due to general fund	-	-	315,429	-
Bonds payable	239,358	8,522,882	-	338,090
Bond costs deferred	(13,976)	(158,466)	-	(482)
Total other liabilities	225,382	14,894,382	667,535	703,981
Total liabilities	293,376	17,247,998	704,212	707,248
NET POSITION				
Unrestricted net position	\$ 524,459	\$ (2,929,840)	\$ (303,332)	\$ (309,076)

	South Point <u>S.A.</u>	Sunset Village <u>S.A.</u>	Mystic Harbor <u>S.A.</u>	Snug Harbor <u>S.A.</u>	<u>Total</u>
\$	6,257	\$ 13,825	\$ 47,906	\$ -	\$ 1,990,611
	8,109	19,865	133,763	41,620	2,735,533
	4,320	8,096	-	(7,466)	1,558,329
	18,686	41,786	181,669	34,154	6,284,473
	26,346	70,046	4,893,025	371,431	15,287,715
	-	-	10,048,622	-	10,048,622
	26,346	70,046	14,941,647	371,431	25,336,337
	45,032	111,832	15,123,316	405,585	31,620,810
	-	-	509,190	-	482,830
	-	-	-	-	636,677
	-	-	24,209	-	24,209
	4,840	12,920	85,330	30,759	1,875,023
	496	1,324	-	-	111,883
	5,336	14,244	618,729	30,759	3,130,622
	32,296	85,863	4,978,355	402,191	12,747,150
	-	-	700,000	2,407	1,017,836
	25,955	69,284	4,893,025	371,432	14,460,026
	(257)	(739)	-	-	(173,920)
	57,994	154,408	10,571,380	776,030	28,051,092
	63,330	168,652	11,190,109	806,789	31,181,714
\$	(18,298)	\$ (56,820)	\$ 3,933,207	\$ (401,204)	\$ 439,096

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2013

	<u>West Ocean City Service Area</u>			<u>Ocean Pines 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	\$1,255,000	\$ 1,290,783	\$ 35,783	\$ 5,564,300	\$ 5,439,764	\$ (124,536)
Interest and penalties	20,000	18,696	(1,304)	80,000	80,624	624
Operating grants	-	-	-	-	-	-
Other revenue	-	1,418	1,418	26,000	1,696,798	1,670,798
Total operating revenues	1,275,000	1,310,897	35,897	5,670,300	7,217,186	1,546,886
OPERATING EXPENSES						
Personnel services	191,480	127,360	(64,120)	3,003,285	3,024,480	21,195
Supplies and materials	23,968	20,064	(3,904)	414,850	395,954	(18,896)
Maintenance and services	846,760	843,116	(3,644)	1,576,880	1,660,566	83,686
Other charges	15,595	8,757	(6,838)	57,500	54,590	(2,910)
Interfund charges	105,060	94,036	(11,024)	457,097	406,041	(51,056)
Total operating expenses	1,182,863	1,093,333	(89,530)	5,509,612	5,541,631	32,019
Operating income (loss) before depreciation	92,137	217,564	125,427	160,688	1,675,555	1,514,867
Depreciation	-	290,505	290,505	-	1,142,621	1,142,621
Net operating income (loss)	92,137	(72,941)	(165,078)	160,688	532,934	372,246
NON-OPERATING REVENUES (EXPENSES)						
Transfer (to) from district	(32,137)	-	32,137	60,712	-	(60,712)
Interest income (expense)	-	18	18	100	4	(96)
Net non-operating revenues (expenses)	(32,137)	18	32,155	60,812	4	(60,808)
Net income (loss)	\$ 60,000	\$ (72,923)	\$ (132,923)	\$ 221,500	\$ 532,938	\$ 311,438
OTHER BUDGETED EXPENDITURES						
Capital outlay	(60,000)			\$ (221,500)		
Debt service	-			-		
Total other budgeted expenditures	(60,000)			(221,500)		
Budgeted net income (loss)	\$ -			\$ -		

Newark Service Area			Briddletown 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
\$ 115,500	\$ 114,218	\$ (1,282)	\$ 10,000	\$ 9,948	\$ (52)	\$ 203,200	\$ 180,918	\$ (22,282)
2,500	1,946	(554)	1,000	1,008	8	1,300	1,122	(178)
-	-	-	47,000	47,000	-	-	-	-
-	42	42	-	16	16	3,700	3,716	16
118,000	116,206	(1,794)	58,000	57,972	(28)	208,200	185,756	(22,444)
58,385	52,577	(5,808)	10,999	10,111	(888)	42,196	28,745	(13,451)
17,391	15,702	(1,689)	890	712	(178)	4,293	4,169	(124)
34,392	34,861	469	19,249	24,274	5,025	148,987	139,977	(9,010)
1,240	1,031	(209)	355	159	(196)	1,680	1,141	(539)
5,504	4,890	(614)	1,408	1,230	(178)	10,575	9,417	(1,158)
116,912	109,061	(7,851)	32,901	36,486	3,585	207,731	183,449	(24,282)
1,088	7,145	6,057	25,099	21,486	(3,613)	469	2,307	1,838
-	28,716	28,716	-	9,813	9,813	-	5,199	5,199
1,088	(21,571)	(22,659)	25,099	11,673	(13,426)	469	(2,892)	(3,361)
(1,088)	-	1,088	(99)	-	99	(469)	-	469
-	-	-	-	-	-	-	-	-
(1,088)	-	1,088	(99)	-	99	(469)	-	469
\$ -	\$ (21,571)	\$ (21,571)	\$ 25,000	\$ 11,673	\$ (13,327)	\$ -	\$ (2,892)	\$ (2,892)
\$ -			\$ (25,000)			\$ -		
-			-			-		
-			(25,000)			-		
\$ -			\$ -			\$ -		

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2013 (Continued)

	<u>Assateague Point Service Area</u>			<u>River Run 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	\$ 214,800	\$ 215,875	\$ 1,075	\$ 145,000	\$ 139,197	\$ (5,803)
Interest and penalties	4,000	4,079	79	500	642	142
Operating grants	-	-	-	-	-	-
Other revenue	-	44,255	44,255	-	70	70
Total operating revenues	218,800	264,209	45,409	145,500	139,909	(5,591)
OPERATING EXPENSES						
Personnel services	77,214	59,915	(17,299)	39,612	30,133	(9,479)
Supplies and materials	23,729	16,912	(6,817)	8,565	11,689	3,124
Maintenance and services	63,925	43,822	(20,103)	75,998	56,701	(19,297)
Other charges	4,300	2,670	(1,630)	1,340	695	(645)
Interfund charges	28,655	25,430	(3,225)	8,279	7,433	(846)
Total operating expenses	197,823	148,749	(49,074)	133,794	106,651	(27,143)
Operating income (loss) before depreciation	20,977	115,460	94,483	11,706	33,258	21,552
Depreciation	-	74,741	74,741	-	13,483	13,483
Net operating income (loss)	20,977	40,719	19,742	11,706	19,775	8,069
NON-OPERATING REVENUES (EXPENSES)						
Transfer (to) from district	(20,977)	-	20,977	(11,706)	-	11,706
Interest income (expense)	-	-	-	-	-	-
Net non-operating revenues (expenses)	(20,977)	-	20,977	(11,706)	-	11,706
Net income (loss)	\$ -	\$ 40,719	\$ 40,719	\$ -	\$ 19,775	\$ 19,775
OTHER BUDGETED EXPENDITURES						
Capital outlay	\$ -	-	-	-	-	-
Debt service	-	-	-	-	-	-
Total other budgeted expenditures	-	-	-	-	-	-
Budgeted net income (loss)	\$ -	-	-	\$ -	-	-

Mystic Harbor Service Area			Lighthouse Sound Service Area			Riddle Farm 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
\$ 824,000	\$ 826,970	\$ 2,970	\$ 96,200	\$ 95,700	\$ (500)	\$ 398,000	\$ 353,600	\$ (44,400)
14,000	13,848	(152)	800	719	(81)	4,500	4,161	(339)
-	-	-	-	-	-	-	-	-
-	207	207	-	38	38	-	125	125
838,000	841,025	3,025	97,000	96,457	(543)	402,500	357,886	(44,614)
351,641	283,335	(68,306)	49,735	36,859	(12,876)	143,123	187,596	44,473
69,360	54,714	(14,646)	11,866	7,489	(4,377)	50,164	37,986	(12,178)
258,328	217,029	(41,299)	23,624	38,268	14,644	142,062	154,841	12,779
12,450	8,998	(3,452)	1,225	577	(648)	4,215	3,178	(1,037)
79,996	71,258	(8,738)	3,412	2,984	(428)	21,338	19,128	(2,210)
771,775	635,334	(136,441)	89,862	86,177	(3,685)	360,902	402,729	41,827
66,225	205,691	139,466	7,138	10,280	3,142	41,598	(44,843)	(86,441)
-	44,794	44,794	-	-	-	-	477,800	477,800
66,225	160,897	94,672	7,138	10,280	3,142	41,598	(522,643)	(564,241)
(66,225)	-	66,225	(7,138)	-	7,138	38,402	-	(38,402)
-	44	44	-	-	-	-	-	-
(66,225)	44	66,269	(7,138)	-	7,138	38,402	-	(38,402)
\$ -	\$ 160,941	\$ 160,941	\$ -	\$ 10,280	\$ 10,280	\$ 80,000	\$ (522,643)	\$ (602,643)
\$ -			\$ -			\$ (80,000)		
-			-			-		
-			-			(80,000)		
\$ -			\$ -			\$ -		

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2013 (Continued)

