

Worcester County

MARYLAND

Comprehensive Annual Financial Report

FISCAL YEAR ENDED JUNE 30, 2016

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Worcester County, Maryland

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2016



Worcester County Government Center

Prepared by:

Harold L. Higgins, CPA
Chief Administrative Officer

Phillip G. Thompson, CPA
Finance Officer

Jessica R. Wilson, CPA
Enterprise Fund Controller

Jennifer C. Swanton, CPA
Assistant Finance Officer

Kathleen J. Whited
Budget Officer

WORCESTER COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the FISCAL YEAR ENDED JUNE 30, 2016
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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATION CHART

LIST OF PRINCIPAL OFFICIALS AND DIRECTORS



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

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

PHILLIP G. THOMPSON, CPA
FINANCE OFFICER

JENNIFER C. SWANTON, CPA
ASSISTANT FINANCE OFFICER

November 30, 2016

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, 2016 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, 2016, are free of material misstatement.

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

Citizens and Government Working Together

presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Worcester County, Maryland's financial statements for the fiscal year ended June 30, 2016 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

In prior years, the County also was required to undergo a federally mandated Single Audit. Recent changes increased the threshold for requiring a Single Audit in accordance with the Uniform Guidance. The County was below that threshold in fiscal year 2016 and, as a result, a Single Audit was not applicable.

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), recreational activities, health and social services, sanitary districts, waste disposal, recycling,

liquor distribution, highways and streets, planning and zoning, and general administrative services.

Budget Process

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

In recent years, the County has taken a number of steps to control expenses and reduce the cost of providing needed services to its residents. These initiatives include reducing operating budgets for many County departments and agencies as well as holding salaries flat for three fiscal years from fiscal year 2010 through fiscal year 2012. In addition, the County has placed a stronger emphasis on the development and implementation of a multi-year planning budget in order to better prepare for and track short-term finances. This has been done in response to the Great Recession and its impact on the County and has proven to be a useful tool for both operational and capital planning. The early retirement incentive plan created and offered to eligible general government employees in fiscal year 2009 has been continued each subsequent year through fiscal year 2016. This program has resulted in a work force reduction of 60 employees and an annual savings of \$3.7 million in salaries and benefits.

Factors Affecting Financial Condition

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

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

The County has a strong tourism industry, drawing visitors from all over the country to its pristine seashore and many historic sites. Room Tax revenue increased by 5.8% in the current fiscal year, which translates to an \$18.4 million increase in gross hotel, motel, and condominium rentals. In addition, Food Tax revenue increased by 4.9% in fiscal year 2016, indicating that our tourism market continues to perform well in the current economy. Additionally, in recent years, the County's central location relative to the major mid-Atlantic metropolitan areas has made it a

target destination for retirees who seek a better quality of life. Development is purposely controlled to protect the County's beauty and the fragile environment of its shoreline and waters.

Long-Term Financial Planning – The Board adopts a multi-year capital budget plan, covering 5 years, that forecasts spending for all anticipated capital projects. The plan addresses both repair and replacement of existing infrastructure as well as the development of new facilities to accommodate future growth. It enables the County to identify needed capital projects and to coordinate facility financing and timing. The County has no plans to issue debt in fiscal year 2017, focusing instead on the completion of ongoing projects for which funding has already been secured. These projects include renovations and an addition to the existing Snow Hill High School, an Emergency Services radio system upgrade, and various Public Works projects including water and wastewater and landfill improvements within the Enterprise Funds.

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

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

Pension and Other Post-Employment Benefits – County employees are covered by either the Employees' Retirement System or the Employees' Pension System of the State of Maryland. These are multiple-employer public retirement systems sponsored and administered by the Maryland State Retirement and Pension System and created by the Maryland General Assembly. Additional State pension plan offerings include the Law Enforcement Officers' Pension System (LEOPS) for our public safety personnel as well as a Correctional Officers' Retirement System (CORS) for employees of the County Jail. In addition to the State plan, the County assumed management of a plan that is administered by the Nationwide Life Insurance Company following the abolishment of the Worcester County Sanitary Commission in 1994. This plan provides coverage for the former employees of the Sanitary Commission, many of whom now work for the County Department of Public Works.

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

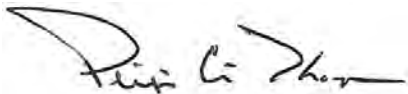
them by the County should provide our constituents more accurate information about the total cost of the services that we provide.

Awards and Acknowledgements – The Government Finance Officers Association (GFOA) of the United States and Canada has awarded a Certificate of Achievement for Excellence in Financial Reporting to Worcester County, Maryland for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

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

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Phillip G. Thompson".

Phillip G. Thompson, CPA
Finance Officer



Government Finance Officers Association

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

Presented to

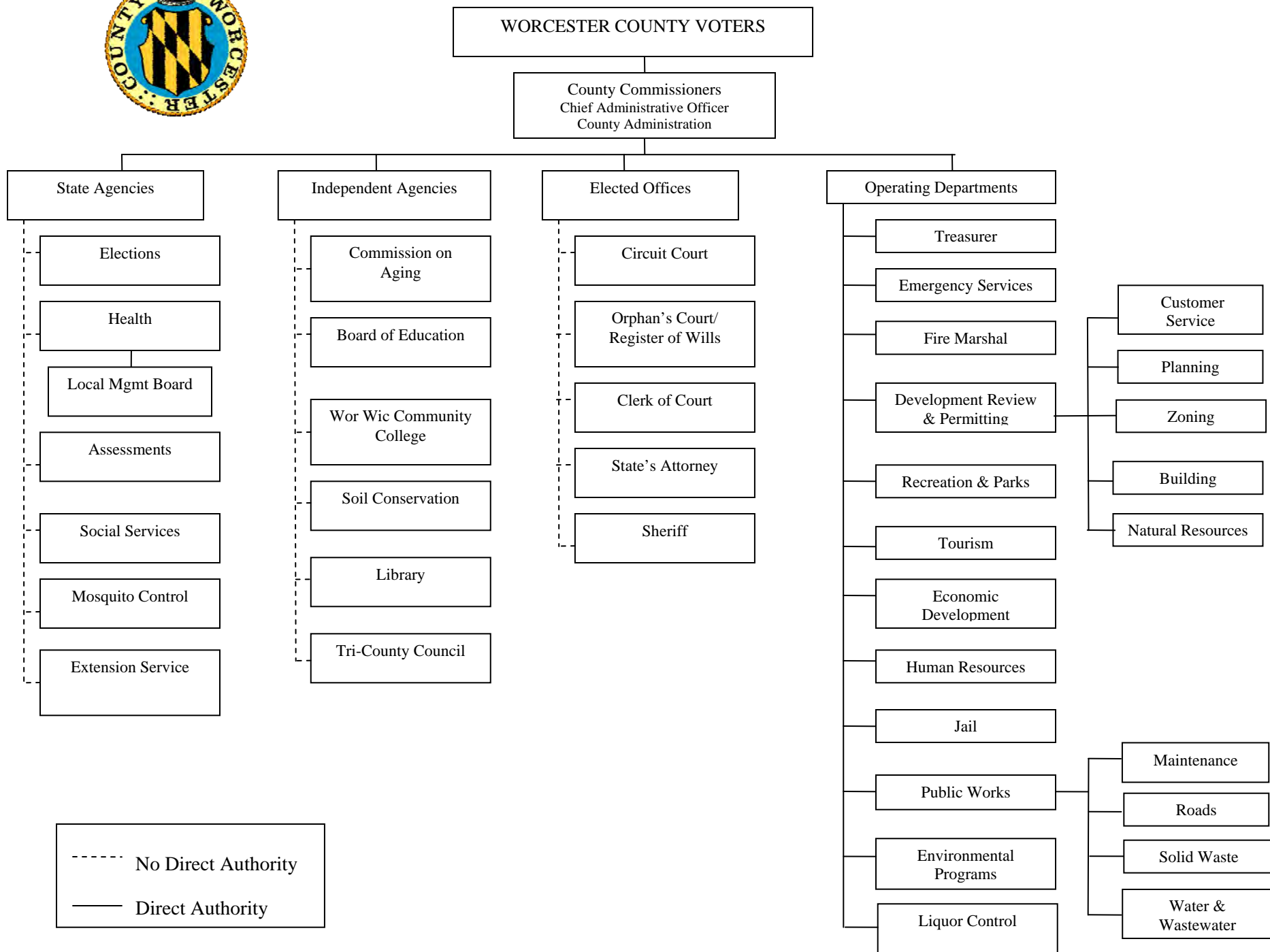
**Worcester County
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

Worcester County Organization Chart



Worcester County, Maryland
List of Principal Officials and Directors
June 30, 2016

ELECTED OFFICIALS

County Commissioners

Madison J. Bunting, Jr., President
Merrill W. Lockfaw, Jr., Vice President
Anthony W. Bertino, Jr.
James C. Church
Theodore J. Elder
Joseph M. Mitrecic
Diana Purnell

Sheriff
State's Attorney

Reggie T. Mason, Sr.
Beau H. Oglesby

APPOINTED OFFICIALS

County Administrator
Assistant County Administrator
Attorney
Public Works Director
Economic Development Director
Environmental Programs Director
Emergency Services Director
Finance Officer
Fire Marshal
Human Resources Director
Development Review and Permitting Director
Jail Warden
Library Director
Recreation and Parks Director
Tourism Director

Harold Higgins
Kelly Shannahan
Maureen L. Howarth
John Tustin
Meredith Mears
Robert Mitchell
Fred Webster
Phillip G. Thompson
Jeff McMahon
Stacey Norton
Edward Tudor
Garry Mumford
Jennifer Ranck
Paige Hurley
Lisa Challenger

FINANCIAL SECTION

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



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Worcester County, Maryland as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information (budgetary comparison information, pension schedules, and OPEB Trust Fund information) on pages 14 through 26 and 84 through 105, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information


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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 on our consideration of Worcester County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Worcester County, Maryland's internal control over financial reporting and compliance.



Salisbury, Maryland
November 30, 2016

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



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

County Commissioners of
Worcester County, Maryland
Snow Hill, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Worcester County, Maryland, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Worcester County, Maryland's basic financial statements, and have issued our report thereon dated November 30, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "YSM Group LLC". The signature is written in a cursive, stylized font.

Salisbury, Maryland
November 30, 2016

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, 2016. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements. We hope this, in conjunction with additional information provided within the statements, will assist readers in identifying significant financial issues and changes in the County's financial position.

Overview of the Financial Statements

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

1) Government-wide Financial Statements

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

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

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

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

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

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

2) Fund Financial Statements

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

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

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

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

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

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

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

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

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

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

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

3) **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 44 – 82 of this report.

4) **Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required *supplementary information*. Required supplementary information can be found starting on page 84 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The County's total net position decreased by \$5,631,420 during fiscal year 2016. Approximately \$2.3 million of this decrease is due to losses in the Enterprise funds. The remaining decrease is due to stronger than anticipated revenue numbers in income, transfer, and recordation taxes, less the spend-down of bond proceeds, mainly for the Snow Hill High School Addition and Renovation Project.

Worcester County, Maryland Net Position

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets:						
Current and other						
assets	\$ 100,082,583	\$ 36,759,726	\$ 136,842,309	\$ 110,846,881	\$ 41,799,149	\$ 152,646,030
Capital assets	91,306,044	77,444,884	168,750,928	91,360,130	77,757,178	169,117,308
Total assets:	<u>191,388,627</u>	<u>114,204,610</u>	<u>305,593,237</u>	<u>202,207,011</u>	<u>119,556,327</u>	<u>321,763,338</u>
Deferred outflows						
of resources	<u>8,437,220</u>		<u>8,437,220</u>	<u>5,533,950</u>		<u>5,533,950</u>
Liabilities:						
Current and other						
liabilities	18,508,498	38,387,112	56,895,610	21,357,971	39,405,633	60,763,604
Long-term liabilities	124,036,348	22,366,003	146,402,351	125,772,993	24,393,806	150,166,799
Total liabilities:	<u>142,544,846</u>	<u>60,753,115</u>	<u>203,297,961</u>	<u>147,130,964</u>	<u>63,799,439</u>	<u>210,930,403</u>
Deferred inflows						
of resources	<u>2,250,584</u>		<u>2,250,584</u>	<u>2,253,553</u>		<u>2,253,553</u>
Net position:						
Net investment in						
capital assets	77,759,097	53,420,609	131,179,706	86,671,386	55,184,962	141,856,348
Unrestricted	(22,728,680)	30,886	(22,697,794)	(28,314,942)	571,926	(27,743,016)
Total net position:	<u>\$ 55,030,417</u>	<u>\$ 53,451,495</u>	<u>\$ 108,481,912</u>	<u>\$ 58,356,444</u>	<u>\$ 55,756,888</u>	<u>\$ 114,113,332</u>

One of the largest portions of the County's net position reflects its investments in capital assets (e.g., land, buildings, roads, equipment, and bridges) less related outstanding debt used to acquire those assets in the amount of \$131,179,706 at June 30, 2016. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

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 \$78,685,000 at June 30, 2016. Absent the effect of this relationship, the County would have reported an unrestricted governmental activities net position of \$55,956,320 on its government-wide financial statements, rather than the unrestricted net position of (\$22,728,680).

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

	Year Ended June 30, 2016			Year Ended June 30, 2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 8,432,628	\$ 23,788,271	\$ 32,220,899	\$ 8,094,974	\$ 26,931,245	\$ 35,026,219
Operating grants and contributions	5,244,177	26,000	5,270,177	5,132,554	49,202	5,181,756
Capital grants and contributions	1,936,382		1,936,382	1,861,970		1,861,970
General revenues:						
Real and personal property taxes	127,411,911		127,411,911	117,097,119		117,097,119
Income taxes	17,931,884		17,931,884	13,690,331		13,690,331
Other local taxes	28,239,135		28,239,135	25,418,688		25,418,688
State shared taxes	942,464		942,464	931,712		931,712
Distribution - WCDLC				9,005		9,005
Interest income	207,071	28,487	235,558	180,030	7,893	187,923
Other income	663,960		663,960	3,017,731		3,017,731
Total revenues:	<u>191,009,612</u>	<u>23,842,758</u>	<u>214,852,370</u>	<u>175,434,114</u>	<u>26,988,340</u>	<u>202,422,454</u>
Expenses:						
General government	44,076,570		44,076,570	38,635,684		38,635,684
Public safety	31,539,249		31,539,249	31,973,300		31,973,300
Public works	5,567,728		5,567,728	5,217,371		5,217,371
Health and hospitals	6,377,497		6,377,497	6,551,417		6,551,417
Social services	2,075,471		2,075,471	1,946,138		1,946,138
Education	93,437,468		93,437,468	100,313,254		100,313,254
Libraries, recreation and culture	5,258,231		5,258,231	6,092,227		6,092,227
Conservation of natural resources	497,939		497,939	375,697		375,697
Economic development	1,631,443		1,631,443	1,932,046		1,932,046
Interest charges	3,874,043		3,874,043	4,891,421		4,891,421
Landfill		4,183,293	4,183,293		5,638,012	5,638,012
Water and wastewater		14,035,346	14,035,346		13,409,381	13,409,381
Liquor Control		7,929,512	7,929,512		10,477,998	10,477,998
Total expenses:	<u>194,335,639</u>	<u>26,148,151</u>	<u>220,483,790</u>	<u>197,928,555</u>	<u>29,525,391</u>	<u>227,453,946</u>
Increase (decrease) in net position	(3,326,027)	(2,305,393)	(5,631,420)	(22,494,441)	(2,537,051)	(25,031,492)
Net position, beginning as restated	<u>58,356,444</u>	<u>55,756,888</u>	<u>114,113,332</u>	<u>80,850,885</u>	<u>58,293,939</u>	<u>139,144,824</u>
Net position, ending	<u>\$ 55,030,417</u>	<u>\$ 53,451,495</u>	<u>\$ 108,481,912</u>	<u>\$ 58,356,444</u>	<u>\$ 55,756,888</u>	<u>\$ 114,113,332</u>

Financial Analysis on Governmental Fund Financial Statements

Governmental Activities:

Key elements in the revenue increase of \$15,575,498 for governmental activities as compared to fiscal year 2015 are as follows:

- Net property taxes increased by \$10,314,792 in total mainly due to an increase in the tax rate which was effective beginning July 1, 2015. Real property taxes increased \$8,096,819 due to the rate increase as the assessment values continued to decrease from fiscal year 2015. Corporation and utility property taxes increased \$894,578 due to increased assessments and the rate increase.
- Income taxes increased by \$4,241,553 in total due to an increase in the local income tax rate from 1.25% to 1.75% beginning January 1, 2016. In addition, the net taxable income for the County increased over the prior year.
- Other local taxes increased by \$2,820,447 above FY15 due to a recordation tax increase of \$1,011,600, transfer tax increase of \$879,691, room tax increase of \$857,712, and a food tax increase of \$66,203.
- Service charges increased by \$338,670 due to an increase in jail use fees of \$339,852 over the prior year due to increased housing for State and federal inmates.

Expenses for governmental activities decreased from \$197,928,555 to \$194,335,639, or \$3,592,916 (1.8%), compared to FY15 primarily due to the following:

- Salary increases were not included for County employees; however, the early retirement program was offered for the seventh consecutive year. The Board of Education (“BOE”) funded a salary increase for employees by utilizing turnover adjustments associated with planned retirements and eliminating positions. A new medical insurance and prescription drug plan began in fiscal year 2016 for County and BOE employees in order to better manage health benefit expenses.
- Education decreased approximately \$6.9 million of which the regular appropriations to the BOE increased by \$1.2 million mainly due to insurance and benefits primarily for medical insurance and prescription drugs. Also included was an increase to the Maintenance of Effort level of \$145,613 and the County’s share of the required teacher pension payment to the State for \$304,585. In addition, capital expenditures decreased \$8.2 million related to the new Snow Hill High School in accordance with the planned project schedule.
- General Government increased \$5,440,886 and includes an increase of approximately \$1 million in pass-through taxes shared with towns. An increase in pension expense of \$3.4 million was included in the Statement of Activities for the net pension liability. Non-BOE capital expenditures increased by approximately \$1.4 million. In addition, the change in landfill closure costs decreased by \$413,145.
- Interest charges decreased approximately \$1 million due to savings on the refunding of bonds in June 2015.
- Libraries, recreation and culture decreased \$833,996 due to capital outlay of \$304,139 for the purchase of an office building in Snow Hill, which was previously being leased. The completion of the addition to the County Recreation Center was capitalized for an additional \$491,478.

Governmental Funds:

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

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The County has implemented *GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*. The purpose of this Statement is to improve financial reporting by establishing fund balance classifications that are easier to understand and apply. It establishes a framework based largely on the spending constraints of the government in order to determine how it may use amounts reported on the governmental funds balance sheet. Fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The following information is as of June 30, 2016 and 2015:

Governmental Activities - Fund Statements	June 30, 2016	June 30, 2015	Net Change in Fund Balance
General Fund	\$ 49,954,585	\$ 42,662,014	\$ 7,292,571
Capital Projects Fund	18,055,520	31,685,392	(13,629,872)
Debt Service Fund	-	-	-
Other Governmental Funds	1,862,997	2,249,959	(386,962)
Total	<u>\$ 69,873,102</u>	<u>\$ 76,597,365</u>	<u>\$ (6,724,263)</u>

At the end of the current fiscal year, the County's governmental funds reported combined fund balance of \$69,873,102, a decrease of \$6,724,263 in comparison with the prior year. As shown above, this decrease is a combination of changes in the various fund balances. The General Fund increased by \$7.3 million due to over \$1.7 million in accumulated savings in budget to actual expenses among County operating departments and stronger than anticipated revenue numbers in income taxes (\$2.5 million net to County above budget), transfer taxes (\$1.2 million above budget), recordation taxes (\$0.9 million above budget), and other revenue accounts (\$1 million above budget cumulatively). Due to varying market factors affecting these income areas, budgeting is done using conservative estimates. Although room tax also came significantly above budget, the majority of those funds are passed through to the County's municipalities. Other governmental funds decreased by approximately \$400,000 due mainly to the planned use of Casino Funds in the amount of \$2.3 million for the debt on the Worcester County Technical High School with \$1.9 million in incoming impact grants.