	<u>The Landings Service Area</u>			<u>Support Group</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	\$ 275,000	\$ 273,734	\$ (1,266)	\$ -	\$ -	\$ -
Interest and penalties	2,000	3,248	1,248	-	-	-
Operating grants	-	-	-	-	-	-
Other revenue	8,000	86,075	78,075	-	63,835	63,835
Total operating revenues	285,000	363,057	78,057	-	63,835	63,835
OPERATING EXPENSES						
Personnel services	126,570	121,215	(5,355)	-	29,707	29,707
Supplies and materials	24,777	16,671	(8,106)	-	-	-
Maintenance and services	100,111	117,981	17,870	-	-	-
Other charges	2,600	1,742	(858)	-	-	-
Interfund charges	8,013	6,874	(1,139)	-	-	-
Total operating expenses	262,071	264,483	2,412	-	29,707	29,707
Operating income (loss) before depreciation	22,929	98,574	75,645	-	34,128	34,128
Depreciation	-	225,354	225,354	-	34,782	34,782
Net operating income (loss)	22,929	(126,780)	(149,709)	-	(654)	(654)
NON-OPERATING REVENUES (EXPENSES)						
Transfer (to) from district	(22,929)	-	22,929	-	-	-
Interest income (expense)	-	-	-	-	-	-
Net non-operating revenues (expenses)	(22,929)	-	22,929	-	-	-
Net income (loss)	\$ -	\$ (126,780)	\$ (126,780)	\$ -	\$ (654)	\$ (654)
OTHER BUDGETED EXPENDITURES						
Capital outlay	\$ -			\$ -		
Debt service	-			-		
Total other budgeted expenditures	-			-		
Budgeted net income (loss)	\$ -			\$ -		

Shared Facilities			Combined Totals		
Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget
\$ -	\$ -	\$ -	\$ 9,101,000	\$ 8,940,707	\$ (160,293)
-	-	-	130,600	130,093	(507)
-	-	-	47,000	47,000	-
-	6,422	6,422	37,700	1,903,017	1,865,317
-	6,422	6,422	9,316,300	11,020,817	1,704,517
-	-	-	4,094,240	3,992,033	(102,207)
-	-	-	649,853	582,062	(67,791)
-	-	-	3,290,316	3,331,436	41,120
-	15,522	15,522	102,500	99,060	(3,440)
-	-	-	729,337	648,721	(80,616)
-	15,522	15,522	8,866,246	8,653,312	(212,934)
-	(9,100)	(9,100)	450,054	2,367,505	1,917,451
-	-	-	-	2,347,808	2,347,808
-	(9,100)	(9,100)	450,054	19,697	1,917,451
-	-	-	(63,654)	-	63,654
-	-	-	100	66	(34)
-	-	-	(63,554)	66	63,620
\$ -	\$ (9,100)	\$ (9,100)	\$ 386,500	\$ 19,763	\$ (366,737)
\$ -			(386,500)		
-			-		
-			(386,500)		
\$ -			\$ -		

WORCESTER COUNTY, MARYLAND

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION - CAPITAL PROJECTS FUNDS
 DEPARTMENT OF WATER AND WASTEWATER SERVICES
 Year Ended June 30, 2013

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Oyster Harbor <u>S.A.</u>	Newark Service <u>Area</u>
Revenues:				
Future capital development	\$ -	\$ 4,541	\$ -	\$ -
EDU revenue	(22,057)	782,479	51,408	22,464
Other revenues	-	37,622	-	2,273
Total revenues	(22,057)	824,642	51,408	24,737
Operating income	(22,057)	824,642	51,408	24,737
Nonoperating income (expense):				
Interest on investments	356	1,434	42	42
Bond interest expense	(18,922)	(353,541)	(15,188)	(6,098)
Total nonoperating income (expense)	(18,566)	(352,107)	(15,146)	(6,056)
Change in net position	(40,623)	472,535	36,262	18,681
Net position, beginning	565,082	(3,402,375)	(339,594)	(327,757)
Net position, ending	\$ 524,459	\$ (2,929,840)	\$ (303,332)	\$ (309,076)

South Point <u>S.A.</u>	Sunset Village <u>S.A.</u>	Mystic Harbor <u>S.A.</u>	Snug Harbor <u>S.A.</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,541
8,640	16,192	185,088	34,450	1,078,664
1,501	3,661	3,649,694	14,400	3,709,151
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
10,141	19,853	3,834,782	48,850	4,792,356
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
10,141	19,853	3,834,782	48,850	4,792,356
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
5	13	60	-	1,952
(888)	(2,381)	(100,615)	(3,272)	(500,905)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(883)	(2,368)	(100,555)	(3,272)	(498,953)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
9,258	17,485	3,734,227	45,578	4,293,403
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(27,556)	(74,305)	198,980	(446,782)	(3,854,307)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (18,298)	\$ (56,820)	\$ 3,933,207	\$ (401,204)	\$ 439,096

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

	Budget Original/ Final	Actual	Variance with Final Budget
Operating Revenues:			
Licenses and permits	\$ 456,000	\$ 317,365	\$ (138,635)
Recycling charges	313,000	158,998	(154,002)
Stump, yard waste, and mulch revenue	25,000	54,824	29,824
Interest and penalties on overdue accounts	1,000	399	(601)
Other grants	-	-	-
Other revenue	-	15,766	15,766
Tipping fees	3,500,000	3,634,886	134,886
<u>Total operating revenues</u>	<u>4,295,000</u>	<u>4,182,238</u>	<u>(112,762)</u>
<u>Total operating expenses</u>	<u>3,340,560</u>	<u>3,601,030</u>	<u>(260,470)</u>
Operating income before depreciation	954,440	581,208	(373,232)
<u>Depreciation</u>	<u>1,190,000</u>	<u>1,766,735</u>	<u>(576,735)</u>
Operating income (loss)	(235,560)	(1,185,527)	(949,967)
Nonoperating income (expense):			
Interest on investments	8,000	10,470	2,470
Transfer from other funds	994,560	-	(994,560)
Interest expense	(767,000)	(56,408)	710,592
<u>Total nonoperating (expense) income</u>	<u>235,560</u>	<u>(45,938)</u>	<u>(281,498)</u>
<u>Change in net position</u>	<u>\$ -</u>	<u>(1,231,465)</u>	<u>\$ (1,231,465)</u>
Net position, beginning		<u>3,954,576</u>	
Net position, ending		<u>\$ 2,723,111</u>	

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

	Budget Original/ <u>Final</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Expenses:			
Department: Administration			
Salaries	\$ 94,099	\$ 99,480	\$ (5,381)
Benefits	57,406	57,430	(24)
Salaries - Treasurer's support	80,810	79,085	1,725
Salaries - Public works	52,136	47,237	4,899
Administrative support	120,463	121,745	(1,282)
Administrative expenses	15,000	15,499	(499)
Audit services	7,000	7,015	(15)
Insurance	12,000	7,327	4,673
Uniforms	470	309	161
Solid waste committee	1,000	700	300
	<u>440,384</u>	<u>435,827</u>	<u>4,557</u>
Department: Solid Waste			
Salaries	615,685	594,288	21,397
Benefits	367,428	343,128	24,300
Telephone	6,000	4,972	1,028
Utilities	29,000	17,480	11,520
Training	2,000	2,037	(37)
Consulting services	150,000	264,552	(114,552)
Fuel	200,000	184,492	15,508
Leachate expense	170,000	211,447	(41,447)
Supplies/equipment	3,000	2,274	726
Safety	1,000	948	52
Vehicles expense	90,000	132,605	(42,605)
Uniforms	5,875	4,769	1,106
Buildings and grounds	60,000	57,626	2,374
Capital equipment	70,000	-	70,000
Closure and postclosure costs	380,000	389,251	(9,251)
	<u>2,149,988</u>	<u>2,209,869</u>	<u>(59,881)</u>

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2013

(Continued)

	Budget Original/ <u>Final</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Department: Mining			
Salaries	\$ 200,929	\$ 145,521	\$ 55,408
Benefits	117,302	84,727	32,575
Consulting	10,000	-	10,000
Fuel	35,000	34,896	104
Vehicle expense	20,000	1,598	18,402
Miscellaneous	5,000	2,251	2,749
Closure and postclosure costs	(400,000)	(29,994)	(370,006)
	(11,769)	238,999	(250,768)
Department: Recycling			
Salaries	351,683	327,089	24,594
Benefits	211,789	179,738	32,051
Telephone	2,400	2,276	124
Utilities	32,000	28,824	3,176
Training	1,000	1,418	(418)
Fuel	45,000	41,077	3,923
Removal expenses	37,000	23,480	13,520
Safety expense	1,000	861	139
Supplies/equipment	500	683	(183)
Vehicle expense	17,000	52,465	(35,465)
Uniforms	2,585	2,773	(188)
Buildings and grounds	15,000	20,124	(5,124)
Special events	45,000	35,527	9,473
	761,957	716,335	45,622
	\$ 3,340,560	\$ 3,601,030	\$ (260,470)

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS BY OPERATING STORE - BUDGET AND ACTUAL
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2013

	Budget Original/ Final	Actual	Variance with Final Budget
Sales			
Wholesale	\$ 10,615,000	\$ 10,642,412	\$ 27,412
Berlin	722,000	698,125	(23,875)
West Ocean City	1,050,600	871,363	(179,237)
Pocomoke City	874,000	863,102	(10,898)
Snow Hill	421,800	358,138	(63,662)
Gold Coast Mall	874,000	878,279	4,279
Northern Worcester County	-	151,278	151,278
18th Street Ocean City	1,058,000	952,242	(105,758)
Total sales	15,615,400	15,414,939	(200,461)
Cost of goods sold	12,148,769	11,905,141	243,628
Gross profit	3,466,631	3,509,798	43,167
Total operating expenses	1,798,566	1,887,755	(89,189)
Operating income before general expenses	1,668,065	1,622,043	(46,022)
General expenses	1,056,082	1,107,315	(51,233)
Operating income (loss)	611,983	514,728	(97,255)
Nonoperating income (expense):			
Sale of assets	-	(97,768)	(97,768)
Miscellaneous revenues	-	9,726	9,726
Transfers to other funds	(236,491)	-	236,491
Interest expense	(139,000)	(104,832)	34,168
Total nonoperating (expense) income	(375,491)	(192,874)	182,617
Change in net assets before distributions	236,492	321,854	85,362
Distributions to municipalities	(236,492)	(321,854)	(85,362)
Change in net assets after distributions	\$ -	-	\$ -
Net assets, beginning		400,000	
Net assets, ending		\$ 400,000	

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
 NET ASSETS BY OPERATING STORE - BUDGET AND ACTUAL
 DEPARTMENT OF LIQUOR CONTROL
 Year Ended June 30, 2013

	Budget Original/ <u>Final</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Expenses:			
Store: Wholesale			
Salaries	\$ 409,917	\$ 393,200	\$ 16,717
Bank fees	-	1,200	(1,200)
Utilities	10,000	-	10,000
Payroll taxes and benefits	196,241	182,931	13,310
Outsourced labor	-	81,960	(81,960)
Repairs and maintenance	5,000	9,498	(4,498)
Supplies	47,000	90,145	(43,145)
Truck expense	58,000	51,270	6,730
	<u>726,158</u>	<u>810,204</u>	<u>(84,046)</u>
Store: Berlin			
Salaries	68,452	78,574	(10,122)
Bank fees	10,000	9,807	193
Utilities	8,000	4,894	3,106
Payroll taxes and benefits	35,294	43,378	(8,084)
Rent	27,500	26,588	912
Repairs and maintenance	7,500	8,161	(661)
Security	500	984	(484)
Supplies	2,000	1,737	263
Telephone	7,000	5,653	1,347
	<u>166,246</u>	<u>179,776</u>	<u>(13,530)</u>
Store: West Ocean City			
Salaries	81,802	78,648	3,154
Bank fees	14,000	13,509	491
Utilities	10,000	6,845	3,155
Payroll taxes and benefits	37,809	25,765	12,044
Outsourced labor	-	26,275	(26,275)
Rent	61,000	55,080	5,920
Repairs and maintenance	4,000	6,355	(2,355)
Security	500	787	(287)
Supplies	4,000	1,829	2,171
Telephone	4,000	3,109	891
	<u>217,111</u>	<u>218,202</u>	<u>(1,091)</u>

WORCESTER COUNTY, MARYLAND

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

DEPARTMENT OF LIQUOR CONTROL

Year Ended June 30, 2013

(Continued)

	Budget Original/ <u>Final</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Store: Pocomoke City			
Salaries	\$ 80,285	\$ 72,866	\$ 7,419
Bank fees	12,000	11,610	390
Utilities	9,500	9,662	(162)
Payroll taxes and benefits	37,608	22,800	14,808
Repairs and maintenance	5,000	14,328	(9,328)
Security	500	231	269
Supplies	3,000	3,467	(467)
Telephone	4,000	4,200	(200)
	<u>151,893</u>	<u>139,164</u>	<u>12,729</u>
Store: Snow Hill			
Salaries	67,062	55,311	11,751
Bank fees	3,500	4,952	(1,452)
Utilities	5,000	5,477	(477)
Payroll taxes and benefits	34,926	40,785	(5,859)
Rent	18,500	19,203	(703)
Repairs and maintenance	8,000	7,057	943
Security	500	784	(284)
Supplies	2,000	1,311	689
Telephone	4,000	2,517	1,483
	<u>143,488</u>	<u>137,397</u>	<u>6,091</u>
Store: Gold Coast Mall			
Salaries	77,149	35,161	41,988
Bank fees	14,000	11,822	2,178
Utilities	7,500	5,554	1,946
Payroll taxes and benefits	34,891	10,523	24,368
Outsourced labor	-	56,621	(56,621)
Rent	46,000	47,183	(1,183)
Repairs and maintenance	4,500	2,958	1,542
Security	1,000	231	769
Supplies	1,500	1,809	(309)
Telephone	3,500	2,964	536
	<u>190,040</u>	<u>174,826</u>	<u>15,214</u>

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET ASSETS BY OPERATING STORE - BUDGET AND ACTUAL
DEPARTMENT OF LIQUOR CONTROL

Year Ended June 30, 2013

(Continued)

	Budget Original/ Final	Actual	Variance with Final Budget
Store: Northern Worcester County			
Salaries	\$ -	\$ 13,990	\$ (13,990)
Bank fees	-	1,107	(1,107)
Utilities	-	3	(3)
Payroll taxes and benefits	-	4,837	(4,837)
Outsourced labor	-	18,833	(18,833)
Rent	-	16,280	(16,280)
Repairs and maintenance	-	575	(575)
Security	-	254	(254)
Supplies	-	2,856	(2,856)
Telephone	-	3,187	(3,187)
	-	61,922	(61,922)
Store: 18th Street Ocean City			
Salaries	88,141	41,603	46,538
Bank fees	14,000	10,875	3,125
Utilities	5,500	5,794	(294)
Payroll taxes and benefits	35,989	11,970	24,019
Outsourced labor	-	41,128	(41,128)
Rent	47,000	47,099	(99)
Repairs and maintenance	5,000	2,394	2,606
Security	3,000	737	2,263
Supplies	2,000	2,045	(45)
Telephone	3,000	2,619	381
	203,630	166,264	37,366
	\$ 1,798,566	\$ 1,887,755	\$ (89,189)

LIQUOR CONTROL BOARD FOR WORCESTER COUNTY

SCHEDULE OF GENERAL EXPENSES - BUDGET TO ACTUAL
DEPARTMENT OF LIQUOR CONTROL

Year ended June 30, 2013

	<u>Budget</u> <u>Original/</u> <u>Final</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
General and administrative expenses:			
Salaries	\$ 529,732	\$ 539,166	\$ (9,434)
Payroll taxes and benefits	135,850	144,478	(8,628)
Group insurance	10,000	9,309	691
Other postemployment benefits	150,000	157,410	(7,410)
Advertising	5,000	8,757	(3,757)
Credit card fees	-	122	(122)
Depreciation	105,000	139,380	(34,380)
Dues	4,000	2,813	1,187
Electric	16,000	18,973	(2,973)
Internet access	1,500	1,717	(217)
Office expense	40,000	24,675	15,325
Professional fees	25,000	31,697	(6,697)
Repairs and maintenance	15,000	21,455	(6,455)
Security	1,000	2,671	(1,671)
Telephone	10,000	4,692	5,308
Travel	8,000	-	8,000
<hr/>			
Total general and administrative expenses	\$ 1,056,082	\$ 1,107,315	\$ (51,233)

DEPARTMENT OF LIQUOR CONTROL

SCHEDULE OF REVENUES AND EXPENSES BY STORE

Year ended June 30, 2013

	2013 Total	Percentage
Sales		
Retail, less discounts	\$ 4,772,527	
Wholesale, less discounts	10,642,412	
Net sales	15,414,939	100.00 %
Cost of sales	11,905,141	77.23%
Gross profit	3,509,798	22.77%
Store expenses		
Salaries	769,353	4.99%
Credit card and bank fees	64,882	0.42%
Utilities	38,229	0.25%
Payroll taxes and benefits	342,989	2.23%
Outsourced labor	224,817	1.46%
Rent	211,433	1.37%
Repairs and maintenance	51,326	0.33%
Security	4,008	0.03%
Supplies	105,199	0.68%
Truck expense	51,270	0.33%
Telephone	24,249	0.16%
	1,887,755	12.25%
Income after store expenses	1,622,043	10.52%
General expenses	1,107,315	7.18%
Income from operations	514,728	3.34%
Other income (expense)		
Financial expense, net	(104,832)	-0.68%
Loss on sale of assets	(97,768)	-0.63%
Other income (expense)	9,726	0.06%
	(192,874)	-1.25%
Net income	\$ 321,854	2.09% %

Total Wholesale	Total Retail	Berlin	West Ocean City	Pocomoke City	Snow Hill	Gold Coast Mall	Northern Worcester County	18th Street
\$ -	\$ 4,772,527	\$698,125	\$871,363	\$863,102	\$358,138	\$878,279	\$151,278	\$952,242
10,642,412	-	-	-	-	-	-	-	-
10,642,412	4,772,527	698,125	871,363	863,102	358,138	878,279	151,278	952,242
8,542,170	3,362,971	475,805	608,191	609,156	258,685	602,681	108,607	699,846
2,100,242	1,409,556	222,320	263,172	253,946	99,453	275,598	42,671	252,396
393,200	376,153	78,574	78,648	72,866	55,311	35,161	13,990	41,603
1,200	63,682	9,807	13,509	11,610	4,952	11,822	1,107	10,875
-	38,229	4,894	6,845	9,662	5,477	5,554	3	5,794
182,931	160,058	43,378	25,765	22,800	40,785	10,523	4,837	11,970
81,960	142,857	-	26,275	-	-	56,621	18,833	41,128
-	211,433	26,588	55,080	-	19,203	47,183	16,280	47,099
9,498	41,828	8,161	6,355	14,328	7,057	2,958	575	2,394
-	4,008	984	787	231	784	231	254	737
90,145	15,054	1,737	1,829	3,467	1,311	1,809	2,856	2,045
51,270	-	-	-	-	-	-	-	-
-	24,249	5,653	3,109	4,200	2,517	2,964	3,187	2,619
810,204	1,077,551	179,776	218,202	139,164	137,397	174,826	61,922	166,264
1,290,038	332,005	42,544	44,970	114,782	(37,944)	100,772	(19,251)	86,132
764,486	342,829	50,150	62,593	62,000	25,726	63,090	10,867	68,403
525,552	(10,824)	(7,606)	(17,623)	52,782	(63,670)	37,682	(30,118)	17,729
(72,376)	(32,456)	(4,746)	(5,926)	(5,870)	(2,436)	(5,973)	(1,029)	(6,476)
(67,499)	(30,269)	(4,428)	(5,527)	(5,474)	(2,271)	(5,570)	(959)	(6,040)
6,715	3,011	440	550	545	226	554	95	601
(133,160)	(59,714)	(8,734)	(10,903)	(10,799)	(4,481)	(10,989)	(1,893)	(11,915)
\$ 392,392	\$ (70,538)	\$ (16,340)	\$ (28,526)	\$ 41,983	\$ (68,151)	\$ 26,693	\$ (32,011)	\$ 5,814