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 \$49,954,585. This fund balance includes non-spendable items totaling \$106,655 for prepaid expenses, assigned fund balance of \$16,315,297 for future capital projects, and \$33,532,633 as unassigned fund balance. In accordance with GASB Statement No. 54, the unassigned General Fund amount includes the County reserve of \$18,974,224, which is set aside for contingency and emergency conditions. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.6% of total General Fund expenditures, while total fund balance represents 29.3% 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 \$13,629,872 during the current fiscal year. This is due to the spend-down of bond proceeds of \$11.9 million, mainly for the Snow Hill High School Addition and Renovation Project and the use of \$1.7 million of bond premium proceeds to service debt.

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

The **Other Governmental Funds** include the Department of Social Services, Local Management Board, Casino Fund, and the Energy Service Fund. Fund balances in these funds decreased by \$386,962 from fiscal year 2015. The Energy Service Fund decreased by \$10,339, while the Department of Social Services and the Local Management Board increased by \$12,599 and \$16,466, respectively. The Casino Fund, which was created to account for the County's portion of proceeds from the Ocean Downs Casino facility, reflects a \$405,688 decrease in fund balance in fiscal year 2016. Further details of these activities is on pages 108 – 109.

Proprietary Funds:

Enterprise Fund Statements	June 30, 2016	June 30, 2015	Change in Net Position
Water and Wastewater Services	\$ 54,563,004	\$ 56,399,625	\$ (1,836,621)
Solid Waste	(712,763)	(550,183)	(162,580)
Department of Liquor Control	(398,746)	(92,554)	(306,192)
Total	\$ 53,451,495	\$ 55,756,888	\$ (2,305,393)

Water and Wastewater***Revenues***

- Revenues decreased to \$12.2 million in FY16 from \$12.9 million in FY15 due to fewer sales of water and sewer equivalent dwelling units and fewer water and sewer connections resulting in less future capital development revenue.

Expenses

- Operating expenses increased to \$10.5 million in FY16 from \$9.9 million in FY15 mainly due to approximately \$160,000 of additional supplies and materials and \$415,000 of additional maintenance and services needed for Ocean Pines, Mystic Harbour, and Riddle Farm Service Areas.
- Depreciation expense increased slightly to \$2.9 million in FY16 from \$2.8 million in FY15 due to additional depreciation on the FY16 fixed asset additions.

Solid Waste***Revenue***

- Tipping fee revenue remained stable in FY16 from FY15 due to approximately the same volume of trash being brought to the central landfill from commercial businesses.
- License and permit revenue decreased to \$358,420 in FY16 from \$389,215 in FY15 due to a decline in homeowner permits purchased for calendar year 2016.
- Recycling revenues decreased to \$131,082 in FY16 from \$217,183 in FY15. The sale of recyclable materials is a highly volatile market, which often experiences large changes from year to year.

Expenses

- Operating expenses decreased to \$3.3 million in FY16 from \$3.8 million in FY15 mainly due to the decrease in closure and post-closure costs for Landfill Cells 1 through 4.
- Depreciation expense decreased to \$792,679 in FY16 from \$1.8 million in FY15 due to Landfill Cell 4 being fully depreciated in FY15, which accounted for \$1.2 million of the FY15 depreciation. This was slightly offset by the additional depreciation on the FY16 fixed asset additions.

Department of Liquor Control***Revenues***

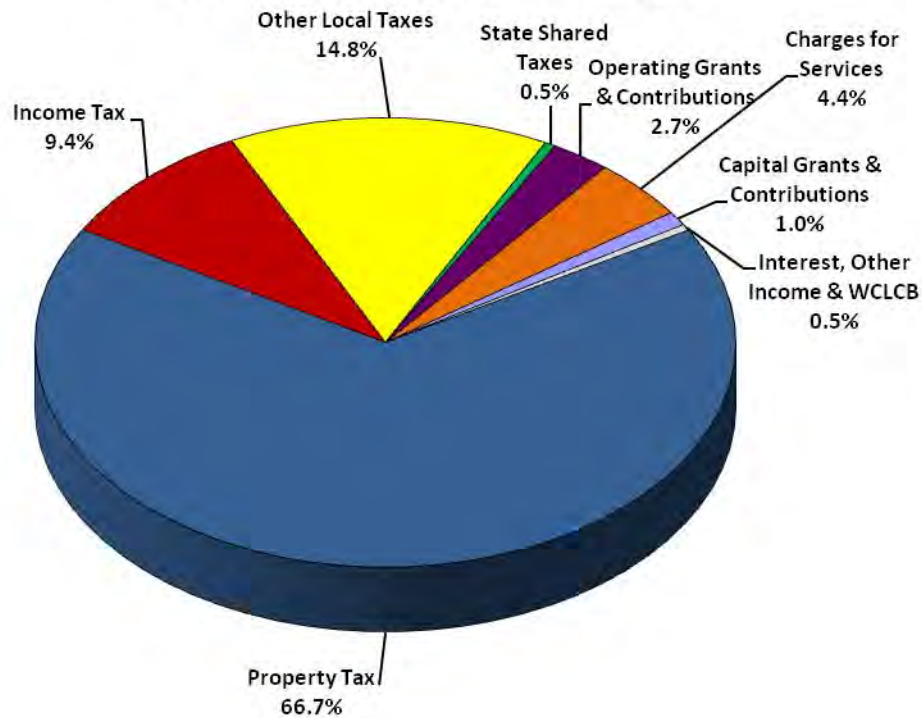
- Liquor sales substantially decreased to \$7.6 million in FY16 from \$10 million in FY15 as a result of the first full summer season being impacted since the law change allowing the licensees to purchase liquor from licensed wholesalers. The corresponding cost of sales decreased to \$5.9 million in FY16 from \$7.8 million in FY15.

Expenses

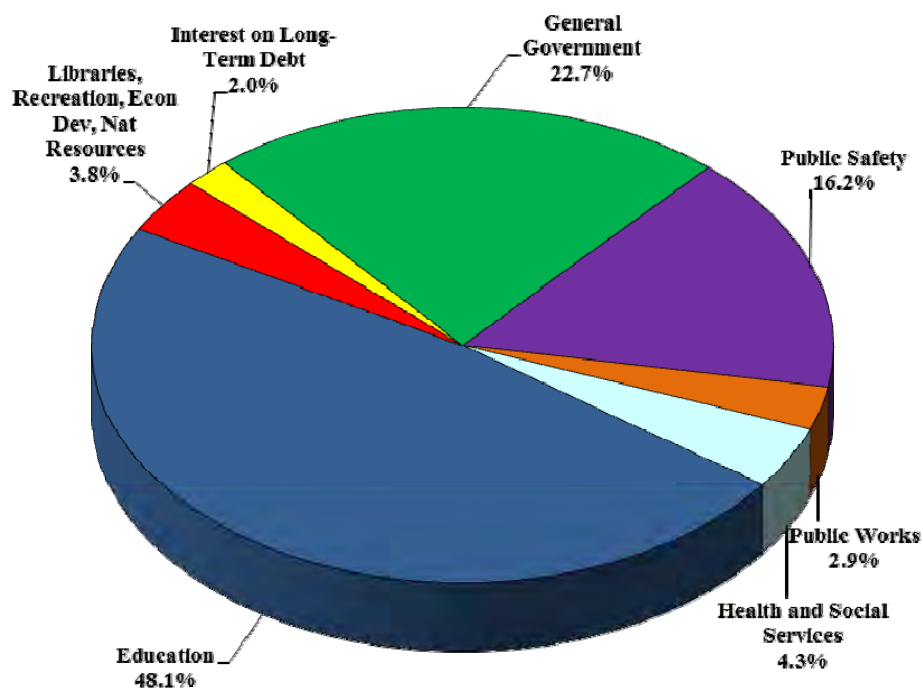
- Operating expenses decreased to \$1.3 million in FY16 from \$1.5 million in FY15 due to adjusting operations as a result of the drop in sales since the law change allowing licensees to purchase liquor directly from wholesalers.
- Depreciation and general expenses decreased to \$744,927 in FY16 from \$1 million in FY15 mainly due to adjusting operations as a result of the substantial drop in sales since the aforementioned law change.

Fiscal year 2016 revenues and expenses are summarized in the following charts for both the business-type (proprietary) and governmental activities.

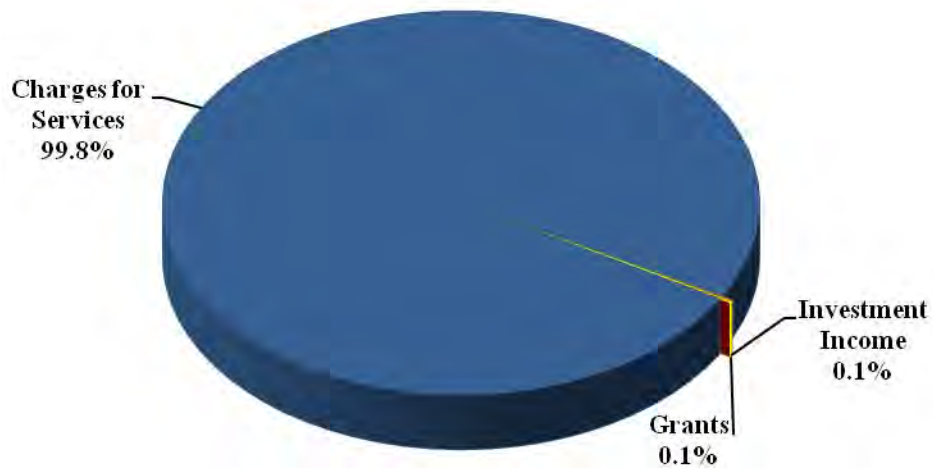
Revenues by Source- Governmental Activities For the Year Ended June 30, 2016



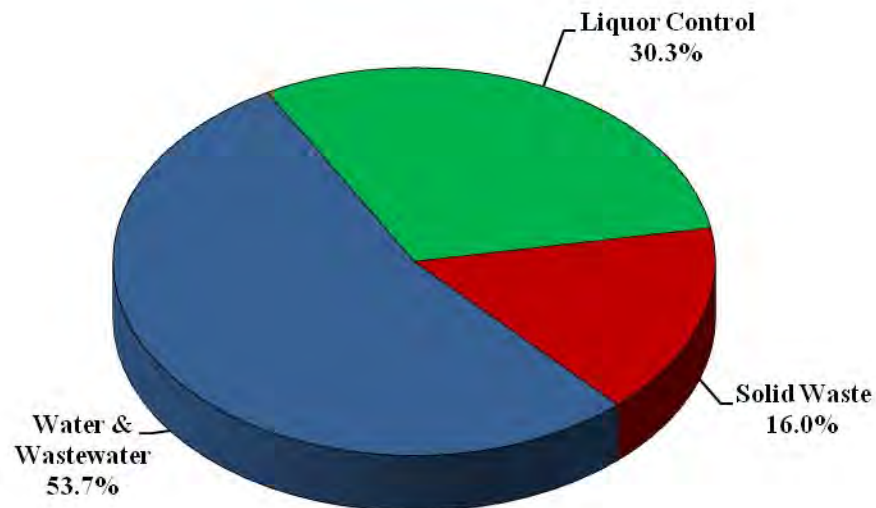
Expenses- Governmental Activities For the Year Ended June 30, 2016



**Revenues by Source- Business-Type Activities
For the Year Ended June 30, 2016**



**Expenses- Business-Type Activities
For the Year Ended June 30, 2016**

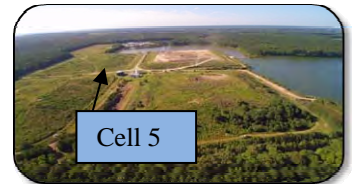


Capital Asset and Debt Administration

Capital assets: The County's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$168,750,928 (net of accumulated depreciation). The total decrease in the County's investment in capital assets for the current year was 0.2%. This net investment in capital assets includes land, buildings, water and sewer infrastructure, improvements, machinery and equipment, park facilities, roads, highways, and bridges. Change in net position 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:

- In fiscal year 2013, the County engaged EA Engineering, Science and Technology to complete the engineering design of Cell 5. Required permit applications have been submitted to the Maryland Department of the Environment. The County secured bond funds in June 2015 for \$2,035,000 to assist with financing Cell 5 at a total estimated cost of \$10,000,000. The estimated start date is spring of 2017.



- In September 2015, the County contracted with M2 Construction LLC, doing business as HRI Construction LLC in Maryland, for rehabilitation to Ocean Pines Sewer Pump Station "B" on Beauchamp Road at a cost of \$888,300. The project is funded through the 2014 bond. The estimated completion date is fall of 2016.



- In September 2015, the County engaged Harris Corporation of Lynchburg, Virginia for a new 800 MHZ P25 Radio System, which will include six antenna sites with the County owning the system core. Equipment includes roughly 800 new radios with warranties, estimated at \$4,000 each. The contract cost for equipment and service is \$5,075,000 and is funded with 2015 bonds. The estimated completion date is spring of 2018.



- In June 2015, the County secured bond funds in the amount of \$3,360,000 for the Cap and Closure of the Berlin Rubble Fill. Maryland Department of the Environment approved engineered plans on October 13, 2015. A contract for construction was awarded on June 21, 2016 with A-Del Construction Co., Inc. of Newark, Delaware at a cost of \$2,736,185 with 270 days to complete.



- In fiscal year 2016, the County completed a project with Murtech, Inc. of Glen Burnie, Maryland in the amount of \$174,417 to the Cedar Hall Boat Ramp located 6 miles from Pocomoke City on the Pocomoke River, which included demolition, new wingwall construction, floating gator dock, pilings, and a concrete ramp. The County was reimbursed \$174,417 in total from Maryland Department of Natural Resources.



- In July 2015, the County contracted with Tyler Technologies for \$448,811 to purchase tax billing software, Munis Analytics and Reporting Software, of which \$301,334 was expended in fiscal year 2016.
- In February 2016, the County purchased an office building for \$304,139 on Bank Street in Snow Hill, Maryland. The building is occupied by the County's Extension Service and Library Technical Services Division.
- Public Safety building improvements to the Animal Control Division totaled \$63,326 and included shelter for the animal runs at the rear of the building.
- The purchase of new vehicles for Public Safety totaled \$393,507, Public Works new vehicles and equipment totaled \$590,735, and Economic Development totaled \$20,109 during the fiscal year.

- The County contributed \$11,517,324 for the following education projects:
 - \$10,533,639 for the renovation and construction of an addition to Snow Hill High School.
 - \$215,227 for educational specification and conceptual design for a new Showell Elementary School.
 - \$367,986 for a school bleacher, gym floor replacements, and HVAC rooftop units.
 - \$400,472 to Wor-Wic Community College for the County's share for the design phase of the renovation of the Academic & Administrative Building and the Maner Technology Center.

Worcester County, Maryland
Capital Assets (Net of Depreciation)

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land and improvements	\$ 12,321,614	\$ 1,554,029	\$ 13,875,643	\$ 12,017,475	\$ 1,554,029	\$ 13,571,504
Building and building improvements	58,035,064	4,009,695	62,044,759	58,641,562	4,187,827	62,829,389
Improvements other than buildings	6,045,114	2,246,019	8,291,133	6,565,027	2,152,748	8,717,775
Machinery and equipment	5,894,674	3,358,658	9,253,332	5,866,710	3,507,499	9,374,209
Water and sewer systems	-	63,679,801	63,679,801	-	64,296,875	64,296,875
Infrastructure	5,916,892	-	5,916,892	6,890,107	-	6,890,107
Construction-in-progress	3,092,686	2,596,682	5,689,368	1,379,249	2,058,200	3,437,449
Total:	\$ 91,306,044	\$ 77,444,884	\$ 168,750,928	\$ 91,360,130	\$ 77,757,178	\$ 169,117,308

Additional information on Worcester County's capital assets can be found in note 5 on pages 55 – 56 of this report.

Long-term debt: At the end of the current fiscal year, Worcester County had total bonded long-term debt of \$116,674,551. The total debt is backed by the full faith and credit of Worcester County. Business-type activities are directly responsible for \$22,670,278 of the total debt. School-related debt makes up \$78,685,000 of the governmental activities.

Worcester County, Maryland
Outstanding Debt/General Obligation Bonds

	June 30, 2016			June 30, 2015		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Bonded Debt	\$ 94,004,273	\$ 22,670,278	\$ 116,674,551	\$ 101,944,407	\$ 24,299,716	\$ 126,244,123

The County's total bonded debt decreased by \$9,569,572 during the current fiscal year due to planned repayment of debts.

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

Additional information on the County's long-term debt can be found in note 6 on pages 57 – 62 of this report.

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

During fiscal year 2016, Worcester County experienced a continuation of a number of recent trends and estimates which indicated that real property tax assessments would continue to decline for the seventh consecutive year. In lieu of balancing the fiscal year 2016 budget with existing budget stabilization funds, the County increased property and income tax rates, which should extend the useful life of the budget stabilization fund to future years. The County increased the real property tax rate from \$0.77 to \$0.835 per \$100 of assessed value and increased the personal property tax rate from \$1.925 to \$2.0875 per \$100, resulting in a net real property tax increase of \$9,097,920 from the prior year. The County also increased the local income tax rate from 1.25% to 1.75%, which took effect January 1, 2016, and resulted in an increase of \$4,241,553 over the

prior fiscal year. Recordation and transfer tax revenues to the County increased by \$1,891,291. An appropriation for \$2,308,243 in Casino/Local Impact Grant funds was added as planned towards debt payments for the Worcester County Technical High School, a decrease of \$190,970 from fiscal year 2015. Transfers in-other funds decreased by \$292,157 based on the transfer in of bond premium proceeds. Funds were used for interest expense on the 2015 bond issuance.

Most department operating budgets were increased due to equipment and capital purchases that have been postponed since the economic downturn. The County provided a \$1.3 million increase for Education and debt service was decreased \$2.0 million due to the planned retirement of existing debt and refunding activity. The County funded the annual contribution to the Other Post-Employment Benefits Trust Funds for \$3 million, which is level funded with fiscal year 2015. In fiscal year 2016, salary increases were not included for County employees; however, the early retirement program for County employees was offered for the seventh consecutive year. The BOE funded a salary increase for employees by utilizing turnover adjustments associated with retirees and eliminating positions.

While home values have declined in recent years, tourism has remained relatively stable partly due to the proximity of the areas from which many visitors travel to reach Ocean City, although the trend over the last couple of years includes a shorter booking window and shortened length of stay. It is estimated that millions of people visit the resort each year. Although the peak months are June through August, tourism is also strong during the shoulder seasons, which include the late spring and early fall, when the Town has many weekend festivals. Depending on the weather, these off-season weekends may average over 200,000 people. The unemployment rate for the County, as of June 30, 2016, is 6.2%, which is a decrease from a rate of 7.9% a year ago. This compares to the State's average unemployment rate of 4.8%.