WORCESTER COUNTY, MARYLAND

COMBINING SCHEDULE OF FIDUCIARY NET POSITION
 NONMAJOR AGENCY FUNDS
 Year Ended June 30, 2013

	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	\$ -	\$ 26,620	\$ 1,136,268	\$ 174,901	\$ 674,715	\$ -
Taxes receivable	506,271	-	-	-	-	-
Due from other funds	106,341	-	-	-	-	-
Total assets	612,612	26,620	1,136,268	174,901	674,715	-
LIABILITIES						
Due to other governmental units	612,612	25,487	-	-	-	-
Due to other funds	-	1,133	-	-	-	-
Other liabilities	-	-	1,136,268	174,901	674,715	-
Total liabilities	612,612	26,620	1,136,268	174,901	674,715	-
NET ASSETS						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Personal Property Tax <u>Liability</u>	Forest <u>Conservation</u>	Bay <u>Restoration</u>	Snow Hill Property <u>Tax</u>	Berlin Property <u>Tax</u>	Pocomoke Property <u>Tax</u>	Ocean City Property <u>Tax</u>	Special <u>Loans</u>	Critical <u>Areas</u>	<u>Total</u>
\$ 162,056	\$ 121,428	\$ 75,367	\$ -	\$ -	\$ -	\$ -	\$ 68,411	\$ 79,749	\$ 2,519,515
-	-	90,955	58,086	109,838	213,062	847,724	-	-	1,825,936
-	-	20,160	32,165	14,949	18,325	283,082	-	-	475,022
162,056	121,428	186,482	90,251	124,787	231,387	1,130,806	68,411	79,749	4,820,473
-	-	186,482	90,251	124,787	231,387	1,130,806	-	-	2,401,812
-	-	-	-	-	-	-	-	-	1,133
162,056	121,428	-	-	-	-	-	68,411	79,749	2,417,528
162,056	121,428	186,482	90,251	124,787	231,387	1,130,806	68,411	79,749	4,820,473
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WORCESTER COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Cash</u>	<u>Taxes Receivable</u>	<u>Due from</u>	<u>Total Assets</u>
STATE OF MARYLAND PROPERTY TAXES				
Balance 7-1-2012	\$ -	\$ 602,759	\$ 123,046	\$ 725,805
Additions	-	17,348,654	16,988,238	34,336,892
Deductions	-	(17,445,142)	(17,004,943)	(34,450,085)
Balance 6-30-2013	<u>\$ -</u>	<u>\$ 506,271</u>	<u>\$ 106,341</u>	<u>\$ 612,612</u>
MARYLAND DEPT. of MOTOR VEHICLE - LICENSE FEES				
Balance 7-1-2012	\$ 19,065	\$ -	\$ -	\$ 19,065
Additions	355,723	-	-	355,723
Deductions	(348,168)	-	-	(348,168)
Balance 6-30-2013	<u>\$ 26,620</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,620</u>
TAX SALE FUND				
Balance 7-1-2012	\$ 1,052,791	\$ -	\$ -	\$ 1,052,791
Additions	2,387,065	-	-	2,387,065
Deductions	(2,303,588)	-	-	(2,303,588)
Balance 6-30-2013	<u>\$ 1,136,268</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,136,268</u>
DEVELOPMENT TAXES				
Balance 7-1-2012	\$ 142,109	\$ -	\$ -	\$ 142,109
Additions	63,443	-	-	63,443
Deductions	(30,651)	-	-	(30,651)
Balance 6-30-2013	<u>\$ 174,901</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,901</u>
PERFORMANCE BONDS				
Balance 7-1-2012	\$ 730,947	\$ -	\$ -	\$ 730,947
Additions	192,639	-	-	192,639
Deductions	(248,871)	-	-	(248,871)
Balance 6-30-2013	<u>\$ 674,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 674,715</u>

WORCESTER COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AGENCY FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

(Continued)

Due to Other Funds	Due to Other Governments	Other Liabilities	Total Liabilities
\$ -	\$ 725,805	\$ -	\$ 725,805
-	16,875,045	-	16,875,045
-	(16,988,238)	-	(16,988,238)
<u>\$ -</u>	<u>\$ 612,612</u>	<u>\$ -</u>	<u>\$ 612,612</u>
\$ 306	\$ 18,759	\$ -	\$ 19,065
4,647	351,076	-	355,723
(4,570)	(343,598)	-	(348,168)
<u>\$ 383</u>	<u>\$ 26,237</u>	<u>\$ -</u>	<u>\$ 26,620</u>
\$ -	\$ -	\$ 1,052,791	\$ 1,052,791
-	-	1,810,864	1,810,864
-	-	(1,727,387)	(1,727,387)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,136,268</u>	<u>\$ 1,136,268</u>
\$ -	\$ -	\$ 142,109	\$ 142,109
-	-	63,443	63,443
-	-	(30,651)	(30,651)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 174,901</u>	<u>\$ 174,901</u>
\$ -	\$ -	\$ 730,947	\$ 730,947
-	-	192,639	192,639
-	-	(248,871)	(248,871)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 674,715</u>	<u>\$ 674,715</u>

WORCESTER COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

	Cash	Taxes Receivable	Due from	Total Assets
CONFISCATED MONIES				
Balance 7-1-2012	\$ 4,848	\$ -	\$ -	\$ 4,848
Additions	-	-	-	-
Deductions	(4,848)	-	-	(4,848)
Balance 6-30-2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PERSONAL PROPERTY TAX LIABILITY				
Balance 7-1-2012	\$ 170,287	\$ -	\$ -	\$ 170,287
Additions	37,169	-	-	37,169
Deductions	(45,400)	-	-	(45,400)
Balance 6-30-2013	<u>\$ 162,056</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,056</u>
FOREST CONSERVATION				
Balance 7-1-2012	\$ 121,298	\$ -	\$ -	\$ 121,298
Additions	130	-	-	130
Deductions	-	-	-	-
Balance 6-30-2013	<u>\$ 121,428</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,428</u>
BAY RESTORATION				
Balance 7-1-2012	\$ 49,668	\$ 62,284	\$ 10,915	\$ 122,867
Additions	456,033	678,350	434,880	1,569,263
Deductions	(430,334)	(649,679)	(425,635)	(1,505,648)
Balance 6-30-2013	<u>\$ 75,367</u>	<u>\$ 90,955</u>	<u>\$ 20,160</u>	<u>\$ 186,482</u>
SNOW HILL PROPERTY TAX				
Balance 7-1-2012	\$ -	\$ 81,961	\$ 11,242	\$ 93,203
Additions	-	986,474	1,018,414	2,004,888
Deductions	-	(1,010,349)	(997,491)	(2,007,840)
Balance 6-30-2013	<u>\$ -</u>	<u>\$ 58,086</u>	<u>\$ 32,165</u>	<u>\$ 90,251</u>
BERLIN PROPERTY TAX				
Balance 7-1-2012	\$ -	\$ 211,517	\$ 18,130	\$ 229,647
Additions	-	2,712,174	2,815,798	5,527,972
Deductions	-	(2,813,853)	(2,818,979)	(5,632,832)
Balance 6-30-2013	<u>\$ -</u>	<u>\$ 109,838</u>	<u>\$ 14,949</u>	<u>\$ 124,787</u>

WORCESTER COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

Due to Other Funds	Due to Other Governments	Other Liabilities	Total Liabilities
\$ -	\$ -	\$ 4,848	\$ 4,848
-	-	-	-
-	-	(4,848)	(4,848)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 170,287	\$ 170,287
-	-	37,169	37,169
-	-	(45,400)	(45,400)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,056</u>	<u>\$ 162,056</u>
\$ -	\$ -	\$ 121,298	\$ 121,298
-	-	130	130
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,428</u>	<u>\$ 121,428</u>
\$ -	\$ 122,867	\$ -	\$ 122,867
-	674,848	-	674,848
-	(611,233)	-	(611,233)
<u>\$ -</u>	<u>\$ 186,482</u>	<u>\$ -</u>	<u>\$ 186,482</u>
\$ -	\$ 93,203	\$ -	\$ 93,203
-	1,015,462	-	1,015,462
-	(1,018,414)	-	(1,018,414)
<u>\$ -</u>	<u>\$ 90,251</u>	<u>\$ -</u>	<u>\$ 90,251</u>
\$ -	\$ 229,647	\$ -	\$ 229,647
-	2,710,938	-	2,710,938
-	(2,815,798)	-	(2,815,798)
<u>\$ -</u>	<u>\$ 124,787</u>	<u>\$ -</u>	<u>\$ 124,787</u>

WORCESTER COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

	Cash	Taxes Receivable	Due from	Total Assets
POCOMOKE PROPERTY TAX				
Balance 7-1-2012	\$ -	\$ 175,985	\$ 16,980	\$ 192,965
Additions	-	2,297,288	2,276,182	4,573,470
Deductions	-	(2,260,211)	(2,274,837)	(4,535,048)
Balance 6-30-2013	<u>\$ -</u>	<u>\$ 213,062</u>	<u>\$ 18,325</u>	<u>\$ 231,387</u>
OCEAN CITY PROPERTY TAX				
Balance 7-1-2012	\$ -	\$ 1,026,530	\$ 287,672	\$ 1,314,202
Additions	-	39,451,565	39,644,710	79,096,275
Deductions	-	(39,630,371)	(39,649,300)	(79,279,671)
Balance 6-30-2013	<u>\$ -</u>	<u>\$ 847,724</u>	<u>\$ 283,082</u>	<u>\$ 1,130,806</u>
SPECIAL LOANS				
Balance 7-1-2012	\$ 149,678	\$ -	\$ -	\$ 149,678
Additions	179,506	-	-	179,506
Deductions	(260,773)	-	-	(260,773)
Balance 6-30-2013	<u>\$ 68,411</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,411</u>
CRITICAL AREAS				
Balance 7-1-2012	\$ 79,670	\$ -	\$ -	\$ 79,670
Additions	79	-	-	79
Deductions	-	-	-	-
Balance 6-30-2013	<u>\$ 79,749</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,749</u>
TOTALS				
Balance 7-1-2012	\$ 2,520,361	\$ 2,161,036	\$ 467,985	\$ 5,149,382
Additions	3,671,787	63,474,505	63,178,222	130,324,514
Deductions	(3,672,633)	(63,809,605)	(63,171,185)	(130,653,423)
Balance 6-30-2013	<u>\$ 2,519,515</u>	<u>\$ 1,825,936</u>	<u>\$ 475,022</u>	<u>\$ 4,820,473</u>

WORCESTER COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013
(Continued)