Fiscal Year 2017 Budget

The approved fiscal year 2017 General Fund operating budget is \$188,871,655 and is supported by the real property tax rate of \$0.835 per \$100 of assessed value and the personal property tax rate of \$2.0875 per \$100. Fiscal year 2017 represents the first year of increasing real property assessments in the County following seven consecutive years of declining real property assessments. The County increased the local income tax rate from 1.25% to 1.75%, which took effect January 1, 2016, or half of fiscal year 2016. This enactment increased the income tax revenue for all months in fiscal year 2017.

Revenues – 2017 Budget

In fiscal year 2017, the operating budget increased \$6,422,546, or 3.5%, over fiscal year 2016. The real property tax rate of \$.0835 increased net property taxes \$2.7 million. Income tax revenue estimates increased by \$3.4 million, mainly due to actual receipts and increased estimates and is based on the current tax rate of 1.75%. Other local taxes increased by \$287,500 primarily due to an increase of \$250,000 in transfer taxes, an increase of \$97,500 in room taxes based on actual estimates, and a decrease in admission and amusement taxes of \$60,000 based on the prior year's actual results. The County will utilize, for the fourth year, the planned use of Casino/Local Impact Grant Funds totaling \$2,488,812 towards debt payments for the Worcester Career and Technical High School in fiscal year 2017. The transfer of bond premium proceeds to be used for interest expense on the 2015 bond issuance decreased by \$1,147,279 in fiscal year 2017. A new transfer-to of existing budget stabilization funds for \$1,167,799 will be passed through to the Solid Waste Enterprise Fund to cover the cost of recycling at \$663,294 and \$504,505 for the homeowner convenience centers.

Expenditures – 2017 Budget

The fiscal year 2017 operating budget includes increases to most departments and agencies for a second year, mainly due to equipment and capital purchases that have been decreased and postponed since the economic downturn. Salary increases were included for County employees in July 2016. Since July 1, 2008, County employees have only received one step increment. As a result, a mid-year step increment in January 2017 was approved for eligible employees. Insurance and benefits increased primarily for medical insurance for County and BOE employees. Additional pharmacy enhancements were enacted for further cost savings in fiscal year 2017 in addition to the new medical insurance plan which began in fiscal year 2016 to manage benefit expenses. Debt service increased \$221,013 mainly due to existing debt and refunding activity in the prior year. The Post-Employment Benefit General Fund transfer will be funded at \$4.0 million, an increase of \$1.0 million. The BOE operating budget was increased by \$2,478,505 above the fiscal year 2016 budget. The State of Maryland requires local governments to spend as much on school operating budgets on a per-pupil base as they did the year before; thus, the maintenance of effort. In fiscal year 2017, the required Maintenance of Effort (MOE) level is affected by two changes enacted in fiscal year 2012 by the State of Maryland. Specifically, the local share of teacher pensions becomes part of the MOE for an increase of \$158,833, and the MOE escalator provision set to take effect in FY15 required additional funding of 1%, or \$761,792, since the first state-wide average increase occurs for fiscal year 2017. Additional funds were approved for

health insurance and fixed costs for \$739,353. The additional budget increase of \$818,527 covered the remaining salary increase for BOE employees and bus contractors.

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, 2016
COMPONENT UNIT AS OF JUNE 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	The Worcester County Board of Education
ASSETS				
Cash and short-term investments	\$ 64,381,765	\$ 15,141,752	\$ 79,523,517	\$ 6,224,223
Receivables:				
Taxes	3,768,942	-	3,768,942	-
Federal, state, and local governments	5,604,536	-	5,604,536	4,696,134
Other	3,331,306	5,641,721	8,973,027	4,598
Internal balances	5,294,878	(5,294,878)	-	-
Inventories, at first-in, first-out method	-	2,838,030	2,838,030	-
Prepaid items	17,436,239	3,042	17,439,281	-
Other assets	264,917	18,430,059	18,694,976	-
Nondepreciable capital assets	15,414,300	4,150,711	19,565,011	42,489,251
Depreciable capital assets, net	75,891,744	73,294,173	149,185,917	116,840,592
Total assets	191,388,627	114,204,610	305,593,237	170,254,798
DEFERRED OUTFLOWS OF RESOURCES				
Pensions (see Note 7)	6,664,894	-	6,664,894	1,184,359
Deferred charge on refunding	1,772,326	-	1,772,326	-
Total deferred outflows of resources	8,437,220	-	8,437,220	1,184,359
LIABILITIES				
Accounts payable and accrued liabilities	8,564,460	2,039,512	10,603,972	8,130,243
Unearned revenue	351,324	19,022,140	19,373,464	878,703
Due to fiduciary funds	117,812	-	117,812	-
Compensated absences	922,000	173,316	1,095,316	36,424
Long-term liabilities:				
Compensated absences	1,127,369	211,830	1,339,199	256,377
Due within one year	8,552,902	17,152,144	25,705,046	-
Due in more than one year	95,543,619	22,154,173	117,697,792	70,087,178
Net pension liability (see Note 7)	27,365,360	-	27,365,360	4,917,743
Total liabilities	142,544,846	60,753,115	203,297,961	84,306,668
DEFERRED INFLOWS OF RESOURCES				
Pensions (see Note 7)	2,250,584	-	2,250,584	414,417
NET POSITION				
Net investment in capital assets	77,759,097	53,420,609	131,179,706	159,329,843
Restricted for:				
Capital projects	-	-	-	52,862
Food service activities	-	-	-	3,894
Unrestricted	(22,728,680)	30,886	(22,697,794)	(72,668,527)
Total net position	\$ 55,030,417	\$ 53,451,495	\$ 108,481,912	\$ 86,718,072

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



WORCESTER COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

		Program Revenues		
Function/Program	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental activities:				
Current:				
General government	\$ 44,076,570	\$ 2,053,695	\$ 3,432,118	\$ 72,607
Public safety	31,539,249	5,513,482	663,161	732,183
Public works	5,567,728	75,713	37,819	7,840
Health and hospitals	6,377,497	431,643	168,967	-
Social services	2,075,471	-	83,321	-
Education	93,437,468	-	-	-
Libraries, recreation and culture	5,258,231	349,348	703,853	1,000,736
Conservation of natural resources	497,939	-	7,064	-
Economic development	1,631,443	8,747	147,874	123,016
Interest on long-term debt	3,874,043	-	-	-
Total governmental activities	194,335,639	8,432,628	5,244,177	1,936,382
Business-type activities:				
Landfill	4,183,293	4,004,384	-	-
Department of Water and Wastewater	14,035,346	12,160,567	26,000	-
Department of Liquor Control	7,929,512	7,623,320	-	-
Total business-type activities	26,148,151	23,788,271	26,000	-
Total primary government	220,483,790	32,220,899	5,270,177	1,936,382
Component units:				
The Worcester County Board of Education	137,411,569	659,628	117,537,291	13,446,556
Total component units	137,411,569	659,628	117,537,291	13,446,556

General revenues:

Taxes:

Real and personal property

Income

Other:

Room tax

Admission and amusement

Recordation

Trailer park excise tax

Transfer tax

Food tax

State shared

Interest

Other

Total general revenues

Total change in net position

Net position, beginning of year, as restated

Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	The Worcester County Board of Education
\$ (38,518,150)	\$ -	\$ (38,518,150)	\$ -
(24,630,423)	-	(24,630,423)	-
(5,446,356)	-	(5,446,356)	-
(5,776,887)	-	(5,776,887)	-
(1,992,150)	-	(1,992,150)	-
(93,437,468)	-	(93,437,468)	-
(3,204,294)	-	(3,204,294)	-
(490,875)	-	(490,875)	-
(1,351,806)	-	(1,351,806)	-
(3,874,043)	-	(3,874,043)	-
(178,722,452)	-	(178,722,452)	-
-	(178,909)	(178,909)	-
-	(1,848,779)	(1,848,779)	-
-	(306,192)	(306,192)	-
-	(2,333,880)	(2,333,880)	-
(178,722,452)	(2,333,880)	(181,056,332)	-
-	-	-	(5,768,094)
-	-	-	(5,768,094)
127,411,911	-	127,411,911	-
17,931,884	-	17,931,884	-
15,564,805	-	15,564,805	-
524,750	-	524,750	-
6,449,513	-	6,449,513	-
117,413	-	117,413	-
4,158,215	-	4,158,215	-
1,424,439	-	1,424,439	-
942,464	-	942,464	-
207,071	28,487	235,558	124,661
663,960	-	663,960	51,532
175,396,425	28,487	175,424,912	176,193
(3,326,027)	(2,305,393)	(5,631,420)	(5,591,901)
58,356,444	55,756,888	114,113,332	92,309,973
\$ 55,030,417	\$ 53,451,495	\$ 108,481,912	\$ 86,718,072

WORCESTER COUNTY, MARYLAND

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and short-term investments	\$ 42,941,427	\$ 19,880,931	\$ -	\$ 1,559,407	\$ 64,381,765
Receivables:					
Taxes	3,768,942	-	-	-	3,768,942
Federal, state, and local governments	5,604,536	-	-	-	5,604,536
Other	3,216,094	-	-	115,212	3,331,306
Due from other funds	5,601,308	-	-	437,656	6,038,964
Prepaid items	106,655	-	-	-	106,655
Other assets	264,917	-	-	-	264,917
Total assets	\$ 61,503,879	\$ 19,880,931	\$ -	\$ 2,112,275	\$ 83,497,085
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,824,126	\$ 1,618,216	\$ -	\$ 118,018	\$ 6,560,360
Due to other funds	585,772	207,195	-	68,931	861,898
Unearned revenue	288,995	-	-	62,329	351,324
Other	2,926,100	-	-	-	2,926,100
Total liabilities	8,624,993	1,825,411	-	249,278	10,699,682
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	2,924,301	-	-	-	2,924,301
FUND BALANCES					
Nonspendable	106,655	-	-	-	106,655
Restricted	-	18,055,520	-	-	18,055,520
Assigned	16,315,297	-	-	1,876,454	18,191,751
Unassigned	33,532,633	-	-	(13,457)	33,519,176
Total fund balances	49,954,585	18,055,520	-	1,862,997	69,873,102
Total liabilities, deferred inflows of resources, and fund balances	\$ 61,503,879	\$ 19,880,931	\$ -	\$ 2,112,275	\$ 83,497,085

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

WORCESTER COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2016

Total fund balances, governmental funds	\$ 69,873,102
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Pre-payment of post-retirement employment benefits	17,329,584
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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.	91,306,044
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Certain revenues that do not provide current financial resources are reported as deferred inflows of resources in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.	2,924,301
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Deferred outflows of resources - deferred charge on refunding (see Note 6)	1,772,326
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Deferred outflows of resources - pensions (see Note 7)	6,664,894
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Deferred inflows of resources - pensions (see Note 7)	(2,250,584)
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Some liabilities are not due and payable in the current period and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:

Bonds, notes, and capital leases payable	(104,096,521)	
Compensated absences	(1,127,369)	
Net pension liability (see Note 7)	(27,365,360)	
Total long-term liabilities	<u>(132,589,250)</u>	

Net position of governmental activities in the Statement of Net Position	<u>\$ 55,030,417</u>
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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, 2016

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES:					
Taxes and special assessments	\$174,174,759	\$ -	\$ -	\$ -	\$174,174,759
Licenses and permits	1,896,140	-	-	-	1,896,140
Intergovernmental	4,052,050	607,273	-	2,555,872	7,215,195
Service charges and fees	6,322,840	-	-	-	6,322,840
Miscellaneous	998,041	49,246	-	2,756	1,050,043
Total revenues	187,443,830	656,519	-	2,558,628	190,658,977
EXPENDITURES:					
Current:					
General government	13,817,335	-	-	-	13,817,335
Public safety	30,032,349	-	-	-	30,032,349
Public works	5,533,978	-	-	-	5,533,978
Health and hospitals	5,972,819	-	-	-	5,972,819
Social services	1,448,463	-	-	627,008	2,075,471
Education	82,320,616	11,116,852	-	-	93,437,468
Libraries, recreation and culture	6,041,560	-	-	-	6,041,560
Conservation of natural resources	487,600	-	-	10,339	497,939
Economic development	1,590,410	-	-	-	1,590,410
Distributions to incorporated municipalities	23,471,593	-	-	-	23,471,593
Capital projects	-	3,431,562	-	-	3,431,562
Debt service:					
Principal retirement	-	-	7,940,134	-	7,940,134
Interest and other charges	-	-	3,540,622	-	3,540,622
Total expenditures	170,716,723	14,548,414	11,480,756	637,347	197,383,240
Excess (deficiency) of revenues over expenditures	16,727,107	(13,891,895)	(11,480,756)	1,921,281	(6,724,263)
OTHER FINANCING SOURCES (USES):					
Transfers in	4,017,322	1,971,102	11,480,756	-	17,469,180
Transfers out	(13,451,858)	(1,709,079)	-	(2,308,243)	(17,469,180)
Total other financing sources (uses)	(9,434,536)	262,023	11,480,756	(2,308,243)	-
Net change in fund balances	7,292,571	(13,629,872)	-	(386,962)	(6,724,263)
Fund balances, beginning	42,662,014	31,685,392	-	2,249,959	76,597,365
Fund balances, ending	\$ 49,954,585	\$18,055,520	\$ -	\$ 1,862,997	\$ 69,873,102

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

WORCESTER COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Net change in fund balances, governmental funds \$ (6,724,263)

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	5,043,350	
Depreciation expense	(5,097,436)	
Excess of depreciation expense over capital outlay		(54,086)

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.	350,635
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Governmental funds report payments of debt principal as an expenditure. In contrast, the Statement of Activities treats such payments as a reduction in long-term liabilities.	7,940,134
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Bond issue costs, premiums, discounts, and similar items are reported in governmental funds when debt is issued; whereas, these amounts are deferred and amortized in the Statement of Activities.	(333,421)
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The change in estimated landfill closure costs recorded in governmental activities and related expenditures increase or decrease a liability on the government-wide statements, but are not a use of current financial resources in the governmental funds.	113,145
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Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These items consist of:

Change in pension expense (see Note 7)	(3,182,213)	
Change in post-retirement employee benefits, asset	(1,283,345)	
Change in compensated absences	(152,613)	

Change in net position of governmental activities	\$ (3,326,027)
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The Notes to Financial Statements are an integral part of this statement.

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION
BUSINESS-TYPE ACTIVITIES

June 30, 2016

	<u>Landfill</u>	Department of Water and <u>Wastewater</u>	Department of Liquor <u>Control</u>	<u>Total</u>
ASSETS				
Current assets:				
Cash and short-term investments	\$ 8,937,365	\$ 5,917,641	\$ 286,746	\$ 15,141,752
Accounts receivable	250,147	5,171,488	207,272	5,628,907
Inventory	-	-	2,838,030	2,838,030
Other receivables	12,814	-	-	12,814
Prepaid expenses	-	-	3,042	3,042
Due from other funds	-	30,304	-	30,304
Total current assets	9,200,326	11,119,433	3,335,090	23,654,849
Noncurrent assets:				
Capital assets:				
Land, land rights and improvements	1,226,989	114,883	212,157	1,554,029
Construction-in-progress	-	2,596,682	-	2,596,682
Buildings and building improvements	4,233,213	-	2,068,227	6,301,440
Improvements other than buildings	29,654,099	-	-	29,654,099
Water and sewer systems	-	99,538,961	-	99,538,961
Machinery and equipment	6,923,422	5,983,326	368,320	13,275,068
	42,037,723	108,233,852	2,648,704	152,920,279
Less: accumulated depreciation	(33,582,205)	(40,725,464)	(1,167,726)	(75,475,395)
	8,455,518	67,508,388	1,480,978	77,444,884
Other assets:				
Long-term debt service receivable	-	18,430,059	-	18,430,059
Total noncurrent assets	8,455,518	85,938,447	1,480,978	95,874,943
Total assets	\$ 17,655,844	\$ 97,057,880	\$ 4,816,068	\$ 119,529,792

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

	<u>Landfill</u>	Department of Water and <u>Wastewater</u>	Department of Liquor <u>Control</u>	<u>Total</u>
LIABILITIES				
Current liabilities:				
Accounts payable and accrued expenses	\$ 103,784	\$ 730,324	\$ 1,211,625	\$ 2,045,733
Bonds and notes payable - current	-	1,998,915	54,659	2,053,574
Capital leases payable - current	550,571	-	-	550,571
Landfill - closure and postclosure costs	14,523,605	-	-	14,523,605
Bond costs deferred	11,001	13,393	-	24,394
Accrued bond interest payable	-	167,095	-	167,095
Due to other funds	145,179	63,830	-	209,009
Total current liabilities	15,334,140	2,973,557	1,266,284	19,573,981
Noncurrent liabilities:				
Unearned revenues	-	19,022,140	-	19,022,140
Compensated absences	53,028	132,897	25,905	211,830
Bonds and notes payable	2,035,000	18,116,001	465,703	20,616,704
Capital leases payable	803,426	-	-	803,426
Bond costs deferred	143,013	591,030	-	734,043
Due to other funds	-	1,659,251	3,456,922	5,116,173
Total noncurrent liabilities	3,034,467	39,521,319	3,948,530	46,504,316
Total liabilities	18,368,607	42,494,876	5,214,814	66,078,297
NET POSITION (DEFICIT)				
Net investment in capital assets	5,066,521	47,393,472	960,616	53,420,609
Unrestricted (deficit)	(5,779,284)	7,169,532	(1,359,362)	30,886
Total net position (deficit)	\$ (712,763)	\$ 54,563,004	\$ (398,746)	\$ 53,451,495

WORCESTER COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2016

	<u>Landfill</u>	Department of Water and <u>Wastewater</u>	Department of Liquor <u>Control</u>	<u>Total</u>
OPERATING REVENUES:				
Domestic charges	\$ -	\$ 8,239,022	\$ -	\$ 8,239,022
Commercial charges	-	634,104	-	634,104
Hook-up charges	-	175,150	-	175,150
Future capital development	-	88,564	-	88,564
Interest and penalties on overdue accounts	1,544	126,570	-	128,114
Additional assessments	-	386,517	-	386,517
Payments by developers	-	17,883	-	17,883
Other revenue	39,888	768,314	9,818	818,020
Debt service revenue	-	1,518,343	-	1,518,343
Tank fee revenue	-	10,800	-	10,800
White Horse Park revenue	-	195,300	-	195,300
Liquor sales	-	-	7,613,502	7,613,502
Recycling charges	131,082	-	-	131,082
Stump removal charges	52,172	-	-	52,172
Licenses and permits	358,420	-	-	358,420
Landfill fees	3,421,278	-	-	3,421,278
Total operating revenues	4,004,384	12,160,567	7,623,320	23,788,271
Cost of goods sold	-	-	5,891,654	5,891,654
Gross profit	4,004,384	12,160,567	1,731,666	17,896,617
Total operating expenses	3,300,789	10,498,637	1,255,525	15,054,951
Operating income before depreciation and general expenses	703,595	1,661,930	476,141	2,841,666
Depreciation and general expenses	792,679	2,884,782	744,927	4,422,388
Operating loss	(89,084)	(1,222,852)	(268,786)	(1,580,722)
NONOPERATING INCOME (EXPENSE):				
Interest on investments	16,329	12,158	-	28,487
Sale of assets	556	4,826	-	5,382
Operating grants	-	26,000	-	26,000
Interest expense	(90,381)	(656,753)	(37,406)	(784,540)
Total nonoperating income (expense)	(73,496)	(613,769)	(37,406)	(724,671)
Change in net position	(162,580)	(1,836,621)	(306,192)	(2,305,393)
Net position (deficit), beginning	(550,183)	56,399,625	(92,554)	55,756,888
Net position (deficit), ending	\$ (712,763)	\$ 54,563,004	\$ (398,746)	\$ 53,451,495