Due to Other Funds	Due to Other Governments	Other Liabilities	Total Liabilities
\$ -	\$ 192,965	\$ -	\$ 192,965
-	2,314,604	-	2,294,765
-	(2,276,182)	-	(2,344,649)
<u>\$ -</u>	<u>\$ 231,387</u>	<u>\$ -</u>	<u>\$ 143,081</u>
\$ -	\$ 1,314,202	\$ -	\$ 1,314,202
-	39,461,314	-	42,224,741
-	(39,644,710)	-	(42,192,795)
<u>\$ -</u>	<u>\$ 1,130,806</u>	<u>\$ -</u>	<u>\$ 1,346,148</u>
\$ -	\$ -	\$ 149,678	\$ 149,678
-	-	149,871	382,183
-	-	(231,138)	(355,096)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,411</u>	<u>\$ 176,765</u>
\$ -	\$ -	\$ 79,670	\$ 79,670
-	-	79	302
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,749</u>	<u>\$ 79,972</u>
\$ 306	\$ 2,697,448	\$ 2,451,628	\$ 5,149,382
4,647	63,403,287	2,254,195	65,662,129
(4,570)	(63,698,173)	(2,288,295)	(65,991,038)
<u>\$ 383</u>	<u>\$ 2,402,562</u>	<u>\$ 2,417,528</u>	<u>\$ 4,820,473</u>

WORCESTER COUNTY, MARYLAND

SCHEDULE OF ASSESSABLE BASE
GENERAL FUND

Year Ended June 30, 2013

	<u>Full-Year Assessment</u>	<u>Half-Year Assessment</u>	<u>Total</u>
Real property	\$ 15,449,470,304	\$ 12,972,591	\$ 15,462,442,895
Personal property - individuals and firms - all districts	15,847,573	-	15,847,573
Railroads and public utilities	113,234,620	-	113,234,620
Railroads and public utilities- reduced rate	765,080	-	765,080
Ordinary business corporations	183,225,007	-	183,225,007
<u>Total</u>	<u>\$ 15,762,542,584</u>	<u>\$ 12,972,591</u>	<u>\$ 15,775,515,175</u>

Computation of Taxes for County Purposes

\$15,449,470,304 assessable base at \$.77 per \$100 base (full-year)	\$ 118,960,921
\$312,307,200 assessable base at \$1.925 per \$100 base (full-year)	6,011,914
\$765,080 assessable base at \$.77 per \$100 base (full-year)	5,891
\$12,972,591 assessable base at \$.385 per \$100 base (half-year)	49,944
	<u>125,028,671</u>
Adjustment for deferred property taxes receivable	222,187
Net additions and abatements	(75,191)
<u>Total County taxes for year ended June 30, 2013</u>	<u>\$ 125,175,667</u>

WORCESTER COUNTY, MARYLAND

SCHEDULE OF ASSESSABLE BASES AND TAX LEVIES
GENERAL FUND

Fiscal Years Ended June 30, 2013

<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>
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 %
2007 - 2008	17,371,368,530	19.14 %	.70-1.750	124,489,545	19.00 %
2008 - 2009	20,247,338,533	16.56 %	.70-1.750	144,925,736	16.42 %
2009 - 2010	19,301,510,253	(4.67) %	.70-1.750	138,391,588	(4.51) %
2010 - 2011	18,130,187,255	(6.07) %	.70-1.750	130,012,598	(6.05) %
2011 - 2012	17,522,393,962	(3.35) %	.70-1.750	125,901,362	(3.16) %
2012 - 2013	15,775,515,175	(9.97) %	.77-1.925	125,175,667	(0.58) %

* 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, 2013

Levies of years ended June 30:

2013	\$ 3,142,915
2012	219,960
2011	130,144
2010	164,259
2009 and prior	771,930
<hr/>	
Total	\$ 4,429,208
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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
- Department of Liquor Control

STATISTICAL SECTION

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

<u>Contents</u>	<u>Schedule</u>
Financial Trends <i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i>	1 – 4
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.</i>	5 – 11
Debt Capacity <i>These schedules 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 Position by Component, Last Ten Fiscal Years

(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental activities										
Net investment in capital assets	\$ 39,123,045	\$ 62,938,380	\$ 70,423,370	\$ 77,605,845	\$ 88,196,133	\$ 104,308,508	\$ 104,803,212	\$ 100,290,019	\$ 99,870,348	\$ 90,110,170
Restricted	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	-	-	-	-
Unrestricted	34,627,993	26,038,080	40,972,251	53,932,414	46,462,418	5,485,842	3,776,962	4,029,977	11,260,873	21,389,838
Total governmental activities net position	\$ 75,251,038	\$ 90,476,460	\$ 112,895,621	\$ 133,038,259	\$ 136,158,551	\$ 111,294,350	\$ 108,580,174	\$ 104,319,996	\$ 111,131,221	\$ 111,500,008
Business-type activities										
Net investment in capital assets	\$ 23,810,640	\$ 22,580,920	\$ 42,728,506	\$ 57,150,700	\$ 58,545,520	\$ 57,477,462	\$ 56,312,951	\$ 55,935,777	\$ 54,334,765	\$ 59,302,023
Restricted	6,295,141	6,967,061	-	-	-	-	-	-	-	-
Unrestricted	12,311,905	13,992,031	20,745,045	15,832,651	11,339,193	8,382,036	4,250,752	1,158,971	1,912,977	27,420
Total business-type activities net position	\$ 42,417,686	\$ 43,540,012	\$ 63,473,551	\$ 72,983,351	\$ 69,884,713	\$ 65,859,498	\$ 60,563,703	\$ 57,094,748	\$ 56,247,742	\$ 59,329,443
Primary government										
Net investment in capital assets	\$ 62,933,685	\$ 85,519,300	\$ 113,151,876	\$ 134,756,545	\$ 146,741,653	\$ 161,785,970	\$ 161,116,163	\$ 156,225,796	\$ 154,205,113	\$ 149,412,193
Restricted	7,795,141	8,467,061	1,500,000	1,500,000	1,500,000	1,500,000	-	-	-	-
Unrestricted	46,939,898	40,030,111	61,717,296	69,765,065	57,801,611	13,867,878	8,027,714	5,188,948	13,173,850	21,417,258
Total primary government net position	\$ 117,668,724	\$ 134,016,472	\$ 176,369,172	\$ 206,021,610	\$ 206,043,264	\$ 177,153,848	\$ 169,143,877	\$ 161,414,744	\$ 167,378,963	\$ 170,829,451