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, 2016

	<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	\$ 3,979,690	\$ 11,024,703	\$ -	\$ 15,004,393
Cash received for liquor sales	-	-	7,708,806	7,708,806
Cash received from other revenues	28,618	768,314	9,818	806,750
Cash received for future capital development	-	88,564	-	88,564
Cash payments to employees	(1,482,766)	(2,844,449)	(776,770)	(5,103,985)
Cash payments for fringe benefits	(825,452)	(1,305,566)	(404,122)	(2,535,140)
Cash payments for inventory, materials, supplies, and services	(1,098,529)	(6,598,634)	(4,267,448)	(11,964,611)
Net cash provided by operating activities	601,561	1,132,932	2,270,284	4,004,777
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of property and equipment	(619,248)	(2,966,697)	-	(3,585,945)
Proceeds from sales of property and equipment	118,556	4,826	-	123,382
Principal paid on capital lease maturities	(532,776)	-	-	(532,776)
Proceeds from issuance of bonds and notes	359,273	250,000	-	609,273
Principal paid on bonds, lines of credit, and notes	-	(1,807,057)	(72,381)	(1,879,438)
Interest paid on bonds, lines of credit, and notes	(90,381)	(656,753)	(37,406)	(784,540)
Bond costs deferred	(10,999)	(13,393)	-	(24,392)
Debt service assessments deferred	-	1,919,887	-	1,919,887
Net cash used by capital and related financing activities	(775,575)	(3,269,187)	(109,787)	(4,154,549)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received for operating grants	-	26,000	-	26,000
Advances from other funds	1,456	-	-	1,456
Advances to other funds	-	(424,782)	(2,152,282)	(2,577,064)
Net cash provided (used) by noncapital financing activities	1,456	(398,782)	(2,152,282)	(2,549,608)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	16,329	12,158	-	28,487
Net cash provided by investing activities	16,329	12,158	-	28,487
Net increase (decrease) in cash and short-term investments	(156,229)	(2,522,879)	8,215	(2,670,893)
Cash and short-term investments, beginning	9,093,594	8,440,520	278,531	17,812,645
Cash and short-term investments, ending	\$ 8,937,365	\$ 5,917,641	\$ 286,746	\$ 15,141,752

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES

Year Ended June 30, 2016

(CONTINUED)

	<u>Landfill</u>	Department of Water and <u>Wastewater</u>	Department of Liquor <u>Control</u>	<u>Total</u>
RECONCILIATION OF OPERATING LOSS				
TO NET CASH PROVIDED BY				
OPERATING ACTIVITIES:				
Operating loss	\$ (89,084)	\$ (1,222,852)	\$ (268,786)	\$ (1,580,722)
Adjustments to reconcile operating loss to net cash provided by operating activities:				
Depreciation	792,679	2,884,782	102,778	3,780,239
Changes in assets and liabilities:				
Accounts receivable	16,738	331,181	95,304	443,223
Inventories	-	-	2,383,238	2,383,238
Other receivables	(12,814)	213,646	-	200,832
Prepaid expenses	-	-	(3,042)	(3,042)
Accounts payable and accrued expenses	(105,593)	(258,414)	(33,081)	(397,088)
Unearned revenue	-	(823,813)	-	(823,813)
Compensated absences	(365)	8,402	(6,127)	1,910
Net cash provided by operating activities	\$ 601,561	\$ 1,132,932	\$ 2,270,284	\$ 4,004,777
NONCASH INVESTING, CAPITAL, AND				
FINANCING ACTIVITIES:				
Equipment acquired under capital leases	\$ 359,273	\$ -	\$ -	\$ 359,273
Total non-cash activities	\$ 359,273	\$ -	\$ -	\$ 359,273

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

June 30, 2016

	Public Drainage <u>Associations</u>	Other Post- Employment Benefits <u>Trust</u>	Nonmajor Agency <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 515,462	\$ 1,674,317	\$ 2,435,105
Trust investments:			
Money market funds	-	1,582,821	-
MLGIP	-	689,887	-
Fixed income securities	-	12,365,769	-
Equities securities	-	24,901,842	-
Taxes receivable	-	-	1,748,769
Special assessments receivable	5,599	-	-
Other receivables	-	10,362	-
Due from other funds	824	-	116,988
Total assets	521,885	41,224,998	4,300,862
LIABILITIES			
Due to other governmental units	-	-	1,958,972
Other liabilities	-	-	2,341,890
Total liabilities	-	-	4,300,862
NET POSITION			
Held in trust for other post-employment benefits	-	41,224,998	-
Restricted	521,885	-	-
Total net position	\$ 521,885	\$ 41,224,998	\$ -

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

WORCESTER COUNTY, MARYLAND
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
Year Ended June 30, 2016

	Public Drainage <u>Associations</u>	Other Post Employment Benefits <u>Trust</u>
ADDITIONS:		
Contributions:		
Special assessments	\$ 102,876	\$ -
Intergovernmental	4,917	-
Employer contributions	-	1,500,000
Plan member contributions	-	625,211
Miscellaneous	19,200	26,820
Total contributions	126,993	2,152,031
Investment earnings (losses):		
Interest	2,046	5,644
Net decrease in fair value of investments	-	(444,973)
Total investment earnings (losses)	2,046	(439,329)
Total additions	129,039	1,712,702
DEDUCTIONS:		
Ditch maintenance	118,989	-
Claims incurred	-	2,677,962
Miscellaneous	223	2,150
Total deductions	119,212	2,680,112
Change in net position	9,827	(967,410)
Net position, beginning	512,058	42,192,408
Net position, ending	\$ 521,885	\$ 41,224,998

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Worcester County, Maryland

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

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

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

Separately issued financial statements can be obtained from the following:

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

B. Basis of Presentation

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

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

FUND FINANCIAL STATEMENTS

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

C. Fund Accounting

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

GOVERNMENTAL FUND TYPES

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

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

FUND FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

E. Basis of Accounting

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

REVENUES – EXCHANGE AND NONEXCHANGE TRANSACTIONS

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

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

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

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

EXPENSES / EXPENDITURES

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

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

F. Budgetary Data

Formal budgetary accounting is employed as a management control for all enterprise funds. The annual budgets for the enterprise funds are prepared in accordance with the basis of accounting utilized by those funds. The General Fund of the County has a legally adopted budget. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund is prepared on a basis consistent with the budget. The County's budget includes appropriations of prior year fund balance as "other sources" in the current year. Also, the Statement of Activities is prepared on a basis consistent with GAAP where encumbrances are treated as assignments of fund net position and prior year fund net position is not recognized as other revenue sources. The budgets shown in the financial statements are the budget ordinances at the close of the day on June 30, 2016. All annual appropriations lapse at fiscal year-end.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

G. Encumbrances

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

H. Cash and Short-Term Investments

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

I. Prepaid Items

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

J. Property Taxes

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

K. Inventory

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

L. Capital Assets

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

All capital assets are capitalized at cost or estimated cost and updated for additions and reductions during the year. Donated fixed assets are recorded at their 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 expensed.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

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

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

M. Interfund Receivables / Payables

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

N. Compensated Absences

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

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

O. Accrued Liabilities and Long-Term Obligations

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

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

P. Net Position

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Q. Governmental Fund Balance

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

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

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

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

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

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

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

R. Operating Revenues and Expenses

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

S. Interfund Transactions

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

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

T. Estimates

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Short-Term Investments

Deposits are maintained in a variety of financial institutions.

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

At June 30, 2016, Worcester County had deposits with financial institutions totaling \$16,068,453 (with a carrying value of \$12,600,291). The depository banks pledge collateral for specific accounts, which are held in the County's name. Deposits in financial institutions were fully insured or collateralized at June 30, 2016 and, therefore, have no custodial risk associated with them.

The County is a participant in the Maryland Local Government Investment Pool ("MLGIP"), which provides all local government units of the State a safe investment vehicle for the short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 §22G of the Annotated Code of Maryland. The MLGIP, under the administrative control of the State Treasurer, is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A. An MLGIP Advisory Committee of current participants was formed to review, on a semiannual basis, the activities of the Fund and to provide suggestions to enhance the Pool. The MLGIP is rated "AAAm" by Standard and Poor's. The fair value of the Pool is the same as the value of the Pool shares. At June 30, 2016, the County had investments of \$72,224,462 with the MLGIP, which are recorded at cost, which approximates fair value.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's exposure to credit risk on deposits is minimal, as all deposits are in the form of cash, fully insured by the FDIC, or collateralized by securities pledged in the County's name. The County minimizes its exposure to credit risk on investments by limiting its investments to U.S. Treasury obligations and the MLGIP. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County's exposure to interest rate risk is minimal as of June 30, 2016, as its only investments within the primary government consisted of the MLGIP. The County's only other investments are within the Retiree Benefit Trust Fund.

NOTES TO FINANCIAL STATEMENTS

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

Investments in the Retiree Benefit Trust Fund by type and maturity at June 30, 2016 were as follows:

	1 Year	1-5 Years	Over 5 Years	Total	Rate
MLGIP	\$ 689,887	\$ -	\$ -	\$ 689,887	0.37%
M&T Investments:					
Money Market	1,582,821	-	-	1,582,821	0.07%
Fixed Income:					
U.S. Treasury	45,104	613,145	844,064	1,502,313	0.625% - 3.625%
U.S. Government Agency	-	50,614	879,201	929,815	1.25% - 5.00%
Other Fixed Income	156,717	588,275	9,188,649	9,933,641	1.05% - 6.20%
Equities	24,901,842	-	-	24,901,842	N/A
Total	\$ 27,376,371	\$ 1,252,034	\$ 10,911,914	\$ 39,540,319	

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

Petty cash	\$ 13,535
Carrying amount of deposits	12,600,291
Money market funds	1,582,821
Fixed income securities	12,365,769
Equities securities	24,901,842
MLGIP	72,224,462
Less: cash and investments recorded within fiduciary funds	(44,165,203)
Total	\$ 79,523,517

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, 2016, 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/payable or as advances to/from other funds in the fund statements. Interfund loans do not affect total equity, but advances to other funds are offset by a reservation of the fund equity. Loans and advances are netted as part of the reconciliation of the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Balances and Transfers (continued)

Interfund balances at June 30, 2016 consisted of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
General Fund:		
Enterprise funds:		
Landfill	\$ 145,179	\$ -
Department of Liquor Control	3,456,922	-
Department of Water and Wastewater	1,723,081	(30,304)
Total due from (to) enterprise funds	5,325,182	(30,304)
Other funds:		
Energy Service Fund	-	(437,656)
Capital Projects Fund	207,195	-
Casino Fund	68,931	-
State of Maryland Property Tax Agency Fund	-	(13,023)
Snow Hill Property Tax Agency Fund	-	(6,805)
Berlin Property Tax Agency Fund	-	(12,388)
Pocomoke Property Tax Agency Fund	-	(7,867)
Ocean City Property Tax Agency Fund	-	(76,905)
Public Drainage Association	-	(824)
Total due from (to) other funds	276,126	(555,468)
Total General Fund due from (to) other funds	5,601,308	(585,772)
Other governmental funds:		
General Fund	437,656	(68,931)
Fiduciary funds	117,812	-
Capital Projects Fund:		
General Fund	-	(207,195)
Enterprise funds:		
General Fund	30,304	(5,325,182)
	\$ 6,187,080	\$ (6,187,080)

Interfund transfer activity for the year ended June 30, 2016 consisted of the following individual amounts:

	Transfers In	Transfers Out
General Fund:		
Capital Projects Fund	\$ 1,709,079	\$ 1,971,102
Debt Service Fund	-	11,480,756
Casino Fund	2,308,243	-
Capital Projects Fund:		
General Fund	1,971,102	1,709,079
Debt Service Fund:		
General Fund	11,480,756	-
Casino Fund:		
General Fund	-	2,308,243
	\$ 17,469,180	\$ 17,469,180

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Transfers and Reductions	Balance June 30, 2016
Primary government:				
Governmental activities:				
Nondepreciable capital assets:				
Land and improvements	\$ 12,017,475	\$ 304,139	\$ -	\$ 12,321,614
Construction-in-progress	1,379,249	3,202,073	(1,488,636)	3,092,686
Total nondepreciable capital assets	13,396,724	3,506,212	(1,488,636)	15,414,300
Depreciable capital assets:				
Building and building improvements	82,831,590	47,464	1,393,670	84,272,724
Improvements other than buildings	12,082,714	-	(66,869)	12,015,845
Machinery and equipment	26,372,778	1,489,674	(1,305,468)	26,556,984
Infrastructure	109,765,781	-	-	109,765,781
Total depreciable capital assets	231,052,863	1,537,138	21,333	232,611,334
Less accumulated depreciation for:				
Buildings and building improvements	(24,190,028)	(2,142,598)	94,966	(26,237,660)
Improvements other than buildings	(5,517,687)	(519,913)	66,869	(5,970,731)
Machinery and equipment	(20,506,068)	(1,461,710)	1,305,468	(20,662,310)
Infrastructure	(102,875,674)	(973,215)	-	(103,848,889)
Total accumulated depreciation	(153,089,457)	(5,097,436)	1,467,303	(156,719,590)
Total depreciable capital assets, net	77,963,406	(3,560,298)	1,488,636	75,891,744
Governmental activities capital assets, net	\$ 91,360,130	\$ (54,086)	\$ -	\$ 91,306,044

Depreciation expense was charged to governmental functions as follows:

General government	\$ 441,527
Public safety	2,101,360
Public works	1,279,119
Health and hospitals	518,469
Libraries, recreation and culture	745,819
Economic development	11,142
Total depreciation expense	\$ 5,097,436

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

Capital asset activity for the enterprise funds for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Transfers and Reductions	Balance June 30, 2016
Business-type activities:				
Nondepreciable capital assets:				
Land, land rights and improvements	\$ 1,554,029	\$ -	\$ -	\$ 1,554,029
Construction-in-progress	2,058,200	2,241,972	(1,703,490)	2,596,682
Total nondepreciable capital assets	3,612,229	2,241,972	(1,703,490)	4,150,711
Depreciable capital assets:				
Buildings and building improvements	6,301,440	-	-	6,301,440
Improvements other than buildings	29,519,729	134,370	-	29,654,099
Machinery and equipment	12,769,722	854,080	(348,734)	13,275,068
Water and sewer systems	97,479,948	355,523	1,703,490	99,538,961
Total depreciable capital assets	146,070,839	1,343,973	1,354,756	148,769,568
Less accumulated depreciation for:				
Buildings and building improvements	(2,113,613)	(178,132)	-	(2,291,745)
Improvements other than buildings	(27,334,022)	(74,058)	-	(27,408,080)
Machinery and equipment	(9,295,182)	(851,962)	230,734	(9,916,410)
Water and sewer systems	(33,183,073)	(2,676,087)	-	(35,859,160)
Total accumulated depreciation	(71,925,890)	(3,780,239)	230,734	(75,475,395)
Total depreciable capital assets, net	74,144,949	(2,436,266)	1,585,490	73,294,173
Business-type activities capital assets, net	\$ 77,757,178	\$ (194,294)	\$ (118,000)	\$ 77,444,884

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

Changes in the County's long-term obligations for the year ended June 30, 2016 were as follows:

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Amount Due in One Year
Governmental activities:					
Estimated landfill closure costs	\$ 3,100,000	\$ -	\$ (113,145)	\$ 2,986,855	\$ -
General obligation bonds:					
Consolidated Public Improvement Bonds, 2007 Series; interest at 3.5% to 4.5%; due semiannually to 2022	5,770,000	-	(1,845,000)	3,925,000	1,920,000
MDE Water Quality Bond; interest at 0.4%; due annually to 2024	1,441,564	-	(234,971)	1,206,593	235,911
Consolidated Public Improvement Bonds, 2008 Series; interest at 3.25% to 5%; due semiannually to 2024	9,255,000	-	(2,185,000)	7,070,000	2,265,000
Consolidated Public Improvement Bonds, 2013 Series; interest at 3% to 4%; due semiannually to 2020	6,492,843	-	(1,345,163)	5,147,680	1,402,075
Consolidated Public Improvement Bonds, 2013 Series; interest at 2.5% to 3.4%; due semiannually to 2033	4,595,000	-	-	4,595,000	-
Consolidated Public Improvement Bonds, 2014 Series; interest at 3.25% to 5%; due annually to 2029	40,580,000	-	(2,330,000)	38,250,000	2,375,000
Consolidated Public Improvement Bonds, 2015 Series A; interest at 3% to 5%; due semiannually to 2030	8,760,000	-	-	8,760,000	-
Consolidated Public Improvement Refunding Bonds, 2015 Series B; interest at 2.125% to 4%; due semiannually to 2026	25,050,000	-	-	25,050,000	-
Deferred bond premium, net	7,460,309	-	(354,916)	7,105,393	354,916
	112,504,716	-	(8,408,195)	104,096,521	8,552,902
Compensated absences	1,771,756	1,515,260	(1,237,647)	2,049,369	922,000
Total governmental activities	\$114,276,472	\$ 1,515,260	\$ (9,645,842)	\$106,145,890	\$ 9,474,902
Business-type activities:					
Estimated landfill closure costs	\$ 14,548,119	\$ -	\$ (24,514)	\$ 14,523,605	\$ 14,523,605
General obligation bonds:					
Consolidated Public Improvement Bonds, 2004 Series; interest at 2.5% to 5%; due annually to 2017	455,000	-	(225,000)	230,000	230,000
MDE Water Quality Bond; interest at 0.4%; due annually to 2022	2,737,272	-	(416,099)	2,321,173	417,764
Public Refunding Bonds, 2007; interest at 3.5% to 4.5%; due semiannually to 2017	1,645,000	-	(530,000)	1,115,000	545,000

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2015	Additions	Reductions	Balance at June 30, 2016	Amount Due in One Year
Business-type activities, continued:					
Snug Harbor Water Quality Loan Agreement, 2007; interest at 0.04%; due semiannually to 2026	340,551	-	(31,005)	309,546	31,129
MDE Drinking Water Bond; interest at 1.1%; due annually to 2029	276,982	-	(18,408)	258,574	18,611
Mystic Harbour USDA note payable, 2012; interest at 2%; due quarterly to 2052	4,805,979	-	(88,619)	4,717,360	90,418
Mystic Harbour USDA note payable, 2014; interest at 2.5%; due quarterly to 2053	2,758,760	-	(43,088)	2,715,672	44,178
Mystic Harbour USDA note payable, 2016; interest at 2.25%; due quarterly to 2056	-	250,000	-	250,000	3,900
Note payable; interest at 4.09%; due monthly to 2039	492,151	-	(12,949)	479,202	13,489
Note payable; interest at 4.76%; due monthly to 2017	100,592	-	(59,432)	41,160	41,160
Consolidated Public Improvement Refunding Bonds, 2013 Series; interest at 3% to 4%; due annually to 2017	532,429	-	(169,838)	362,591	177,925
Consolidated Public Improvement Bonds, 2014 Series; interest at 2% to 5%; due semiannually to 2029	5,000,000	-	(285,000)	4,715,000	290,000
Consolidated Public Improvement Refunding Bonds, 2015 Series B; interest at 2.125% to 4%; due semiannually to 2026	1,900,000	-	-	1,900,000	150,000
Consolidated Public Improvement Bonds, 2015 Series A; interest at 3% to 5%; due semiannually to 2030	3,255,000	-	-	3,255,000	-
Deferred bond premium (costs), net	782,829	-	(24,392)	758,437	24,394
Capital lease payable	1,527,500	359,273	(532,776)	1,353,997	550,571
	41,158,164	609,273	(2,461,120)	39,306,317	17,152,144
Compensated absences	381,672	300,047	(296,573)	385,146	173,316
Total business-type activities	\$ 41,539,836	\$ 909,320	\$ (2,757,693)	\$ 39,691,463	\$ 17,325,460

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

During 1990, the operations of three County landfills were terminated. During 1998, changes in federal and Maryland regulations will cause the County to incur additional closure costs to cap the Berlin rubble fill, which had previously closed. The County currently estimates that related closure costs to be incurred under current federal and State regulations is approximately \$3,100,000. The County is currently capping the Berlin rubble fill.