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 25,174,360	\$ 34,903,964	\$ 34,137,670	\$ 32,654,118	\$ 32,663,595	\$ 47,083,442	\$ 35,859,173	\$ 37,627,186	\$ 38,001,439	\$ 38,915,371
Public safety	13,559,658	16,276,341	17,754,189	21,786,643	23,542,080	36,283,485	28,381,381	28,164,200	29,409,797	33,952,043
Public works	10,437,967	10,582,687	11,269,651	13,733,952	12,833,648	15,599,323	9,985,598	10,211,713	6,579,810	6,582,195
Health and hospitals	3,151,397	3,506,813	4,106,444	4,759,554	5,335,022	6,012,215	5,889,198	4,841,634	5,414,163	5,379,303
Social services	2,168,903	1,120,110	944,708	1,360,501	1,634,695	3,448,378	2,606,989	2,138,165	1,861,337	1,799,550
Education	53,136,216	56,469,938	58,884,554	65,947,811	88,762,738	127,128,498	91,515,958	85,169,388	75,683,870	77,254,710
Libraries, recreation, and culture	3,329,185	3,265,946	4,406,244	4,880,260	5,882,121	9,031,660	6,141,887	5,479,418	5,301,793	5,322,151
Conservation of natural resources	665,363	622,293	600,795	562,929	584,921	838,559	233,393	587,200	661,679	226,121
Economic Development	2,496,321	1,751,737	2,258,929	1,881,698	2,461,997	1,978,375	1,409,693	1,755,183	2,094,400	1,947,815
Interest on long-term debt	1,914,009	1,681,909	1,938,493	1,848,694	2,477,071	3,049,378	3,693,496	3,411,269	3,092,624	2,601,958
Total governmental activities expenses	116,033,379	130,181,738	136,301,677	149,416,160	176,177,888	250,473,313	185,716,766	179,385,356	168,100,912	173,981,217
Business-type activities:										
Landfill	5,525,548	6,137,637	6,982,920	6,071,486	7,639,296	6,760,109	6,910,451	5,460,265	5,307,959	5,424,173
Department of Water and Wastewater	8,299,684	9,101,615	8,404,660	10,931,337	11,860,477	12,009,174	11,849,234	11,925,133	11,671,743	11,502,025
Department of Liquor Control	-	-	-	-	-	-	-	-	15,213,363	15,102,811
Total business-type activities expenses	13,825,232	15,239,252	15,387,580	17,002,823	19,499,773	18,769,283	18,759,685	17,385,398	32,193,065	32,029,009
Total primary government expenses	\$ 129,858,611	\$ 145,420,990	\$ 151,689,257	\$ 166,418,983	\$ 195,677,661	\$ 269,242,596	\$ 204,476,451	\$ 196,770,754	\$ 200,293,977	\$ 206,010,226
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,382,150	\$ 2,521,664	\$ 2,596,076	\$ 2,021,984	\$ 1,948,504	\$ 1,693,885	\$ 1,697,109	\$ 1,758,641	\$ 1,873,888	\$ 1,932,275
Public safety	1,868,910	1,762,888	1,760,807	1,983,066	1,636,510	2,268,650	2,817,223	4,955,974	6,025,129	6,182,160
Public works	161,731	168,325	125,097	58,632	37,233	31,372	131,126	85,384	79,893	75,543
Health and hospitals	338,810	240,733	498,681	456,345	503,239	486,954	429,184	418,806	457,086	434,917
Libraries recreation, and culture	330,991	263,029	322,424	327,306	294,456	328,879	252,138	191,097	182,130	196,705
Economic development	6,051	50,504	23,642	47,739	19,983	7,377	31,886	25,935	49,840	17,833
Operating grants and contributions	7,692,581	10,556,990	5,518,848	5,675,002	4,036,459	31,044,359	10,138,302	5,243,439	4,257,505	4,181,653
Capital grants and contributions	2,018,229	1,651,819	2,006,905	1,908,265	1,463,798	11,157,620	4,613,990	4,446,811	2,078,722	1,546,506
Total governmental activities program revenues	14,799,453	17,215,952	12,852,480	12,480,339	9,940,182	47,019,096	20,110,958	17,126,087	15,004,193	14,567,592
Business-type activities:										
Charges for services:										
Department of Water and Wastewater	7,730,598	8,929,288	8,363,401	10,311,596	9,919,770	9,556,043	9,570,821	10,068,811	11,107,727	15,766,173
Landfill	5,549,618	7,530,420	7,872,851	6,587,119	6,048,653	5,049,021	3,847,393	3,805,409	4,590,998	4,182,238
Operating grants and contributions	40,000	25,000	55,000	30,000	25,000	22,000	22,000	22,000	22,000	47,000
Capital grants and contributions	-	-	18,490,430	8,983,508	-	-	-	-	-	-
Total business-type activities program revenues	13,320,216	16,484,708	34,781,682	25,912,223	15,993,423	14,627,064	13,440,214	13,896,220	31,609,245	35,410,350
Total primary government program revenues	\$ 28,119,669	\$ 33,700,660	\$ 47,634,162	\$ 38,392,562	\$ 25,933,605	\$ 61,646,160	\$ 33,551,172	\$ 31,022,307	\$ 46,613,438	\$ 49,977,942
Net (Expense)/Revenue										
Governmental activities	\$ (101,233,926)	\$ (112,965,786)	\$ (123,449,197)	\$ (136,935,821)	\$ (166,237,706)	\$ (203,454,217)	\$ (165,605,808)	\$ (162,259,269)	\$ (153,096,719)	\$ (159,413,625)
Business-type activities	(505,016)	1,245,456	19,394,102	8,909,400	(3,506,350)	(4,142,219)	(5,319,471)	(3,489,178)	(583,820)	3,381,341
Total primary government net expense	\$ (101,738,942)	\$ (111,720,330)	\$ (104,055,095)	\$ (128,026,421)	\$ (169,744,056)	\$ (207,596,436)	\$ (170,925,279)	\$ (165,748,447)	\$ (153,680,559)	\$ (156,032,284)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 63,461,421	\$ 73,514,568	\$ 85,706,377	\$ 99,594,792	\$ 116,778,663	\$ 134,015,561	\$ 127,176,751	\$ 121,990,826	\$ 121,290,966	\$ 121,348,615
Local income tax	10,756,250	13,133,760	14,310,438	15,842,045	13,684,600	13,062,134	10,921,118	10,459,699	12,900,072	12,676,852
Other local taxes	31,856,389	36,611,540	36,183,091	30,073,645	26,305,749	23,221,489	23,115,287	23,513,666	23,111,431	25,047,347
State shared	3,882,807	4,610,345	5,703,290	6,194,180	5,654,165	4,809,446	724,582	804,689	687,960	904,365
Distribution from Liquor Control	356,450	388,579	460,862	363,442	415,403	168,625	55,853	363,568	103,626	620,428
Interest	454,909	1,243,373	3,246,509	5,069,327	5,980,550	2,597,658	262,333	216,726	283,728	193,101
Gain (loss) on sale of capital assets	-	-	-	(643,251)	-	-	-	-	-	(1,665,007)
Transfers in (out)	-	-	-	-	(38,860)	(81,154)	635,708	649,917	-	-
Other	385,916	298,738	415,647	584,279	577,728	796,257	-	1,530,161	-	656,711
Total governmental activities	111,154,142	129,802,903	146,026,214	157,078,459	169,357,998	178,590,016	162,891,632	157,999,091	159,907,944	159,782,412
Business-type activities:										
Transfers in (out)	79,399	196,430	539,437	600,400	368,852	117,004	23,676	20,043	(675,340)	(321,854)
Interest	79,399	196,430	539,437	600,400	407,712	117,004	23,676	20,043	12,334	22,214
Total business-type activities	158,798	392,860	1,078,874	1,200,800	776,564	234,008	26,352	40,086	(663,006)	(299,640)
Total primary government	\$ 111,312,940	\$ 129,999,333	\$ 146,565,651	\$ 157,678,859	\$ 169,765,710	\$ 178,707,020	\$ 162,915,308	\$ 158,019,134	\$ 159,244,938	\$ 159,482,772
Change in Net Position										
Governmental activities	\$ 9,920,216	\$ 16,837,117	\$ 22,577,017	\$ 20,142,638	\$ 3,120,292	\$ (24,864,201)	\$ (2,714,176)	\$ (4,260,178)	\$ 6,811,225	\$ 368,787
Business-type activities	(425,617)	1,441,886	19,933,539	9,509,800	(3,098,638)	(4,025,215)	(5,295,795)	(3,469,135)	(1,246,826)	3,081,701
Total primary government	\$ 9,494,599	\$ 18,279,003	\$ 42,510,556	\$ 29,652,438	\$ 21,654	\$ (28,889,416)	\$ (8,009,971)	\$ (7,729,313)	\$ 5,564,399	\$ 3,450,488

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nonspendable	\$ 2,996,264	\$ 4,106,822	\$ 5,323,510	\$ 4,706,880	\$ 5,564,944	\$ 5,287,250	\$ 2,619,871	\$ 130,079	\$ 110,609	\$ 102,938
Restricted										
Assigned	20,622,163	27,703,604	37,355,792	31,186,920	27,991,458	17,946,506	14,201,916	14,963,906	10,821,409	15,735,019
Unassigned	500,000	500,000	500,000	500,000	500,000	500,000	500,000	26,992,224	38,855,192	40,904,499
Total General Fund	\$ 24,118,427	\$ 32,310,426	\$ 43,179,302	\$ 36,393,800	\$ 34,056,402	\$ 23,733,756	\$ 17,321,787	\$ 42,086,209	\$ 49,787,210	\$ 56,742,456
All Other Governmental Funds										
Assigned	\$ 10,549,585	\$ 22,265,342	\$ 24,603,073	\$ 70,206,804	\$ 65,373,635	\$ 43,039,161	\$ 35,852,877	\$ 5,801,380	\$ 2,372,247	\$ 3,670,839
Unassigned	-	-	-	-	-	-	-	1,225,068	(599,589)	(1,247,996)
Total all other governmental funds	\$ 10,549,585	\$ 22,265,342	\$ 24,603,073	\$ 70,206,804	\$ 65,373,635	\$ 43,039,161	\$ 35,852,877	\$ 7,026,448	\$ 1,772,658	\$ 2,422,843
Total Governmental Funds	\$ 34,668,012	\$ 54,575,768	\$ 67,782,375	\$ 106,600,604	\$ 99,430,037	\$ 66,772,917	\$ 53,174,664	\$ 49,112,657	\$ 51,559,868	\$ 59,165,299

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Property tax	\$ 63,315,055	\$ 73,921,933	\$ 85,504,049	\$ 98,902,050	\$ 116,356,479	\$ 133,037,649	\$ 127,048,961	\$ 122,233,623	\$ 121,243,588	\$ 121,570,804
Income tax	10,756,250	13,133,760	14,310,438	15,842,045	13,684,600	13,062,134	10,921,118	10,459,699	12,900,072	12,676,852
Room tax	10,009,637	10,049,870	10,209,181	10,842,013	11,284,976	11,589,393	11,808,110	12,449,817	13,262,770	13,632,599
Food tax	1,986,349	2,041,504	2,151,623	2,227,465	2,230,516	2,064,542	1,130,290	1,163,970	1,247,890	1,247,890
Transfer tax	6,431,455	8,737,908	8,282,788	5,395,746	3,984,963	2,843,502	3,254,790	3,194,074	2,595,376	2,912,623
Recordation tax	12,622,178	14,982,660	14,788,218	10,905,366	8,026,476	5,962,649	6,195,293	5,987,911	5,328,454	6,648,660
Other local taxes	806,729	799,559	751,281	703,055	778,818	761,403	726,804	717,894	709,165	605,575
State-shared taxes	3,882,807	4,610,345	5,703,290	6,194,180	5,654,165	4,809,446	724,582	804,689	687,960	904,365
Licenses and permits	2,173,730	2,216,325	2,498,979	2,000,074	2,010,919	1,668,670	1,712,306	1,735,427	1,739,111	1,756,502
Intergovernmental	8,097,480	12,209,881	7,539,229	7,595,453	5,005,717	13,807,495	8,643,309	8,085,938	6,393,147	5,747,750
Service charges	3,034,922	2,967,709	3,105,386	3,097,255	2,704,784	3,145,711	3,490,909	6,002,590	6,833,192	7,513,274
Miscellaneous	2,267,733	936,528	740,528	1,632,149	1,854,426	2,058,850	863,649	817,611	1,673,075	830,237
Interest income	422,904	1,059,872	3,068,379	4,172,456	4,838,017	1,505,668	194,455	2,14,732	283,183	190,069
Total revenues	125,807,229	147,667,854	158,653,369	169,509,307	178,914,856	196,317,112	176,714,576	173,867,975	174,864,759	176,237,200
Expenditures										
General government	8,434,589	10,461,514	11,651,065	13,158,875	14,010,326	24,865,890	15,855,802	13,315,008	13,272,863	12,850,452
Public safety	13,149,606	16,174,634	18,589,231	20,977,696	21,552,888	34,370,015	27,534,380	25,877,097	26,513,127	31,157,171
Public works	5,112,875	5,531,947	5,992,977	8,801,444	8,136,481	10,026,907	5,246,775	5,569,252	4,273,829	4,641,049
Health and hospitals	3,149,628	3,376,410	3,886,048	4,586,294	5,066,899	5,588,851	5,494,946	4,937,219	4,900,545	5,060,999
Social services	3,061,738	2,174,949	1,886,966	2,539,439	2,822,890	3,448,378	2,606,989	2,138,165	1,861,337	1,799,550
Education	53,136,216	56,469,938	58,884,554	65,947,811	73,140,412	104,090,392	80,309,872	74,817,429	75,683,870	77,254,710
Libraries, recreation and culture	3,148,922	5,540,567	4,139,846	4,846,976	6,136,628	8,772,282	5,504,621	5,141,859	5,133,304	4,674,945
Conservation of natural resources	662,829	622,293	600,795	562,929	584,921	858,559	233,393	587,200	661,679	226,121
Economic development	2,492,766	1,748,182	2,257,929	1,881,698	2,096,997	1,613,375	1,081,193	1,426,683	1,762,761	1,897,159
Distributions to municipalities	13,453,369	14,366,585	14,681,488	16,856,357	17,249,935	19,570,744	18,770,287	19,357,791	20,317,357	20,450,152
Debt service interest	1,914,009	1,858,272	5,444,242	1,871,691	2,500,068	3,108,154	3,767,529	3,485,302	3,166,657	2,675,991
Debt service principal	3,898,570	4,044,085	1,938,493	5,047,700	4,026,300	5,219,231	7,271,910	7,522,974	7,824,044	7,393,498
Capital projects	7,350,534	19,304,370	17,150,368	11,919,855	28,721,826	42,970,601	16,635,132	13,754,003	7,046,175	3,084,228
Total expenditures	118,965,651	141,673,746	147,104,002	158,998,765	186,046,571	264,503,379	190,312,829	177,929,982	172,417,548	173,166,025
Excess of revenues over (under) expenditures	6,841,578	5,994,108	11,549,367	10,510,542	(7,131,715)	(68,186,267)	(13,598,253)	(4,062,007)	2,447,211	3,071,175
Other Financing Sources (Uses)										
Issuance of long-term debt	-	31,665,210	1,815,096	28,307,695	-	35,610,301	-	-	-	14,212,936
Payment to refunded debt escrow agent	-	(16,139,868)	-	-	-	-	-	-	-	(9,678,680)
Transfers:										
Operating transfers in	7,782,315	15,924,734	22,731,329	33,177,229	31,704,276	20,289,317	20,328,314	20,328,314	11,214,335	11,467,814
Operating transfers out	(7,782,315)	(15,924,734)	(22,731,329)	(33,177,229)	(31,743,136)	(20,370,471)	(20,328,314)	(20,328,314)	(11,214,335)	(11,467,814)
Total other financing sources (uses)	-	15,525,342	1,815,096	28,307,695	(38,860)	35,529,147	-	-	-	4,534,256
Net change in fund balances	\$ 6,841,578	\$ 21,519,450	\$ 13,364,463	\$ 38,818,237	\$ (7,170,575)	\$ (32,657,120)	\$ (13,598,253)	\$ (4,062,007)	\$ 2,447,211	\$ 7,605,431
Debt service as a percentage of noncapital expenditures	4.89%	4.60%	5.40%	4.75%	3.80%	3.43%	6.03%	6.28%	6.52%	5.88%