In August 2004, the County entered into an agreement with the Maryland Department of the Environment's State Revolving Loan Fund to finance water quality capital projects totaling up to \$12,325,000 with an interest rate of 0.4% and administrative charges of 0.5% to be repaid over the next 20 years. The loan was used to fund landfill closure projects in Pocomoke and Snow Hill (\$3,807,567) and various water and wastewater projects (\$6,742,000), including the expansion of the Ocean Pines wastewater treatment facility.

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

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

In April 2007, the County issued \$35,865,000 in Consolidated Public Improvement Project and Refunding Bonds, 2007 Series, with an average interest rate of 4.0% and maturing in 2022. Proceeds of \$28,100,000 were used to finance the Worcester Career & Technology Center. In addition, the Sanitary District Bonds, Series J, and the Consolidated Public Improvement Project and Refunding Bonds, 1996 Series, were refunded. The Consolidated additional proceeds were placed in escrow for the purpose of generating resources for all future debt service payments on \$7,620,000 of the refunded general obligation bonds. As a result, the associated liability has been removed. A net interest savings of \$523,511 will be achieved over the life of the bond.

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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

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

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

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

In June 2015, the County issued \$26,950,000 in Consolidated Public Improvement Refunding Bonds, 2015 Series B, with an average interest rate of 4% and maturing in 2026. Proceeds were used to refund portions of the 2007 and 2008 Series bonds and pay off the loan used to fund the Ocean Pines fire protection system project. The net proceeds of \$27,760,663 (after underwriting fees and other issuance costs) were deposited in a trust fund with an escrow agent and used to purchase U.S. government securities for the purpose of generating resources for all future debt service payments on \$25,300,000 of the refunded general obligation bonds. As a result, this portion of the refunded general obligation bonds is considered defeased and the associated liability has been removed. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,460,663 (see Note 16). A net interest savings of \$1,187,255 will be achieved over the life of the bond.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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

Governmental Activities

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 8,197,986	\$ 3,751,439	\$ 11,949,425
2018	8,952,180	3,366,091	12,318,271
2019	8,654,694	2,973,530	11,628,224
2020	9,396,875	2,585,113	11,981,988
2021	8,629,060	2,207,909	10,836,969
2022-2026	33,131,294	5,879,860	39,011,154
2027-2031	16,252,184	1,285,254	17,537,438
2032-2033	790,000	40,070	830,070
Total	\$ 94,004,273	\$ 22,089,266	\$ 116,093,539

Business-Type Activities

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 2,053,574	\$ 675,370	\$ 2,728,944
2018	2,014,748	606,644	2,621,392
2019	1,288,877	557,181	1,846,058
2020	1,313,443	520,900	1,834,343
2021	1,338,115	482,710	1,820,825
2022-2026	5,356,128	1,729,348	7,085,476
2027-2031	3,844,741	884,426	4,729,167
2032-2036	1,137,085	555,242	1,692,327
2037-2041	1,187,465	414,559	1,602,024
2042-2046	1,245,563	282,577	1,528,140
2047-2051	1,389,124	139,016	1,528,140
2052-2056	501,415	15,671	517,086
Total	\$ 22,670,278	\$ 6,863,644	\$ 29,533,922

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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

The assets acquired through capital leases are as follows:

Business-Type Activities

Equipment	\$ 3,295,734
Less: accumulated depreciation	(1,333,301)
Total	\$ 1,962,433

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

Business-Type Activities

<u>Year Ending June 30,</u>	
2017	\$ 586,512
2018	382,144
2019	268,697
2020	116,120
2021	71,431
	1,424,904
Less: amount representing interest	(70,907)
Present value of future minimum lease payments	\$ 1,353,997

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

Funds Used for Debt Service and Liquidation of Compensated Absences

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans

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

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

Maryland State Retirement and Pension System

Organization

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

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

The employees participating in each plan are as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Basis of Accounting

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

Covered Members

Teachers' Retirement and Pension Systems

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

Employees' Retirement and Pension Systems

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

The Law Enforcement Officers' Pension System (LEOPS)

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Summary of Significant Plan Provisions

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

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

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

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems are as follows:

Service Retirement Allowances

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

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

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

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

Vested Allowances

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

Early Service Retirement

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

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

Disability and Death Benefits

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

Adjusted Retirement Allowances

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.95% general, 3.45% wage
Salary Increases	3.45% to 10.70% including inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

Investments

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	100%	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2015.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 2.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Discount Rate

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

Sensitivity of the Net Pension Liability

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

System	1% Decrease to 6.55%	Current Discount	1% Increase to 8.55%
County	\$ 38,676,739	\$ 27,365,360	\$ 17,985,973
Board of Education	6,950,475	4,917,743	3,232,202

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

Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board of Education is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The specified percentage increases each fiscal year, until fiscal year 2017, when the BOE will be paying 100% of the normal cost for each teacher. The related payment for the fiscal year ending June 30, 2016, was \$2,370,640. In addition, the State of Maryland contributed \$6,505,613 on behalf of the BOE. The BOE has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2016, the BOE reported expense of \$463,577 related to the Employees' Systems in the fund financial statements. This amount was paid directly by the County and the Board has recognized the County on-behalf payments as both a revenue and expense.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

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

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

At June 30, 2016, the BOE reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the BOE. The amount recognized by the BOE as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the BOE were as follows:

BOE's proportionate share of the net pension liability (Employees' Systems)	\$ 4,917,743
State's proportionate share of the net pension liability (Teachers' Systems)	64,079,160
Total	<u>\$ 68,996,903</u>

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOE's proportion of the net pension liability was calculated as follows by the System(s):

- 1) Calculate the net pension liability for the entire System. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland (the "State") and one for the Participating Governmental Units ("PGUs"). These pools are kept on an actuarial basis and allow for the State to fund only State employees and PGUs to fund only PGU employees. For the accounting of the System, however, the assets of the System are accounted for in a single pool which is audited annually.
- 2) Determine the total contributions to the System by the State and PGUs, inclusive of any underfunding of contributions.
- 3) Based on the number of participants at each Board of Education, calculate the difference between what each BOE would have contributed if they funded at the rate of all other participating governments and what the BOE actually contributed. The difference between what the BOE contributed and what they would have contributed if they funded at the rate of the other participating governments is then added to the total contribution to the System, to calculate the System's adjusted contribution.
- 4) Calculate, for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution.
- 5) Provide each PGU its adjusted percentage of the contribution and the System's net pension liability and other related amounts.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

At June 30, 2016, the County and BOE reported the following related to pensions:

	<u>BOE</u>	<u>County</u>
Employer's proportion (percentage) of the collective net pension liability	0.0236638%	0.1316800%
Employer's proportionate share of the collective net pension liability	\$ 4,917,743	\$ 27,365,360
Pension expense recognized by the employer for the year ended June 30, 2016	463,577	3,182,213
Deferred inflows of resources at June 30, 2015	418,275	2,253,553
Difference between expected and actual experience	100,711	560,419
Amortization of items allowed by GASB 68	(104,569)	(563,388)
Deferred inflows of resources at June 30, 2016	414,417	2,250,584
Deferred outflows of resources at June 30, 2015	547,573	3,073,287
Year ended June 30, 2015 contributions	(492,294)	(2,775,459)
Difference between expected and actual experience	433,151	2,410,319
Change in assumptions	246,172	1,369,854
Amortization of items allowed by GASB 68	(13,820)	(74,457)
Year ended June 30, 2016 contributions	463,577	2,661,350
Deferred outflows of resources at June 30, 2016	1,184,359	6,664,894
Net pension liability June 30, 2015	3,821,376	20,588,571
Change in net pension liability factored for contributions	1,096,367	6,776,789
Net pension liability June 30, 2016	4,917,743	27,365,360

The \$463,577 and \$2,661,350 of deferred outflows of resources resulting from the BOE's and the County's respective contributions to the System subsequent to the measurement date will be recognized as a reduction of net pension liability during the year ending June 30, 2017.

At June 30, 2016, the County and BOE reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

County

Year Ended June 30,	2015 Balance Amortization			2014 Balance Amortization		
	Deferred Outflows		Deferred Inflows	Deferred Outflows	Deferred Inflows	
	Net Difference in Investment Earnings	Change in Assumptions	Actual and Expected Experience	Change in Assumptions	Net Difference in Investment Earnings	
2017	\$ 602,580	\$ 281,284	\$ (115,076)	\$ 74,457	\$ (563,388)	
2018	602,580	281,284	(115,076)	74,457	(563,388)	
2019	602,580	281,284	(115,076)	74,458	(563,389)	
2020	602,579	281,284	(115,076)	-	-	
2021	-	244,718	(100,115)	-	-	
Total	\$ 2,410,319	\$ 1,369,854	\$ (560,419)	\$ 223,372	\$ (1,690,165)	

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Board of Education

Year Ended June 30,	2015 Balance Amortization			2014 Balance Amortization	
	Deferred Outflows		Deferred Inflows	Deferred Outflows	Deferred Inflows
	Net Difference in Investment Earnings	Change in Assumptions	Actual and Expected Experience	Change in Assumptions	Net Difference in Investment Earnings
2017	\$ 108,288	\$ 50,549	\$ (20,680)	\$ 13,820	\$ (104,569)
2018	108,288	50,549	(20,680)	13,820	(104,569)
2019	108,288	50,549	(20,680)	13,819	(104,568)
2020	108,287	50,548	(20,680)	-	-
2021	-	43,977	(17,991)	-	-
Total	\$ 433,151	\$ 246,172	\$ (100,711)	\$ 41,459	\$ (313,706)

The deferred inflows and outflows related to non-investment activity are being amortized over the remaining service life of 5.87 years. The 2014 deferred outflows not related to investment activity are being amortized over the remaining service life of 5 years. The net difference in investment earnings for both 2015 and 2014 is being amortized over a closed 5-year period.

	Total Payroll	Covered Payroll	On-Behalf by State
County - MD Retirement and Pension System	\$ 28,821,034	\$ 23,419,512	\$ -
Board of Education	66,568,757	60,120,207	6,505,613
Library	1,538,995	1,490,773	247,695

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Worcester County Supplemental Pension Plan

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

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

The plan's accrued benefits and net assets available as of July 1, 2015, the latest date available, are:

Actuarially computed value of:

Vested accrued benefit obligation	\$ 4,824,474
Nonvested accrued benefit obligation	-
	<hr/> 4,824,474
Net assets available for pension benefits	<hr/> 6,603,752
Net pension asset (obligation)	<hr/> <hr/> \$ 1,779,278

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

The Department's contribution to the pension plan for the year ended June 30, 2016 was \$77,577 and is based on the entry age normal cost method. The Department has contributed 100% of the required contribution for the past four years.

Covered payroll for the Department totaled approximately \$2,046,383.

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

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

As of June 30, 2016, all assets of the plan were held in a deposit administration (guaranteed) fund under a group annuity contract issued by Nationwide Life Insurance Company.

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

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

Information regarding the plan's funding status for plan fiscal years 2016 – 2014 is as follows:

	2016	2015	2014
Net assets available for pension benefits	\$ 6,603,752	\$ 7,216,019	\$ 7,277,877
Pension obligation	\$ 4,824,474	\$ 5,761,202	\$ 5,727,813
Percentage funded	137%	125%	127%
Net pension assets	\$ 1,779,278	\$ 1,454,817	\$ 1,550,064
Annual covered payroll	\$ 2,046,383	\$ 2,173,187	\$ 2,323,345
Assets in excess of pension obligation as a percentage of covered payroll	87%	67%	67%
Employer contributions	\$ 129,742	\$ 147,788	\$ 173,907
Employer contributions as a percentage of covered payroll	6%	7%	7%

Note 8. Other Post-Employment Benefits

Plan Description

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

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

Eligible spouses and dependents desiring coverage through the eligible retiree's plan must be enrolled in the Plan immediately prior to the retiree's effective date of retirement. As of July 1, 2014, the date of the last actuarial valuation, the following numbers of employees were receiving or were potentially eligible to receive future benefits:

	County	Board of Education
Active	492	972
Retirees	222	530
Total	714	1,502

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

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

Funding Policy

The County provides basic major medical insurance (Medicare supplemental program for those over 65) and a prescription drug plan for its retired employees. It is the County's policy to pay 90% of the cost of such benefits for eligible retirees, dependents, and spouses. 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, 2016, the OPEB Trust paid for coverage of 222 retirees at a total cost, net of retiree contributions, of approximately \$2,678,000.

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

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

	County	Board of Education	Total
Annual required contribution	\$ 2,677,608	\$ 16,132,614	\$ 18,810,222
Interest on net OPEB obligation	(1,392,739)	2,888,235	1,495,496
Adjustment to annual required contribution	1,498,476	(3,107,510)	(1,609,034)
Annual OPEB cost	2,783,345	15,913,339	18,696,684
Trust fund contributions	(1,500,000)	(1,500,000)	(3,000,000)
Change in net OPEB obligation	1,283,345	14,413,339	15,696,684
Net OPEB obligation (asset), beginning of year	(18,612,929)	55,673,839	37,060,910
Net OPEB obligation (asset), end of year	\$ (17,329,584)	\$ 70,087,178	\$ 52,757,594

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

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

	Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (Asset)
County	June 30, 2016	\$ 2,783,345	54%	\$ (17,329,584)
Board of Education	June 30, 2016	15,913,339	9%	70,087,178
County	June 30, 2015	2,783,345	54%	(18,612,929)
Board of Education	June 30, 2015	15,913,339	9%	55,673,839
County	June 30, 2014	5,288,455	50%	(19,896,274)
Board of Education	June 30, 2014	18,973,578	13%	41,260,500

Funding Status and Funding Progress

The following table is as of July 1, 2014, the most recent actuarial valuation date:

	(May 31, 2015) Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
County	\$ 43,063,473	\$ 51,051,706	\$ 7,988,233	84.35%	\$ 29,382,181	27.19%
Board of Education	26,202,743	146,113,607	119,910,864	17.93%	65,912,693	181.92%
Total	\$ 69,266,216	\$ 197,165,313	\$ 127,899,097		\$ 95,294,874	

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

Actuarial Methods and Assumptions

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

For the July 1, 2014 actuarial valuation, the cost method used was the projected unit credit, with linear proration to decrement attribution. The actuarial assumptions include an expected 7.0% investment rate of return on plan assets per annum, an inflation rate of 3.0%, and an assumed medical trend rate of 6% – 6.5%. The projected annual healthcare cost trend rate is 6.33% initially, reduced by decrements to an ultimate rate of 5.0% after ten years. The UAAL is being amortized over 24 years based on a level percentage of projected payrolls on a closed basis.

NOTES TO FINANCIAL STATEMENTS

Note 9. Deferred Compensation

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

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

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

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

Note 10. Commitments and Contingencies

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

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

The County entered into a contract on July 21, 2015 with Tyler Technologies at a total cost of \$448,811 to purchase tax billing software and Munis Analytics and Reporting software to replace the existing AS400 software that the County used for approximately 20 years with limited options for the County and taxpayers.

The County entered into a contract on September 1, 2015 with M2 Construction LLC, doing business as HR1 Construction LLC in Maryland, for upgrades to the Ocean Pines Sewer Pump Station "B" at a cost of \$888,300. This project is part of overall system improvements in the Ocean Pines Sanitary Service Area funded through 2014 bonds.

The County entered into a revised contract in September 2015 with Harris Corporation for the 800 MHz P25 Radio System equipment and service at a total cost of \$5,075,000, with 15-year operational costs of \$2,926,921. The cost of the radio system is funded with 2015 bonds.

The County entered into a contract on October 6, 2015 with Hopkins Construction, Inc. for construction of the Snow Hill Landfill Gas Migration Control Trench – Phase II at a cost of \$374,075.

The County entered into a contract on October 26, 2015 with Teal Construction, Inc. for construction of the MD Route 611 Water Main Extension Project at a cost of \$755,559. This project is funded through 2015 bonds dedicated to the Mystic Harbour Sanitary Service Area for water extension, interconnection, and upgrades.

The County entered into a contract on January 28, 2016 with Eastern Communications, Ltd. at a cost of \$110,984 for design, licensing, delivery, and installation of a microwave radio hop to be integrated into routers to link the Central Site Lane communications tower to the Mystic Harbour water tank for the Worcester County Department of Emergency Services. This work is part of the overall 800 MHz project funded by 2015 bonds.

The County entered into a contract on February 4, 2016 with Exacom, Inc. at a cost of \$161,546 for the procurement, installation, and configuration of a redundant geo-diverse recording solution for the Worcester County Department of Emergency Services. This is a replacement of the 911 recorder.

The County entered into a contract on July 8, 2016 with A-Del Construction Co., Inc. for construction of the Berlin Rubble Fill Closure Project at a cost of \$2,736,185. Funding for this project comes from 2015 bonds.

NOTES TO FINANCIAL STATEMENTS

Note 10. Commitments and Contingencies (continued)

On May 18, 2015, the United States Supreme Court ruled in *Maryland State Comptroller of the Treasury of Maryland v. Brian Wynne* that Maryland's income tax system must be altered to allow for out-of-state tax credits to be granted against local income tax. The annual revenue loss to Worcester County is estimated at approximately \$250,000 per year beginning in fiscal year 2016. Maryland House Bill 72, at the State level, allows for any prior year amendments/claims to be smoothed out through the Local Income Tax Reserve Account fiscal years 2017-2019; the effect of which we feel is insignificant. The proposed fiscal year 2017 budget has been reduced for this impact.

Note 11. Assigned Fund Balance

Assignments of fund balance are intended to be used for specific purposes but are not legally restricted. The assignments for the year ended June 30, 2016 are summarized as follows:

Assigned for:

Berlin Health Department storage and parking lot	\$ 220,000
Berlin Rubblefill cap and closure	487,494
Berlin Library project	3,200,000
Bishopville homeowner convenience center	300,000
Board of Education HVAC rooftop units for PMS and SHMS	126,865
Building HVAC automation system controls	40,000
County building repairs and improvements	457,174
Courthouse air handler and flooring replacements	575,000
Emergency Services Radio System	41,522
Encumbrances	1,756,905
Financial tax software	150,203
Fire Training Center pole building (Public Safety trailer storage)	100,000
Government Center (ventilation, building repairs, and audio/visual system)	355,000
Health Department wide area data network	106,488
Isle of Wight building repairs	100,000
Jail building improvements and repairs	2,750,000
Maryland Broadband fiber project	150,000
North End Public Works building	100,000
Ocean Pines Library	800,000
Other Post-Employment Benefits transfer	750,000
Parking lot improvements	200,000
Pearl Street building repairs	120,000
PNC Bank building with improvements	500,000
Pocomoke Health Department building upgrades	300,000
Public Landing marina (boat slip construction with amenities)	190,000
Public Works building expansion (design)	50,000
Recreation Center building	200,000
Roads Department paving projects (FY17 paving)	1,000,000
Route 50 service road	277,000
Showell Elementary School	711,774
Snow Hill Landfill gas remediation	34,315
Snow Hill Senior Center	150,000
Taylor Landing pier construction	9,557
Wor-Wic College AAB/MTC building renovations	6,000
Total	\$ 16,315,297

NOTES TO FINANCIAL STATEMENTS

Note 12. Landfill Closure and Post-closure Care Costs

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

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

The County has reported \$3,100,000 as the landfill closure and post-closure care liability at June 30, 2016 in the long-term liabilities section of the Statement of Net Position related to the closed landfills mentioned above (see also Note 6). The County has also reported \$14,523,605 in estimated landfill closure and post-closure care liabilities at June 30, 2016 in the enterprise fund related to the Central Landfill. Accrual of closure and post-closure care costs have been recognized based on estimated capacity used to date.

The Central Landfill facility in Newark is the only active landfill in the County. The state-of-the-art facility is situated on a 724.5 acre parcel located approximately 3.5 miles northeast of the Town of Snow Hill. The facility, which began operations in 1990, has a permitted life span of 40 years and includes eight landfill cells. As of June 30, 2016, cells #2 and #3 are full and cells #1 and #4 are at approximately 86% and 92% of their respective capacities. The County received approval from the Maryland Department of the Environment to begin mining the existing cell #1 instead of closing or “capping” it in order to reclaim as much as 40% of the airspace for future use. If successful, the mining operation will likely continue to the other closed or “filled” cells in order to reclaim landfill capacity and extend the overall life of the facility. The County began mining of cell #1 during fiscal year 2010, but suspended the mining operation during fiscal years 2014 through 2016 to avoid filling up cell #4 before cell #5 is complete.

As there are currently no legal restrictions on available funds, the County has approximately \$9,200,000 of current assets available for landfill closure and post-closure care costs within the Landfill Fund. The shortfalls may need to be covered by any combination of charges to future landfill users, future tax revenues, or additional borrowings.

The County has satisfied its financial assurance requirements based upon the local government financial ratio tests as of June 30, 2015. The County expects to satisfy these requirements as of June 30, 2016 using the same criteria.

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

Note 13. Risk Management

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 14. On-Behalf Payments

On-behalf payments for fringe benefits represent the pension contribution by the State of Maryland to the State Retirement System for applicable employees of the Library. The amount recognized as revenue and expenditures for the year ended June 30, 2016 was \$247,695 for the Library, which is included in miscellaneous revenues and libraries, recreation, parks and culture expenditures, respectively.

Note 15. Component Units

The Board of Education of Worcester County

Cash and Short-Term Investments

At June 30, 2016, the BOE had deposits of \$7,207,610 (carrying value \$6,224,223), which were either fully insured or collateralized by securities held in the name of the BOE.

Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Transfers and Reductions	Balance June 30, 2016
Governmental activities:				
Nondepreciable capital assets:				
Land and improvements	\$ 1,886,779	\$ -	\$ -	\$ 1,886,779
Construction-in-progress	28,392,684	12,223,658	(13,870)	40,602,472
Total nondepreciable capital assets	30,279,463	12,223,658	(13,870)	42,489,251
Depreciable capital assets:				
Building and building improvements	174,766,941	1,138,966	13,870	175,919,777
Machinery and equipment	3,977,849	-	-	3,977,849
Total depreciable assets	178,744,790	1,138,966	13,870	179,897,626
Less accumulated depreciation for:				
Buildings and building improvements	(56,032,212)	(3,824,425)	-	(59,856,637)
Machinery and equipment	(3,068,046)	(170,632)	-	(3,238,678)
Total accumulated depreciation	(59,100,258)	(3,995,057)	-	(63,095,315)
Total depreciable capital assets, net	119,644,532	(2,856,091)	13,870	116,802,311
Governmental activities capital assets, net	\$ 149,923,995	\$ 9,367,567	\$ -	\$ 159,291,562
Business-type activities:				
Depreciable capital assets:				
Machinery and equipment	\$ 262,982	\$ -	\$ -	\$ 262,982
Less accumulated depreciation for:				
Machinery and equipment	(220,160)	(4,541)	-	(224,701)
Total depreciable capital assets, net	42,822	(4,541)	-	38,281
Business-type activities capital assets, net	\$ 42,822	\$ (4,541)	\$ -	\$ 38,281

NOTES TO FINANCIAL STATEMENTS

Note 15. Component Units (continued)

Long-Term Debt

The following is a summary of long-term debt transactions of the BOE for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Other post-employment benefits	\$ 55,673,839	\$ 14,413,339	\$ -	\$ 70,087,178
Net pension liability	3,821,376	1,096,367	-	4,917,743
Long-term portion of accrued compensated absences	471,085	26,133	(204,417)	292,801
	\$ 59,966,300	\$ 15,535,839	\$ (204,417)	\$ 75,297,722

Post-Retirement Benefits

The BOE currently funds 90% of the healthcare insurance premiums for retirees who have accumulated the required number of years of service with the BOE prior to their retirement. The BOE's OPEB Trust currently pays for the cost of these benefits on a pay-as-you-go basis. For the year ended June 30, 2016, the BOE's OPEB Trust paid for coverage of approximately 530 retirees at a total cost, net of retiree contributions, of approximately \$5,700,000. For the year ended June 30, 2016, the County contributed \$1,500,000 to the BOE's OPEB Trust to fund the ARC and the pay-as-you-go post-retirement healthcare benefits.

Commitments and Contingencies

The BOE regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The BOE entered into a contract for the construction of Snow Hill High School. The contract is for approximately \$40,700,000, of which approximately \$35,000,000 had been completed by June 30, 2016. This contract is being funded by portions of the County's 2014 bond funds and the State of Maryland.

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

Risk Management

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

NOTES TO FINANCIAL STATEMENTS

Note 15. Component Units (continued)

On-Behalf Payments

On-behalf payments for fringe benefits represent the pension contribution by the State of Maryland to the State Retirement System for applicable employees of the BOE. The amount recognized as revenue and expenditures for the year ended June 30, 2016 was \$6,505,613 for the BOE, which is included in intergovernmental revenues and education expenditures, respectively, in the BOE's separately issued financial statements.

Note 16. Prior Period Restatement

The County has determined to restate its Statement of Net Position and Statement of Activities as of June 30, 2015. The determination to restate these financials statements was made to more accurately reflect the deferred outflows on advance refunding associated with the County's 2015 bond issue (see Note 6).

The following table is a summary of the effect of these changes on net position and the change in net position:

	<u>County</u>	
	<u>Net Position</u>	<u>Change in Net Position</u>
As previously reported, June 30, 2015	\$ 111,652,669	\$ (27,492,155)
Adjustment to deferred charge on refunding	2,460,663	2,460,663
As restated, June 30, 2015	<u>\$ 114,113,332</u>	<u>\$ (25,031,492)</u>

Note 17. Subsequent Events

The County ended wholesale operations associated with the Department of Liquor Control on September 30, 2016. The County will continue retail operations through June 30, 2017, and is in the process of liquidating its existing liquor inventory and soliciting potential buyers for its four retail liquor store locations. As of November 30, 2016, the County has entered into a contract to sell one of its retail locations.

REQUIRED SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes:				
Real and personal property:				
Real property:				
Full-year levy	\$ 120,998,180	\$ 120,998,180	\$ 120,720,073	\$ (278,107)
Semi-year levy	167,000	167,000	146,428	(20,572)
Personal property	342,343	342,343	364,013	21,670
Corporations and utilities	6,741,585	6,741,585	6,958,430	216,845
Net additions and abatements	(358,200)	(358,200)	(129,934)	228,266
	127,890,908	127,890,908	128,059,010	168,102
Interest on delinquent taxes	800,000	800,000	675,019	(124,981)
Discounts allowed on taxes	(400,000)	(400,000)	(443,308)	(43,308)
Tax credits for assessment increase	(1,248,609)	(1,248,609)	(1,229,445)	19,164
Total real and personal property	127,042,299	127,042,299	127,061,276	18,977
Local income tax	14,900,000	14,900,000	17,931,884	3,031,884
Other local taxes:				
Room tax	13,015,083	13,015,083	15,564,805	2,549,722
Admission and amusement	560,000	560,000	524,750	(35,250)
Recordation	5,500,000	5,500,000	6,449,513	949,513
Trailer park excise tax	100,000	100,000	117,413	17,413
Transfer tax	3,000,000	3,000,000	4,158,215	1,158,215
Food tax	1,050,000	1,050,000	1,424,439	374,439
State shared:				
Highway user revenue	497,452	497,452	517,283	19,831
911 State fees	450,000	450,000	425,181	(24,819)
Total taxes	166,114,834	166,114,834	174,174,759	8,059,925
Licenses and permits:				
Business:				
Liquor licenses	750,000	750,000	773,536	23,536
Vending machine licenses	116,000	116,000	85,090	(30,910)
Traders' licenses	85,000	85,000	94,186	9,186
Occupational licenses	32,000	32,000	36,545	4,545
Bingo permits	16,000	16,000	16,469	469
Tourist and trailer park permits	9,000	9,000	6,395	(2,605)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Licenses and permits, continued:				
Other:				
Building permits	\$ 200,000	\$ 200,000	\$ 234,431	\$ 34,431
Electrical permits	14,000	14,000	17,985	3,985
Marriage licenses	24,000	24,000	24,900	900
Civil ceremony licenses	1,500	1,500	1,520	20
Shoreline construction permits	11,250	11,250	20,425	9,175
Timber harvest permits	1,000	1,000	3,050	2,050
Sediment erosion control permits	12,500	12,500	16,566	4,066
Environmental permits	61,975	61,975	42,825	(19,150)
EDU transfer fee	2,000	2,000	2,200	200
Health permits	380,000	380,000	385,575	5,575
Raffle permits	1,800	1,800	1,750	(50)
Plumbing permits	40,000	40,000	63,025	23,025
Gas permits	18,000	18,000	23,525	5,525
Planning and zoning permits	37,700	37,700	46,142	8,442
Total licenses and permits	1,813,725	1,813,725	1,896,140	82,415
Intergovernmental:				
Federal grants:				
Payments in lieu of taxes	17,500	17,500	20,501	3,001
CDBG housing rehab grant	150,000	150,000	123,016	(26,984)
Homeland security grant	229,890	229,890	154,609	(75,281)
Bulletproof vest program	4,000	4,000	(115)	(4,115)
Emergency shelter grant	127,750	127,750	96,905	(30,845)
MDE beach monitoring grant	3,100	3,100	3,261	161
Traffic safety - State Highway Administration	720	720	7,743	7,023
Library federal grant	-	-	12,365	12,365
Child support enforcement	7,000	7,000	20,085	13,085
US Fish and Wildlife Service	-	-	7,093	7,093
State grants:				
VOLT administration income	17,010	17,010	-	(17,010)
Maryland State Police grants	-	-	3,095	3,095
Police protection	166,108	166,108	121,441	(44,667)
MD AOC security grant	-	-	77,257	77,257
State park revenues	399,442	399,442	463,755	64,313
Open space program - parks	362,434	362,434	21,668	(340,766)
Open space program - recreation	44,686	44,686	785,290	740,604
Library aid	147,323	147,323	147,323	-
Other housing rehab income	2,500	2,500	-	(2,500)
Share of State forest land	48,000	48,000	169,602	121,602
Eastern Shore library grant	75,000	75,000	74,835	(165)
Other grants	-	-	57,799	57,799

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental, continued:				
State grants, continued:				
Family support services MACRO grant	\$ 13,824	\$ 13,824	\$ 13,152	\$ (672)
Homeless women grant	24,557	24,557	24,557	-
Sheriff - sex offender grant	9,000	9,000	24,019	15,019
Sheriff - health tobacco enforcement	-	-	26,250	26,250
Sheriff - health underage drinking	2,000	2,000	2,000	-
CREP program	12,780	12,780	-	(12,780)
Senator Amoss grant	343,303	343,303	344,034	731
Tourism	116,794	116,794	120,174	3,380
State aid for bridges	366,154	366,154	7,840	(358,314)
Critical area grant	13,000	13,000	13,000	-
MALPF administrative fees	3,000	3,000	7,064	4,064
DHCD housing administration fees	7,000	7,000	3,408	(3,592)
Conservation easement admin fee	20,000	20,000	18,126	(1,874)
Conservation easement reimbursements	60,000	60,000	16,275	(43,725)
Rental assistance program	40,000	40,000	30,000	(10,000)
Water system monitoring	55,100	55,100	17,560	(37,540)
Trial jury reimbursement	54,000	54,000	48,285	(5,715)
Family support grant	175,405	175,405	184,319	8,914
Drug court coordinator	209,070	209,070	218,095	9,025
Waterway improvement grants	-	-	198,508	198,508
Septic system BRF grants	280,350	280,350	102,278	(178,072)
MD Coastal Bays	-	-	35,334	35,334
Economic development grant	-	-	15,700	15,700
Bay Restoration operations and maintenance	-	-	50,000	50,000
MD Department of Aging grant	-	-	83,321	83,321
911 systems grant	-	-	81,223	81,223
Total intergovernmental	3,607,800	3,607,800	4,052,050	444,250
Service charges and fees:				
Liquor advertising fees	2,500	2,500	1,800	(700)
Donation sponsorship program	5,200	5,200	405	(4,795)
Dental program reimbursement	26,915	26,915	17,505	(9,410)
Commercial plumbing plan review	2,500	2,500	625	(1,875)
Sheriff fees	81,500	81,500	69,290	(12,210)
Sales of publications and copies	5,825	5,825	2,202	(3,623)
Library use charges	35,000	35,000	39,781	4,781
Library Erate reimbursements	12,000	12,000	12,654	654
First offender program fees	75,000	75,000	9,467	(65,533)
Mosquito control charges	48,293	48,293	46,067	(2,226)
Casino security	15,000	15,000	8,928	(6,072)
Seacrets security	97,696	97,696	117,630	19,934
Purnell Properties security	-	-	17,496	17,496
Sunset Marina security	-	-	3,492	3,492

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Service charges and fees, continued:				
Vehicle tag fees	\$ 4,500	\$ 4,500	\$ 3,664	\$ (836)
Salary reimbursement	1,500	1,500	-	(1,500)
Recreation center fees	75,000	75,000	116,780	41,780
Critical area review fees	20,000	20,000	30,397	10,397
Library special projects	2,000	2,000	-	(2,000)
Forestry review fees	3,000	3,000	15,114	12,114
Shared facility fees	500	500	-	(500)
Stormwater management review fees	42,000	42,000	98,778	56,778
Tourism co-op advertising	2,000	2,000	111	(1,889)
Economic development program and events	10,000	10,000	5,000	(5,000)
Roads department fees	30,000	30,000	46,866	16,866
Bay restoration administration fees	20,500	20,500	22,670	2,170
Shoreline Commission application fees	12,000	12,000	26,600	14,600
Park fees	23,140	23,140	41,262	18,122
Concession stand fees	20,000	20,000	38,107	18,107
Environmental fees	18,300	18,300	17,220	(1,080)
Recreation fees	50,000	50,000	65,880	15,880
Solar renewable energy credits	10,000	10,000	10,211	211
Water and sewer plan amendment fees	2,000	2,000	500	(1,500)
Circuit Court bar library	5,000	5,000	1,646	(3,354)
Firearms training center fees	3,000	3,000	600	(2,400)
Payments for jail use	5,307,000	5,307,000	5,184,081	(122,919)
Fire inspection fees	50,000	50,000	111,677	61,677
Family services legal fees	3,000	3,000	2,447	(553)
Community service fees	88,000	88,000	63,775	(24,225)
Public Works pipe sales	10,000	10,000	26,147	16,147
Franchise fees	25,000	25,000	21,252	(3,748)
Election filing fees	200	200	38	(162)
Motor coach fees	25,000	25,000	24,675	(325)
Total service charges and fees	6,270,069	6,270,069	6,322,840	52,771
Miscellaneous:				
Court fines	40,000	40,000	63,974	23,974
Civil infraction fines	2,500	2,500	2,900	400
Retiree drug subsidy	260,000	260,000	246,197	(13,803)
Interest on investments	150,000	150,000	155,069	5,069
Rent revenue	112,384	112,384	112,138	(246)
Sale of fixed assets	25,000	25,000	55,224	30,224
Miscellaneous	50,000	50,000	114,844	64,844
MSRS library on-behalf payments	-	-	247,695	247,695
Total miscellaneous	639,884	639,884	998,041	358,157
Total revenues	\$178,446,312	\$178,446,312	\$187,443,830	\$ 8,997,518

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
EXPENDITURES:				
General government:				
County Commissioners' office:				
Salaries	\$ 913,736	\$ 913,736	\$ 936,005	\$ (22,269)
Benefits	449,864	449,957	439,151	10,806
Administrative	14,253	11,466	9,934	1,532
Other supplies and equipment	10,690	11,325	11,199	126
Equipment maintenance	11,500	13,652	13,651	1
Legal	6,500	6,500	2,384	4,116
Vehicle operating expense	4,500	4,500	2,726	1,774
Building site	5,200	5,200	2,196	3,004
Advertising	13,000	13,000	10,525	2,475
Training and travel	32,848	32,848	32,356	492
Enterprise fund credits	(119,096)	(119,096)	(116,069)	(3,027)
	1,342,995	1,343,088	1,344,058	(970)
Circuit Court:				
Salaries	870,411	870,411	902,041	(31,630)
Benefits	428,534	428,622	423,216	5,406
Administrative	24,732	24,732	22,981	1,751
Other supplies and equipment	9,375	9,375	23,793	(14,418)
Equipment maintenance	18,295	18,295	15,804	2,491
Grant services	116,904	116,904	207,302	(90,398)
Legal	113,200	113,200	87,549	25,651
Building site	17,700	17,700	10,407	7,293
Other maintenance and services	1,800	1,800	-	1,800
Advertising	398	398	-	398
Training and travel	11,175	11,175	9,491	1,684
	1,612,524	1,612,612	1,702,584	(89,972)
Orphans' Court:				
Salaries	21,000	21,000	21,000	-
Benefits	10,339	10,341	9,853	488
Training and travel	7,294	7,294	4,810	2,484
	38,633	38,635	35,663	2,972