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

	Real Property	Personal Property Indiv. & Firms	Business, Corporations & Utilities	Total Assessable Base	County Tax Rate*	State Tax Rate
2013	\$ 15,462,442,895	\$ 15,847,573	\$ 297,224,707	\$ 15,775,515,175	0.770	0.112
2012	17,207,677,633	16,321,783	298,394,546	17,522,393,962	0.700	0.112
2011	17,829,124,045	16,428,122	284,635,088	18,130,187,255	0.700	0.112
2010	18,981,906,096	17,203,174	302,400,983	19,301,510,253	0.700	0.112
2009	19,919,553,300	19,948,057	307,837,176	20,247,338,533	0.700	0.112
2008	17,044,842,573	19,730,065	306,795,892	17,371,368,530	0.700	0.112
2007	14,276,994,202	18,282,490	284,886,128	14,580,162,820	0.700	0.112
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

Source: State of Maryland, Department of Assessments and Taxation

Notes:

*Per \$100 of value.

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

	Year Taxes Are Payable									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
County Direct Rates										
General	\$ 0.730	\$ 0.730	\$ 0.730	\$ 0.700	\$ 0.700	\$ 0.700	\$ 0.700	\$ 0.700	\$ 0.700	\$ 0.770
Town Rates										
Berlin	0.68	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.73	0.68
Ocean City	0.51	0.48	0.47	0.43	0.41	0.38	0.395	0.395	0.395	0.472
Pocomoke	0.76	0.76	0.76	0.76	0.76	0.76	0.76	0.76	0.75	0.82
Snow Hill	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86

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

<u>Taxpayer</u>	<u>Fiscal Year 2013</u>			<u>Fiscal Year 2003</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	\$ 54,027,500	1	0.31%	\$ -		
Delmarva Power	48,430,270	2	0.28%	42,751,710	1	0.59%
91st Street Joint Venture	28,944,200	3	0.17%	29,737,133	3	0.41%
Verizon Maryland	23,616,810	4	0.13%	42,159,860	2	0.58%
Americana Stowaway Motel Inc.	23,269,200	5	0.13%	21,825,000	4	0.30%
Choptank Electric Cooperative	21,313,540	6	0.12%	11,889,660	10	0.16%
Individual	19,945,200	7	0.11%	15,341,700	8	0.21%
LPBOC Hotel	18,461,100	8	0.11%	15,473,300	7	0.21%
Individual	18,171,500	9	0.10%	13,729,000	9	0.19%
Harrison Inn Ocean View	18,164,600	10	0.10%	21,533,600	5	0.30%
Harrison Hi 18 LLC				16,112,300	6	0.22%
Total	\$ 274,343,920		1.57%	\$ 230,553,263		3.17%

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

Fiscal Year	Net Taxes Levied for Fiscal Year*	Collected within the Fiscal Year of the Levy		Delinquent Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 120,978,969	\$ 118,039,082	97.57%	\$ 2,668,186	\$ 120,707,268	99.78%
2012	120,824,876	117,865,015	97.55%	2,461,933	120,326,948	99.59%
2011	122,758,482	118,346,054	96.41%	2,936,982	121,283,036	98.80%
2010	127,501,001	123,185,310	96.62%	2,842,094	126,027,404	98.84%
2009	134,758,214	129,987,549	96.46%	2,216,085	132,203,634	98.10%
2008	117,235,050	113,909,952	97.16%	2,446,527	116,356,479	99.25%
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%

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

Tax Year	State Income Tax Rate														Worcester County		
	\$0 to \$1,000		\$1,000 to \$2,000		\$2,000 to \$3,000		\$3,000 to \$100,000		\$100,000 to \$125,000		\$125,000 to \$150,000		\$150,000 to \$250,000		In excess of \$250,000		Local Income Tax Direct Rate
	Net Taxable Income	Rate	Net Taxable Income	Rate	Net Taxable Income	Rate	Net Taxable Income	Rate	Net Taxable Income	Rate	Net Taxable Income	Rate	Net Taxable Income	Rate	Net Taxable Income	Rate	
2012	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	5.75%	1.25%	
2011	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%	
2010	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%	
2009	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%	
2008	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%	
2007	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%	
2006	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%	
2005	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%	
2004	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%	
2003	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%	

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

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

Tax Year	Number of Taxable Returns	Maryland Adjusted Gross Income	Net Taxable Income	Net State Income Tax	Local Income Tax	Total Tax Liability	Worcester County Income Tax Direct Rate
2012	20,440	\$ 1,290,129,238	\$ 994,950,253	\$ 43,469,925	\$ 12,174,791	\$ 55,644,716	1.25%
2011	20,024	1,217,864,067	914,819,943	38,544,724	11,193,861	49,738,585	1.25%
2010	20,005	1,210,435,351	902,488,197	38,732,378	11,049,389	49,693,809	1.25%
2009	19,568	1,134,122,027	830,593,787	35,899,902	10,154,650	46,054,552	1.25%
2008	20,223	1,227,188,627	910,200,259	39,699,296	11,184,183	50,883,479	1.25%
2007	21,233	1,334,945,488	1,026,855,196	43,562,023	12,604,859	56,166,882	1.25%
2006	21,009	1,295,487,063	1,004,316,908	42,084,216	12,342,088	54,426,304	1.25%
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%

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

Notes:

See Schedule 11 for detailed breakout of adjusted gross income.

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

Tax Year 2012

	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	702	2.6%	\$ 314,007,375	31.6%	\$ 3,925,094	32.2%
\$100,000 - 199,999	2,056	7.7%	224,344,540	22.5%	2,804,308	23.0%
\$50,000 - 99,999	4,908	18.4%	251,466,481	25.3%	3,142,417	25.8%
\$25,000 - 49,999	6,186	23.1%	145,888,015	14.7%	1,701,133	14.0%
\$5,000 - 24,999	6,445	24.1%	59,022,824	5.9%	599,384	4.9%
Under \$5,000	6,445	24.1%	221,018	0.0%	2,455	0.0%
Totals	26,742	100.0%	\$ 994,950,253	100.0%	\$ 12,174,791	100.0%

Tax Year 2002

	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	378	1.6%	\$ 167,055,897	23.2%	\$ 2,087,662	23.8%
\$100,000 - 199,999	1,093	4.5%	118,789,748	16.5%	1,483,791	16.9%
\$50,000 - 99,999	4,060	16.7%	211,588,011	29.4%	2,643,123	30.1%
\$25,000 - 49,999	6,035	24.8%	146,907,930	20.4%	1,805,176	20.5%
\$5,000 - 24,999	7,962	32.8%	74,129,579	10.3%	766,423	8.7%
Under \$5,000	4,769	19.6%	337,883	0.0%	3,763	0.0%
Totals	24,297	100.0%	\$ 718,809,048	100.0%	\$ 8,789,938	100.0%

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

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

Fiscal Year	Governmental Activities		Business Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	Capital Leases	General Obligation Bonds	Capital Leases			
2013	\$ 69,284,894	\$ -	\$ 16,888,956	\$ 1,359,361	87,533,211	3.51%	\$ 1,697
2012	71,402,483	-	19,137,149	1,239,613	91,779,245	3.68%	1,779
2011	79,300,560	-	14,803,882	1,574,530	95,678,972	4.22%	1,857
2010	86,897,568	-	14,928,654	1,579,885	103,406,107	5.05%	2,105
2009	94,243,511	-	16,085,465	2,422,300	112,751,276	5.60%	2,288
2008	63,911,217	-	17,906,887	2,475,233	84,293,337	4.53%	1,711
2007	67,960,514	-	19,274,300	2,453,842	89,688,656	5.16%	1,828
2006	44,106,276	617,240	20,153,210	1,384,919	66,261,645	4.01%	1,358
2005	47,159,878	1,215,781	19,365,025	1,478,260	69,218,944	4.36%	1,416
2004	35,032,941	1,796,190	16,079,658	1,316,123	54,224,912	3.72%	1,114