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General government, continued:				
State's Attorney's office:				
Salaries	\$ 1,177,719	\$ 1,177,719	\$ 1,136,897	\$ 40,822
Overtime pay	5,000	5,000	-	5,000
Benefits	582,294	582,414	533,405	49,009
Administrative	26,800	26,800	26,376	424
Other supplies and equipment	11,890	14,167	14,166	1
Equipment maintenance	9,234	9,778	9,778	-
Uniforms and personal equipment	1,000	1,000	516	484
Legal	5,800	6,561	6,560	1
Vehicle operating expense	11,500	11,500	9,058	2,442
Building site	14,000	9,909	8,041	1,868
Advertising	-	509	508	1
Training and travel	33,500	33,500	14,967	18,533
	1,878,737	1,878,857	1,760,272	118,585
Treasurer's office:				
Salaries	1,095,886	1,095,886	1,082,734	13,152
Benefits	539,543	539,654	507,993	31,661
Administrative	45,700	44,900	33,965	10,935
Other supplies and equipment	4,056	4,056	2,328	1,728
Equipment maintenance	15,500	15,500	15,066	434
Legal	1,500	1,900	1,881	19
Consulting services	-	400	374	26
Building site	16,000	16,000	7,930	8,070
Training and travel	6,200	6,200	3,562	2,638
Enterprise fund credits	(306,927)	(306,927)	(306,327)	(600)
Capital equipment	50,000	50,000	-	50,000
	1,467,458	1,467,569	1,349,506	118,063
Elections office:				
State employees' salaries and benefits	387,393	387,393	410,417	(23,024)
Salaries	11,400	11,400	11,400	-
Benefits	7,385	7,387	7,038	349
Administrative	11,465	11,465	10,244	1,221
Other supplies and equipment	201,389	201,389	134,506	66,883
Voting machines and poll expenses	192,095	188,525	116,001	72,524
Equipment maintenance	8,945	8,945	4,165	4,780
Consulting services	16,500	16,500	10,296	6,204
Building site	18,730	18,730	15,426	3,304
Training and travel	5,710	9,280	9,274	6
	861,012	861,014	728,767	132,247

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
General government, continued:				
Human resources:				
Salaries	\$ 326,511	\$ 326,511	\$ 312,898	\$ 13,613
Benefits	160,753	160,786	146,804	13,982
Administrative	10,585	10,585	10,025	560
Other supplies and equipment	2,728	2,728	2,827	(99)
Equipment maintenance	3,700	3,700	2,772	928
Grant services	-	-	2,092	(2,092)
Program expense	3,000	3,000	3,000	-
Legal	650	650	567	83
Consulting services	14,000	14,000	12,030	1,970
Vehicle operating expense	5,000	5,000	3,482	1,518
Building site	2,200	2,200	1,418	782
Advertising	200	200	68	132
Training and travel	1,705	1,705	1,699	6
Enterprise fund credits	(71,832)	(71,832)	(71,832)	-
	459,200	459,233	427,850	31,383
Development review and permitting:				
Salaries	1,247,900	1,247,900	1,246,704	1,196
Benefits	614,384	614,511	584,924	29,587
Administrative	10,990	10,990	10,289	701
Other supplies and equipment	7,200	7,200	3,449	3,751
Equipment maintenance	7,593	7,593	6,914	679
Program expense	22,000	22,020	22,020	-
Housing rehabilitation program	214,900	214,880	164,467	50,413
Legal	28,250	26,050	21,956	4,094
Vehicle operating expense	19,785	19,785	14,395	5,390
Building site	8,000	8,000	3,742	4,258
Other maintenance and services	375	375	-	375
Advertising	9,000	11,200	11,104	96
Training and travel	15,490	15,490	9,549	5,941
Enterprise fund credits	(76,896)	(76,896)	(76,896)	-
	2,128,971	2,129,098	2,022,617	106,481
Environmental programs:				
Salaries	904,550	904,550	831,653	72,897
Benefits	445,341	445,433	390,192	55,241
Administrative	5,840	5,840	6,308	(468)
Other supplies and equipment	15,053	15,053	12,762	2,291
Equipment maintenance	2,400	2,400	2,332	68
Grant programs	260,000	260,000	109,300	150,700
Legal	4,250	4,250	1,210	3,040
Consulting services	39,900	39,900	95,682	(55,782)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
General government, continued:				
Environmental programs, continued:				
Vehicle operating expense	\$ 20,858	\$ 20,858	\$ 15,585	\$ 5,273
Building site	5,500	5,500	2,289	3,211
Other maintenance and services	500	500	-	500
Advertising	8,730	8,730	3,657	5,073
Training and travel	9,605	9,605	4,932	4,673
Interfund	(21,498)	(21,498)	(21,498)	-
	1,701,029	1,701,121	1,454,404	246,717
Other general government:				
Administrative	186,250	186,250	155,779	30,471
Other supplies and equipment	52,218	52,218	34,648	17,570
Equipment maintenance	441,030	441,030	418,387	22,643
Consulting services	75,000	75,000	61,154	13,846
Energy	15,000	15,000	-	15,000
Building site	708,079	708,079	656,437	51,642
Training and travel	6,700	6,700	6,867	(167)
Tri-County Council	340,384	340,384	340,384	-
Other non-matching expenses	673,986	673,986	677,196	(3,210)
Property-liability insurance	363,286	363,286	375,192	(11,906)
Other expenses	63,797	63,797	58,567	5,230
Capital equipment	200,000	200,000	207,003	(7,003)
	3,125,730	3,125,730	2,991,614	134,116
Total general government	14,616,289	14,616,957	13,817,335	799,622
Public safety:				
Sheriff's office:				
Salaries	4,940,361	4,940,361	4,810,395	129,966
Overtime pay	424,808	424,808	692,531	(267,723)
Benefits	2,641,459	2,642,003	2,581,842	60,161
Administrative	26,787	26,982	26,962	20
Other supplies and equipment	338,099	302,704	212,155	90,549
Equipment maintenance	104,960	104,960	96,486	8,474
Uniforms and personal equipment	155,120	181,120	172,229	8,891
Grant programs	720	720	628	92
Legal	1,000	1,000	328	672
Consulting services	20,762	25,162	20,339	4,823
Vehicle operating expense	415,000	387,914	361,608	26,306
Building site	51,397	51,397	42,612	8,785
Training and travel	50,104	50,104	38,244	11,860
Capital equipment	196,405	228,291	241,931	(13,640)
	9,366,982	9,367,526	9,298,290	69,236

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public safety, continued:				
Emergency services:				
Salaries	\$ 1,202,867	\$ 1,202,867	\$ 1,144,218	\$ 58,649
Overtime pay	15,000	15,000	28,621	(13,621)
Benefits	599,598	599,722	550,268	49,454
Administrative	4,131	4,131	3,800	331
Other supplies and equipment	61,792	61,792	44,863	16,929
Equipment maintenance	348,805	348,805	324,038	24,767
Uniforms and personal equipment	1,500	1,500	1,478	22
Grant programs	107,390	107,390	181,841	(74,451)
Legal	-	-	418	(418)
Consulting services	-	-	565	(565)
Vehicle operating expense	9,800	9,800	6,487	3,313
Building site	185,750	185,750	183,809	1,941
Advertising	-	-	310	(310)
Training and travel	7,000	7,000	5,602	1,398
Information technology operations	573,866	573,906	561,961	11,945
	3,117,499	3,117,663	3,038,279	79,384
Jail:				
Salaries	5,292,798	5,292,798	5,167,895	124,903
Overtime pay	20,556	20,556	17,388	3,168
Benefits	2,615,949	2,616,488	2,432,812	183,676
Administrative	6,850	6,850	6,027	823
Other supplies and equipment	26,240	26,240	17,288	8,952
Equipment maintenance	24,900	24,900	24,538	362
Uniforms and personal equipment	48,250	48,250	42,856	5,394
Inmate supplies and services	2,189,392	2,183,856	2,066,524	117,332
Legal	250	250	15	235
Consulting services	4,325	7,475	4,973	2,502
Vehicle operating expense	13,800	13,800	9,952	3,848
Building site	761,625	761,625	669,838	91,787
Other maintenance and services	7,950	10,336	9,900	436
Training and travel	13,350	13,350	13,180	170
	11,026,235	11,026,774	10,483,186	543,588
Fire Marshal:				
Salaries	339,193	339,193	338,787	406
Overtime pay	10,000	10,000	8,588	1,412
Benefits	171,920	171,955	162,980	8,975
Administrative	5,414	5,414	4,329	1,085
Supplies and equipment	22,889	31,275	30,103	1,172
Equipment maintenance	8,175	6,217	5,221	996
Uniforms and personal equipment	3,500	3,146	3,006	140

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public safety, continued:				
Fire Marshal, continued:				
Other supplies and materials	\$ 500	\$ 500	\$ -	\$ 500
Consulting services	600	63	-	63
Vehicle operating expense	26,025	34,487	28,094	6,393
Building site	2,000	2,000	655	1,345
Training and travel	23,150	10,370	780	9,590
Capital equipment	34,100	32,881	32,881	-
	647,466	647,501	615,424	32,077
Volunteer fire departments:				
County grant to fire companies	2,250,000	2,250,000	2,250,000	-
Fireman's Training Center	22,390	22,390	22,149	241
State grant for fire companies	343,303	343,303	344,034	(731)
County grant to ambulance companies	3,546,646	3,546,646	3,546,646	-
Training and travel - transportation expense	3,000	3,000	2,965	35
Capital equipment	-	-	182,212	(182,212)
Volunteer firemen worker's compensation	151,298	151,298	161,964	(10,666)
LOSAP appropriation	103,000	103,000	87,200	15,800
	6,419,637	6,419,637	6,597,170	(177,533)
Total public safety	30,577,819	30,579,101	30,032,349	546,752
Public works:				
Maintenance:				
Salaries	667,214	667,214	636,217	30,997
Overtime pay	3,500	3,500	1,526	1,974
Benefits	330,216	330,284	299,214	31,070
Administrative	1,200	1,200	997	203
Other supplies and equipment	30,584	30,584	28,414	2,170
Equipment maintenance	6,370	6,370	6,370	-
Uniforms and personal equipment	6,650	6,650	5,447	1,203
Vehicle operating expense	45,000	45,000	34,497	10,503
Building site	26,797	26,797	19,151	7,646
Other maintenance and services	300	300	-	300
Advertising	500	500	141	359
Training and travel	1,500	1,500	1,248	252
Capital equipment	127,400	127,400	125,597	1,803
	1,247,231	1,247,299	1,158,819	88,480

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Public works, continued:				
Roads department:				
Salaries	\$ 1,215,554	\$ 1,215,554	\$ 1,146,594	\$ 68,960
Overtime pay	12,000	12,000	7,455	4,545
Benefits	604,367	604,492	541,452	63,040
Administrative	1,800	1,800	1,442	358
Other supplies and equipment	75,188	75,188	63,193	11,995
Equipment maintenance	2,000	2,000	1,812	188
Road maintenance materials	1,063,745	1,041,344	1,044,540	(3,196)
Uniforms and personal equipment	10,850	10,850	8,943	1,907
Grant services	-	-	37,819	(37,819)
Consulting services	1,000	1,000	571	429
Vehicle operating expense	287,100	196,446	220,587	(24,141)
Building site	36,100	35,439	27,871	7,568
Road maintenance	634,778	747,833	180,639	567,194
Advertising	600	1,043	1,042	1
Training and travel	605	823	823	-
Capital equipment	514,242	514,242	465,138	49,104
	4,459,929	4,460,054	3,749,921	710,133
Public works administration:				
Salaries	502,857	502,857	497,064	5,793
Benefits	247,574	247,625	233,211	14,414
Administrative	2,965	2,965	1,454	1,511
Other supplies and equipment	9,360	8,959	7,874	1,085
Equipment maintenance	5,745	6,146	5,838	308
Uniforms and personal equipment	1,350	1,350	1,000	350
Program expense	225	225	-	225
Legal	2,700	2,700	179	2,521
Consulting services	100,300	100,300	61,221	39,079
Vehicle operating expense	9,500	9,398	5,733	3,665
Building site	8,700	8,630	6,472	2,158
Other maintenance and services	1,500	1,602	1,602	-
Fleet services	(82,124)	(82,124)	(55,009)	(27,115)
Custodial services	5,000	5,000	(5,274)	10,274
Central fuel facility	-	-	10,809	(10,809)
Advertising	300	300	260	40
Training and travel	2,385	2,455	2,455	-
Enterprise fund credits	(149,651)	(149,651)	(149,651)	-
	668,686	668,737	625,238	43,499
Total public works	6,375,846	6,376,090	5,533,978	842,112

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Health and hospitals:				
Health department:				
Administrative	\$ 3,000	\$ 3,000	\$ 1,250	\$ 1,750
Health clinic's building expenses	387,990	387,990	337,723	50,267
Other non-matching expenses	159,666	159,666	151,053	8,613
Matching appropriation	5,039,499	5,039,499	5,039,499	-
	5,590,155	5,590,155	5,529,525	60,630
 Mosquito control:				
Salaries	38,355	38,355	38,355	-
Benefits	18,883	18,887	17,995	892
Administrative	600	600	183	417
Equipment maintenance	506	506	437	69
Uniforms and personal equipment	350	350	199	151
Vehicle operating expense	17,000	13,082	10,114	2,968
Building site	4,050	7,968	2,699	5,269
Appropriation for spraying	90,000	90,000	67,565	22,435
	169,744	169,748	137,547	32,201
 Other health and hospitals:				
Worcester County Developmental Center	219,497	219,497	219,497	-
Hartley Hall	11,250	11,250	11,250	-
Atlantic General Hospital	75,000	75,000	75,000	-
	305,747	305,747	305,747	-
Total health and hospitals	6,065,646	6,065,650	5,972,819	92,831
 Social services:				
Commission on Aging:				
Administrative	2,600	2,600	2,600	-
Other supplies and equipment	2,350	2,350	2,350	-
Grant services	-	-	83,321	(83,321)
Consulting services	10,000	10,000	10,000	-
Senior transportation	7,500	7,500	7,500	-
Senior center building expenses	220,950	220,950	213,555	7,395
Training and travel	2,000	2,000	2,000	-
Appropriation for Commission on Aging	757,585	757,585	687,585	70,000
	1,002,985	1,002,985	1,008,911	(5,926)
 Other social services:				
State pass-through grant Diakonia	122,307	122,307	121,462	845
State pass-through grant Samaritan Shelter	30,000	30,000	-	30,000
State pass-through grant Social Services	40,000	40,000	30,000	10,000
Social Services Pharmacy grant	15,000	15,000	15,000	-

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Social services, continued:				
Other social services, continued:				
Maryland Food Bank	\$ 900	\$ 900	\$ 900	\$ -
Life Crisis Center	8,100	8,100	11,014	(2,914)
Worcester Youth and Family Counseling	91,710	91,710	91,710	-
Diakonia	42,000	42,000	42,000	-
Samaritan shelter	20,000	20,000	20,000	-
Save the Youth programs	18,000	18,000	18,000	-
Drug and alcohol council	9,000	9,000	8,095	905
Oasis Ministries, Inc.	9,000	9,000	9,000	-
Salvation Army Pocomoke youth	9,000	9,000	9,000	-
Big Brothers / Big Sisters	1,000	1,000	1,000	-
Coastal Hospice at the Ocean	10,000	10,000	10,000	-
The Cricket Center	10,000	10,000	10,000	-
Matching appropriation - DHMH - WCDC	28,871	28,871	28,871	-
BRAVE program	3,500	3,500	3,500	-
Jesse Klump Memorial Fund	1,000	1,000	1,000	-
Worcester County G.O.L.D.	9,000	9,000	9,000	-
	478,388	478,388	439,552	38,836
Total social services	1,481,373	1,481,373	1,448,463	32,910
Education:				
Board of Education:				
Retirement	452,674	452,674	463,577	(10,903)
Post-retirement benefits	1,500,000	1,500,000	1,500,000	-
School building improvements	100,000	100,000	100,000	-
Operating appropriations	76,466,472	76,466,472	76,466,472	-
Technology program	200,000	200,000	200,000	-
Teacher pension shift	1,952,488	1,952,488	1,952,488	-
	80,671,634	80,671,634	80,682,537	(10,903)
Wor-Wic Community College:				
Operating appropriation	1,638,079	1,638,079	1,638,079	-
	1,638,079	1,638,079	1,638,079	-
Total education	82,309,713	82,309,713	82,320,616	(10,903)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Libraries, recreation, parks and culture:				
Recreation department:				
Salaries	\$ 592,665	\$ 592,665	\$ 561,498	\$ 31,167
Benefits	291,790	291,850	263,442	28,408
Administrative	12,300	18,740	17,790	950
Other supplies and equipment	21,181	21,181	31,850	(10,669)
Equipment maintenance	5,100	4,340	9,150	(4,810)
Uniforms and personal equipment	1,200	3,169	3,168	1
Grant programs	49,651	188,901	876,472	(687,571)
Recreation programs	104,650	104,650	102,369	2,281
Consulting services	250	766	766	-
Vehicle and equipment operating expense	5,300	2,815	2,558	257
Building site	155,644	149,964	111,923	38,041
Advertising	4,000	4,000	3,690	310
Training and travel	7,300	7,300	3,432	3,868
	1,251,031	1,390,341	1,988,108	(597,767)
Parks department:				
Salaries	253,320	253,320	248,024	5,296
Benefits	124,718	124,744	116,367	8,377
Administrative	1,466	1,123	719	404
Supplies and equipment	12,705	13,048	13,048	-
Uniforms and personal equipment	1,820	1,820	1,819	1
Grant programs	402,704	263,454	24,075	239,379
Other supplies and materials	24,646	30,026	30,026	-
Vehicle and equipment operating expense	27,000	21,822	21,278	544
Park expenses	66,040	65,990	57,487	8,503
Other maintenance and services	1,650	1,498	1,239	259
Advertising	200	200	139	61
Training and travel	270	270	260	10
	916,539	777,315	514,481	262,834
Boat landings:				
Grant programs	-	-	188,597	(188,597)
Landing expenses	16,992	16,992	24,478	(7,486)
Advertising	550	550	141	409
Capital equipment	30,000	30,000	2,750	27,250
	47,542	47,542	215,966	(168,424)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Libraries, recreation, parks and culture, continued:				
Library:				
Salaries	\$ 1,507,509	\$ 1,509,509	\$ 1,538,995	\$ (29,486)
Overtime pay	2,000	-	482	(482)
Benefits	743,184	743,337	722,286	21,051
Administrative	50,500	40,095	25,555	14,540
Other supplies and equipment	260,575	260,575	248,167	12,408
Equipment maintenance	51,000	61,405	55,397	6,008
Grant services	77,000	77,000	87,200	(10,200)
Legal	500	500	60	440
Building site	326,495	326,495	289,444	37,051
Training and travel	9,000	9,000	7,724	1,276
MSRS library on-behalf payments	-	-	247,695	(247,695)
	3,027,763	3,027,916	3,223,005	(195,089)
Other recreation and culture:				
Furnace Town	30,000	30,000	30,000	-
Pocomoke marketing partnership	50,000	50,000	50,000	-
Art League of Ocean City	20,000	20,000	20,000	-
	100,000	100,000	100,000	-
Total libraries, recreation, parks and culture	5,342,875	5,343,114	6,041,560	(698,446)
Conservation of natural resources:				
Extension service:				
Administrative	7,904	6,874	6,203	671
Other supplies and equipment	11,295	11,305	15,038	(3,733)
Equipment maintenance	5,500	6,520	6,519	1
Building site	23,772	23,772	21,417	2,355
Operating appropriation	140,117	140,117	140,117	-
	188,588	188,588	189,294	(706)
Other natural resources:				
Gypsy moth control	1,500	1,500	2,370	(870)
Soil Conservation District	34,950	34,950	34,950	-
Maryland agricultural land preservation fund	8,665	8,665	-	8,665
Conservation easements	-	-	49,260	(49,260)
Matching appropriation - beach maintenance	250,000	250,000	211,726	38,274
	295,115	295,115	298,306	(3,191)
Total conservation of natural resources	483,703	483,703	487,600	(3,897)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Economic development:				
Economic development department:				
Salaries	\$ 167,005	\$ 167,005	\$ 125,248	\$ 41,757
Benefits	82,222	82,239	58,763	23,476
Administrative	21,250	21,250	20,950	300
Other supplies and equipment	3,940	5,067	4,815	252
Equipment maintenance	1,200	1,234	1,233	1
Program expense	77,000	77,000	74,792	2,208
Consulting services	36,500	38,136	55,335	(17,199)
Vehicle operating expense	4,000	4,000	1,402	2,598
Building site	3,000	3,000	3,549	(549)
Other maintenance and services	20,000	20,000	20,000	-
Advertising	15,000	15,000	12,483	2,517
Training and travel	14,000	11,203	6,945	4,258
Capital equipment	23,000	23,000	20,109	2,891
	468,117	468,134	405,624	62,510
Tourism:				
Salaries	209,642	204,616	198,264	6,352
Benefits	103,214	100,760	93,021	7,739
Administrative	3,860	2,696	2,641	55
Other supplies and equipment	59,600	65,891	83,045	(17,154)
Equipment maintenance	1,094	3,036	3,054	(18)
Grant programs	116,794	116,794	110,089	6,705
Legal	-	299	298	1
Consulting services	25,000	24,830	24,830	-
Vehicle operating expense	1,500	1,201	1,162	39
Building site	20,870	20,262	16,847	3,415
Advertising	643,500	643,500	648,038	(4,538)
Training and travel	4,850	3,585	3,497	88
	1,189,924	1,187,470	1,184,786	2,684
Total economic development	1,658,041	1,655,604	1,590,410	65,194