Notes: 2013 percentage of personal income calculated using 2012 personal income 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
2013	\$ 86,173,850	\$ 15,775,515,175	0.55%	51,514	1,673
2012	90,539,632	17,522,393,962	0.52%	51,454	1,760
2011	94,104,442	18,130,187,255	0.52%	49,122	1,916
2010	101,826,222	19,301,510,253	0.53%	49,274	2,067
2009	110,328,976	20,247,338,533	0.54%	49,270	2,239
2008	81,818,104	17,371,368,530	0.47%	49,069	1,667
2007	87,234,814	14,580,162,820	0.60%	48,785	1,788
2006	64,259,486	11,906,248,133	0.54%	48,868	1,315
2005	66,524,903	10,074,151,360	0.66%	48,681	1,367
2004	51,112,599	8,441,544,002	0.61%	48,191	1,061

Source: Worcester County Finance Office

Schedule 14
Worcester County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

<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	\$ 425,370,638	2.74%	\$ 1,897,296	\$ 23,414,742	\$ 25,312,038
Ocean City	8,740,399,762	56.27%	38,985,128	86,978,720	125,963,848
Pocomoke	266,063,322	1.71%	1,186,732	5,135,000	6,321,732
Snow Hill	120,654,328	0.78%	538,159	2,299,891	2,838,050
Unincorporated	5,981,067,824	38.50%	26,677,578	-	26,677,578
Total	\$ 15,533,555,874	100.00%	\$ 69,284,894	\$ 117,828,353	\$ 187,113,247

Source: Worcester County Finance Office

^a Municipal Town Clerks

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total Debt Outstanding Limit										
Taxable Assessable Base	\$ 8,441,544	\$ 10,074,151	\$ 11,906,248	\$ 14,580,163	\$ 17,371,369	\$ 20,247,339	\$ 19,301,510	\$ 18,130,187	\$ 17,522,394	\$ 15,775,515
Debt Limit, 1% of Assessable Base	84,415	100,742	119,062	145,802	173,714	202,473	193,015	181,302	175,224	157,755
Amount of Debt Applicable to Limit	35,033	47,160	44,106	67,961	63,911	94,244	86,898	79,301	71,402	69,285
Debt Margin	\$ 49,382	\$ 53,582	\$ 74,956	\$ 77,841	\$ 109,802	\$ 108,230	\$ 106,118	\$ 102,001	\$ 103,821	\$ 88,470
Total debt applicable to the limit as a percentage of debt limit	41.50%	46.81%	37.04%	46.61%	36.79%	46.55%	45.02%	43.74%	40.75%	43.92%
Total Debt Service Limit										
Total Governmental Fund Revenue	\$ 125,807	\$ 147,668	\$ 158,653	\$ 169,509	\$ 178,915	\$ 196,317	\$ 176,715	\$ 173,868	\$ 174,865	\$ 176,237
Debt Service Limit 10% of Revenue	12,581	14,767	15,865	16,951	17,891	19,632	17,671	17,387	17,486	17,624
Debt Service Applicable to Limit	5,813	5,902	7,383	6,919	6,526	8,327	11,039	11,008	10,991	10,069
Debt Service Margin	\$ 6,768	\$ 8,864	\$ 8,483	\$ 10,032	\$ 11,365	\$ 11,304	\$ 6,632	\$ 6,379	\$ 6,496	\$ 7,554
Total debt service applicable to the limit as a percentage of debt service limit	46.20%	39.97%	46.53%	40.82%	36.48%	42.42%	62.47%	63.31%	62.85%	57.14%

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 ^d
2013	*	*	*	6,650	8.5%
2012	51,578	2,493,986	48,354	6,643	8.2%
2011	51,514	2,265,940	43,987	6,699	8.9%
2010	49,122	2,045,692	41,645	6,659	8.1%
2009	49,274	2,013,834	40,870	6,673	7.5%
2008	49,270	1,860,874	37,769	6,747	4.6%
2007	49,069	1,737,887	35,417	6,830	3.8%
2006	48,785	1,652,944	33,882	6,727	4.0%
2005	48,868	1,586,005	32,455	6,676	4.4%
2004	48,681	1,456,854	29,927	6,783	4.7%

* Information not yet available.

Notes:

^a 2009-1999 Maryland Department of Planning

^b U.S. Department of Commerce Bureau of Economic Analysis-2012 Not available until Nov 25, 2012

^c Worcester County Board of Education

^d Maryland Dept of Labor, Licensing and Regulation

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

<u>Employer</u>	<u>2013</u>			<u>2008</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	1,174	1	3.91%	1,150	1	3.77%
Harrison Group	1,050	2	3.50%	1,130	2	3.71%
Atlantic General Hospital	812	3	2.71%	599	6	1.97%
Worcester County Government	673	4	2.24%	681	3	2.24%
Town of Ocean City	519	5	1.73%	600	5	1.97%
Wal-Mart	500	6	1.67%	500	9	1.64%
Dough Roller	380	1	1.27%	504	8	1.65%
O C Seacrets	380	8	1.27%	510	7	1.67%
Phillips Seafood Restaurant	284	9	0.95%	650	4	2.13%
Fagers Island, Ltd	211	10	0.70%			
Bayshore Development				500	10	1.64%
	<u>5,983</u>		<u>19.95%</u>	<u>6,824</u>		<u>22.40%</u>
Total Worcester County Employees			29,993			30,464

Source: Worcester County Economic Development.
Total County employment figures from the Maryland Department of Labor,
Licensing & Regulation Career and Workforce Information.

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

Function/Program	Full-time Equivalent Employees as of June 30									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General government	113.5	121.4	134.8	144.8	149.7	153.4	137.1	127.4	125.0	124.3
Commissioners, judges, & boards	20.0	20.0	20.0	20.0	20.0	20.0	20.0	21.0	21.0	22.0
Public safety	154.5	162.1	165.1	174.6	174.4	180.3	191.5	203.3	207.1	212.1
Public works	86.1	68.1	68.1	68.7	70.0	70.6	64.8	61.9	59.7	57.7
Social services - lmb	2.0	2.2	2.9	3.7	3.8	3.5	3.0	1.0	-	-
Library & recreation	42.1	44.5	53.6	63.2	67.1	70.0	65.1	62.0	60.4	63.1
Natural resources	0.3	0.3	0.3	0.2	0.2	-	-	-	-	-
Water & wastewater	61.6	60.3	64.0	66.6	66.6	67.2	63.7	65.0	62.6	62.9
Solid waste	38.6	41.5	46.5	47.6	46.6	45.3	40.9	39.0	36.6	35.0
Liquor control	-	-	-	-	-	-	-	-	36.0	31.8
Total	518.7	520.4	555.3	589.4	598.4	610.3	586.1	580.6	608.4	608.9

Source: Worcester County Finance Office.

Note 1: 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.

Note 2: County Commissioners, Orphan's Court Judges and Board Members noted as full time equivalent

Note 3: Department of Liquor Control new FY12

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

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Building Permits issued*	450	454	444	194	98	73	75	59	65	76
Value of new construction (000's)	83,283	93,580	112,867	52,891	31,990	17,063	17,524	13,317	14,437	20,344
Public Safety										
Detention Center										
Avg. daily population	293	297	305	308	274	196	267	334	375	376
Fire Protection (All Volunteer)										
Fire calls answered	679	759	1,695	1,756	1,526	1,425	1,370	1,490	1,539	1,612
Emergency Medical Services										
EMS Calls answered	4,406	4,538	5,535	5,700	5,812	5,621	5,928	5,572	6,050	6,243
Education										
Students	6,869	6,834	6,756	6,727	6,747	6,673	6,659	6,699	6,643	6,650
Teachers	520	546	559	575	577	579	572	571	570	571
Public Works										
Centerline miles of road maintained	520	519	520	519	524	524	529	530	530	530
Wastewater treated (mgd)	2.1	2.2	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3

Sources: Worcester County Finance Office and individual County departments.

* Single Family Dwelling Units

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Public Safety										
Detention center capacity	300	300	300	300	300	300	507	507	507	507
Fire companies	9	9	9	9	9	9	9	9	9	9
Emergency medical services companies	5	6	6	6	6	7	7	7	7	7
Education										
Elementary schools	5	5	5	5	5	5	5	5	5	5
Intermediate schools	1	1	1	1	1	1	1	1	1	1
Middle schools	3	3	3	3	3	3	3	3	3	3
Special school	1	1	1	1	1	1	1	1	1	1
High schools	3	3	3	3	3	3	3	3	3	3
Technical high school	-	-	-	-	1	1	1	1	1	1
Career & technology center	1	1	1	1	-	-	-	-	-	-
Public libraries	5	5	5	5	5	5	5	5	5	5
Recreation Facilities										
Recreation center	-	1	1	1	1	1	1	1	1	1
County parks	11	11	12	12	12	13	13	13	13	13
Park acreage	306	306	880	880	880	883	883	883	883	883
Public landings & wharves	9	9	9	9	9	9	9	9	9	9
Boat slips	8	8	18	8	8	8	8	8	8	8
Public Works										
Centerline miles of county roads	520	519	520	519	524	527	529	530	530	530
Public easements - Ocean Pines	58.14	59.24	59.24	62.88	64.16	64.16	64.12	64.12	64.12	64.12
Bridges	40	40	40	40	40	40	44	44	44	44
Wastewater treatment plants	7	7	7	8	8	8	8	8	8	8
Miles of sewer pipeline	172	175	185	187	187	187	187	187	187	187
Water well house facilities	5	5	5	5	5	5	5	5	5	5
Pump stations	46	48	51	53	53	53	53	54	54	54
Water tanks	4	4	5	5	5	6	6	6	6	6
Waterlines	143	144	147	148	148	149	150	150	150	151
Water treatment facilities	9	9	10	10	10	10	10	10	10	10
Recycling center	1	1	1	1	1	1	1	1	1	1

Sources: Worcester County Finance Office and individual County departments.