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2016
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Intergovernmental:				
Towns' share county room tax	\$ 12,507,583	\$ 12,507,583	\$ 14,751,128	\$ (2,243,545)
Towns' share county bingo fees	2,800	2,800	3,424	(624)
Towns' share county income tax	1,155,000	1,155,000	1,689,704	(534,704)
Towns' share county food tax	997,500	997,500	1,354,506	(357,006)
Towns' share liquor license fees	333,470	333,470	345,375	(11,905)
County grants - conditional grant	16,000	16,000	16,000	-
Grants to towns for police	459,500	459,500	459,500	-
Grants to towns for fire	440,000	440,000	440,000	-
Grants to towns for tourism	50,000	50,000	50,000	-
Other grants to towns	4,361,956	4,361,956	4,361,956	-
Total intergovernmental	20,323,809	20,323,809	23,471,593	(3,147,784)
Total expenditures	169,235,114	169,235,114	170,716,723	(1,481,609)
Excess of revenues over expenditures	9,211,198	9,211,198	16,727,107	7,515,909
OTHER FINANCING (SOURCES) USES:				
Transfer to Debt Service Fund	11,728,412	11,728,412	11,480,756	247,656
Transfer from Capital Projects Fund	(1,501,884)	(1,501,884)	(1,709,079)	207,195
Transfer to Capital Projects Fund	-	-	1,971,102	(1,971,102)
Transfer from Casino Fund	(2,501,913)	(2,501,913)	(2,308,243)	(193,670)
Budget stabilization	1,486,583	1,486,583	-	1,486,583
Total other financing uses	9,211,198	9,211,198	9,434,536	(223,338)
Net change in fund balance	\$ -	\$ -	7,292,571	\$ 7,292,571
Fund balance, beginning			<u>42,662,014</u>	
Fund balance, ending			<u>\$ 49,954,585</u>	

WORCESTER COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

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

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

WORCESTER COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

SCHEDULE OF CONTRIBUTIONS

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

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

WORCESTER COUNTY, MARYLAND
 MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
 REQUIRED SUPPLEMENTARY INFORMATION
 June 30, 2016
 ACTUARIAL ASSUMPTIONS - PENSION PLAN

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.95% general, 3.45% wage
Salary Increases	3.45% to 10.70% including inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

WORCESTER COUNTY, MARYLAND
OTHER POST-EMPLOYMENT BENEFITS TRUST
June 30, 2016

Schedule of Funding Progress

Entity	Actuarial Valuation Date July 1,	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
County	2010	\$ 31,701,180	\$ 51,768,790	61.24%	\$ 20,067,610	\$ 28,161,540	71.26%
County	2012	33,410,580	63,963,271	52.23%	30,552,691	27,838,991	109.75%
County	2014	43,063,473	51,051,706	84.35%	7,988,233	29,382,181	27.19%
Board of Education	2010	29,842,558	138,892,659	21.49%	109,050,101	64,335,742	169.50%
Board of Education	2012	25,928,324	163,448,619	15.86%	137,520,295	64,475,676	213.29%
Board of Education	2014	26,202,743	146,113,607	17.93%	119,910,864	65,912,693	181.92%

Schedule of Employer Contributions

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Basis

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

Note 2. Pensions

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2015 valuation:

- Investment return assumption changed from 7.65% to 7.55%
- Inflation assumption changed from 2.90% to 2.70%

Methods and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years for State system
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.95% general, 3.45% wage
Salary Increases	3.45% to 10.70% including inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

Note 3. Actual Expenditures over Budget

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



OTHER SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2016

	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					
Cash and short-term investments	\$ 103,492	\$ 51,678	\$ 1,404,237	\$ -	\$ 1,559,407
Accounts receivable	-	115,212	-	-	115,212
Due from other funds	-	-	-	437,656	437,656
Total assets	\$ 103,492	\$ 166,890	\$ 1,404,237	\$ 437,656	\$ 2,112,275
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 118,018	\$ -	\$ -	\$ 118,018
Unearned revenue	-	62,329	-	-	62,329
Due to other funds	-	-	68,931	-	68,931
Total liabilities	-	180,347	68,931	-	249,278
Fund balances (deficits)	103,492	(13,457)	1,335,306	437,656	1,862,997
Total liabilities and fund balances (deficits)	\$ 103,492	\$ 166,890	\$ 1,404,237	\$ 437,656	\$ 2,112,275

WORCESTER COUNTY, MARYLAND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	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	\$ 93,122	\$ 562,947	\$ 1,899,803	\$ -	\$ 2,555,872
Interest income	-	4	2,752	-	2,756
Total revenues	93,122	562,951	1,902,555	-	2,558,628
EXPENDITURES:					
Social services	80,523	481,485	-	-	562,008
Administrative expenses	-	65,000	-	10,339	75,339
Total expenditures	80,523	546,485	-	10,339	637,347
Excess (deficiency) of revenues over expenditures	12,599	16,466	1,902,555	(10,339)	1,921,281
OTHER FINANCING USES:					
Transfers out	-	-	(2,308,243)	-	(2,308,243)
Excess (deficiency) of revenues and other financing uses over expenditures	12,599	16,466	(405,688)	(10,339)	(386,962)
Fund balances (deficits), beginning	90,893	(29,923)	1,740,994	447,995	2,249,959
Fund balances (deficits), ending	\$ 103,492	\$ (13,457)	\$ 1,335,306	\$ 437,656	\$ 1,862,997

WORCESTER COUNTY, MARYLAND
BALANCE SHEET
LOCAL MANAGEMENT BOARD - NONMAJOR GOVERNMENTAL FUND
June 30, 2016

ASSETS

Cash	\$ 39,438
Cash - earned reinvestment	12,240
Accounts receivable	115,212
Total assets	166,890

LIABILITIES AND FUND BALANCE (DEFICIT)

Liabilities:	
Accounts payable	118,018
Unearned revenue	62,329
Total liabilities	180,347
 Fund balance (deficit)	 (13,457)
Total liabilities and fund balance (deficit)	\$ 166,890

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
LOCAL MANAGEMENT BOARD - NONMAJOR GOVERNMENTAL FUND
Year Ended June 30, 2016

REVENUES:

Community partnership grant	\$ 472,947
Administrative receipts	65,000
Children's Cabinet interagency funds	25,000
Total revenues	562,947

EXPENDITURES:

Administrative:	
Salaries	36,920
Benefits	9,565
Administrative support	3,000
Advertising	2,573
Board member stipend	350
Communications	300
Dues	177
Equipment	1,535
Indirect administrative expenses	5,909
Information technology	750
Postage	300
Printing	75
Supplies	725
Training	288
Travel	2,533
Community partnership grant:	
Children's Resource - Cricket Center	33,500
Community Service Centers	150,080
Comprehensive Parenting Program Initiative	58,219
Integrated Services for Child Maltreatment	82,272
System/Family Navigation - Local Access Mechanism	110,876
Youth as One	38,000
Children's Cabinet interagency:	
Resource Development	8,538
Total expenditures	546,485

Change in fund balance before other financing sources	16,462
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OTHER FINANCING SOURCES:

Interest income	4
Change in fund balance	16,466
Fund balance (deficit), beginning	(29,923)
Fund balance (deficit), ending	\$ (13,457)

WORCESTER COUNTY, MARYLAND

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

June 30, 2016

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Newark Service <u>Area</u>	Briddletown Service <u>Area</u>	Shared Facilities	Edgewater Acres <u>S.A.</u>
ASSETS						
Current assets:						
Cash and short-term investments	\$1,132,945	\$ (923,554)	\$(101,529)	\$ 10,225	\$35,600	\$(57,531)
Accounts receivable - usage billings	373,878	1,409,587	35,389	4,441	-	45,814
Total current assets	1,506,823	486,033	(66,140)	14,666	35,600	(11,717)
Capital assets:						
Land and land rights	47,037	63,319	4,527	-	-	-
Water and sewer systems	10,566,997	43,976,735	1,480,788	341,349	-	94,806
Machinery and equipment	-	4,181,997	-	-	-	81,156
Construction-in-progress	141,411	-	20,386	-	-	-
	10,755,445	48,222,051	1,505,701	341,349	-	175,962
Less: accumulated depreciation	(7,912,518)	(21,914,086)	(678,972)	(226,856)	-	(123,503)
	2,842,927	26,307,965	826,729	114,493	-	52,459
Total assets	4,349,750	26,793,998	760,589	129,159	35,600	40,742
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	12,893	499,127	5,194	5,390	217	17,951
Due to other funds	37,694	847,334	10,751	77	-	4,696
Interfund payable	36	2,943,927	16,783	-	-	-
Total current liabilities	50,623	4,290,388	32,728	5,467	217	22,647
NET POSITION						
Unrestricted net position	\$4,299,127	\$22,503,610	\$ 727,861	\$ 123,692	\$35,383	\$ 18,095

<u>Assateague Pointe S.A.</u>	<u>River Run S.A.</u>	<u>Mystic Harbour S.A.</u>	<u>Lighthouse Sound S.A.</u>	<u>Riddle Farm S.A.</u>	<u>The Landings S.A.</u>	<u>Support Groups</u>	<u>Total</u>
\$ 331,697	\$ 337,411	\$ (225,149)	\$ 117,665	\$ (419,830)	\$ 32,900	\$ 244,199	\$ 515,049
55,510	29,222	234,439	25,932	104,818	68,029	-	2,387,059
387,207	366,633	9,290	143,597	(315,012)	100,929	244,199	2,902,108
-	-	-	-	-	-	-	114,883
1,159,451	-	14,174,086	-	18,692,368	9,052,381	-	99,538,961
-	128,233	577,325	-	-	-	1,014,615	5,983,326
-	-	22,606	-	17,482	-	-	201,885
1,159,451	128,233	14,774,017	-	18,709,850	9,052,381	1,014,615	105,839,055
(678,914)	(121,189)	(1,616,537)	-	(4,713,893)	(2,041,156)	(697,840)	(40,725,464)
480,537	7,044	13,157,480	-	13,995,957	7,011,225	316,775	65,113,591
867,744	373,677	13,166,770	143,597	13,680,945	7,112,154	560,974	68,015,699
9,636	3,157	254,878	7,221	20,126	10,744	14,190	860,724
12,894	12,325	50,081	8,487	38,615	214,555	226,697	1,464,206
5,924	-	(290,723)	-	-	-	-	2,675,947
28,454	15,482	14,236	15,708	58,741	225,299	240,887	5,000,877
\$ 839,290	\$ 358,195	\$ 13,152,534	\$ 127,889	\$ 13,622,204	\$ 6,886,855	\$ 320,087	\$ 63,014,822

WORCESTER COUNTY, MARYLAND

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

June 30, 2016

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Oyster Harbor <u>S.A.</u>	Newark Service <u>Area</u>
ASSETS				
Current assets:				
Cash and short-term investments	\$ 166,810	\$ 3,882,959	\$ 22,122	\$ 2,272
Accounts receivable - EDU	86,728	2,325,299	76,445	35,585
Due from General Fund	-	-	-	-
Interfund receivable	36	2,943,927	38,678	16,783
Total current assets	253,574	9,152,185	137,245	54,640
Other assets:				
Long-term EDU receivable	89,312	8,831,145	189,971	251,362
Construction-in-progress	-	1,713,170	-	-
Total other assets	89,312	10,544,315	189,971	251,362
Total assets	342,886	19,696,500	327,216	306,002
LIABILITIES				
Current liabilities:				
Accounts payable	-	-	-	2,497
Interfund payable	-	-	-	-
Due to other funds	-	-	63,830	-
Bonds payable - current portion	58,548	1,716,721	-	29,611
Accrued bond interest payable	2,119	142,955	-	448
Bond costs deferred	(230)	14,523	-	(113)
Total current liabilities	60,437	1,874,199	63,830	32,443
Other liabilities:				
Unearned revenue	-	9,225,061	253,799	280,973
Due to General Fund	-	-	195,045	-
Bonds payable	61,131	8,735,237	-	251,362
Bond costs deferred	(1,150)	492,234	-	(29)
Total other liabilities	59,981	18,452,532	448,844	532,306
Total liabilities	120,418	20,326,731	512,674	564,749
NET POSITION				
Unrestricted net position (deficit)	\$ 222,468	\$ (630,231)	\$ (185,458)	\$ (258,747)

South Point <u>S.A.</u>	Sunset Village <u>S.A.</u>	Mystic Harbour <u>S.A.</u>	Snug Harbor <u>S.A.</u>	<u>Total</u>
\$ 10,102	\$ 5,150	\$ 1,313,177	\$ -	\$ 5,402,592
8,815	22,869	187,971	40,717	2,784,429
-	-	-	30,304	30,304
6,480	11,088	-	5,924	3,022,916
25,397	39,107	1,501,148	76,945	11,240,241
6,897	18,412	8,764,546	278,414	18,430,059
-	-	681,627	-	2,394,797
6,897	18,412	9,446,173	278,414	20,824,856
32,294	57,519	10,947,321	355,359	32,065,097
-	-	-	-	2,497
-	-	346,969	-	346,969
-	-	-	-	63,830
6,655	17,765	138,486	31,129	1,998,915
271	724	20,578	-	167,095
(60)	(174)	(553)	-	13,393
6,866	18,315	505,480	31,129	2,592,699
13,552	36,176	8,903,034	309,545	19,022,140
-	-	-	-	195,045
6,897	18,411	8,764,547	278,416	18,116,001
(16)	(43)	100,034	-	591,030
20,433	54,544	17,767,615	587,961	37,924,216
27,299	72,859	18,273,095	619,090	40,516,915
\$ 4,995	\$ (15,340)	\$ (7,325,774)	\$ (263,731)	\$ (8,451,818)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - OPERATING FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2016

	<u>West Ocean City Service Area</u>			<u>Ocean Pines Service Area</u>		
	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
OPERATING REVENUES:						
Charges for service	\$1,290,000	\$1,392,400	\$ 102,400	\$5,709,300	\$ 5,913,717	\$ 204,417
Interest and penalties	18,000	15,743	(2,257)	75,000	81,919	6,919
Other revenue	-	4,001	4,001	119,000	36,802	(82,198)
Total operating revenues	1,308,000	1,412,144	104,144	5,903,300	6,032,438	129,138
OPERATING EXPENSES:						
Personnel services	182,031	138,033	43,998	3,212,087	3,217,331	(5,244)
Supplies and materials	23,403	21,028	2,375	441,792	559,553	(117,761)
Maintenance and services	866,420	862,611	3,809	1,776,055	2,165,787	(389,732)
Other charges	10,500	14,313	(3,813)	48,800	169,445	(120,645)
Interfund charges	99,352	99,047	305	413,302	411,960	1,342
Total operating expenses	1,181,706	1,135,032	46,674	5,892,036	6,524,076	(632,040)
Operating income (loss) before depreciation	126,294	277,112	150,818	11,264	(491,638)	(502,902)
Depreciation	-	290,505	(290,505)	-	1,264,572	(1,264,572)
Net operating income (loss)	126,294	(13,393)	(139,687)	11,264	(1,756,210)	(1,767,474)
NONOPERATING REVENUES (EXPENSES):						
Transfer from (to) reserves	(93,044)	-	93,044	307,336	164,935	(142,401)
Sale of fixed assets	-	-	-	-	2,286	2,286
Operating grants	-	-	-	-	-	-
Interest income	-	1,099	1,099	-	7	7
Net nonoperating revenues (expenses)	(93,044)	1,099	94,143	307,336	167,228	(140,108)
Net income (loss)	\$ 33,250	\$ (12,294)	\$ (45,544)	\$ 318,600	\$ (1,588,982)	\$ (1,907,582)
OTHER BUDGETED EXPENDITURES:						
Capital outlay	\$ (33,250)			\$ (318,600)		
Total other budgeted expenditures	(33,250)			(318,600)		
Budgeted net income (loss)	\$ -			\$ -		

Newark Service Area			Briddletown Service Area			Edgewater Acres Service Area		
Original/ Final Budget	Actual	Variance with Final Budget	Original/ Final Budget	Actual	Variance with Final Budget	Original/ Final Budget	Actual	Variance with Final Budget
\$ 119,600	\$ 123,815	\$ 4,215	\$ 11,000	\$ 10,719	\$ (281)	\$ 199,500	\$ 188,440	\$ (11,060)
2,500	1,880	(620)	1,000	649	(351)	1,200	1,552	352
-	4,381	4,381	-	128	128	3,700	3,716	16
122,100	130,076	7,976	12,000	11,496	(504)	204,400	193,708	(10,692)
60,629	58,194	2,435	9,480	3,661	5,819	38,140	32,798	5,342
15,415	10,350	5,065	936	662	274	4,315	3,709	606
37,354	45,073	(7,719)	34,993	26,407	8,586	146,938	153,651	(6,713)
1,220	1,175	45	335	168	167	1,650	1,694	(44)
5,236	5,217	19	1,282	1,277	5	10,394	10,361	33
119,854	120,009	(155)	47,026	32,175	14,851	201,437	202,213	(776)
2,246	10,067	7,821	(35,026)	(20,679)	14,347	2,963	(8,505)	(11,468)
-	28,716	(28,716)	-	11,317	(11,317)	-	4,370	(4,370)
2,246	(18,649)	(20,895)	(35,026)	(31,996)	3,030	2,963	(12,875)	(15,838)
(2,246)	-	2,246	9,026	-	(9,026)	(2,963)	-	2,963
-	-	-	-	-	-	-	-	-
-	-	-	26,000	26,000	-	-	-	-
-	-	-	-	-	-	-	-	-
(2,246)	-	2,246	35,026	26,000	(9,026)	(2,963)	-	2,963
\$ -	\$ (18,649)	\$ (18,649)	\$ -	\$ (5,996)	\$ (5,996)	\$ -	\$ (12,875)	\$ (12,875)
\$ -			\$ -			\$ -		
-			-			-		
\$ -			\$ -			\$ -		

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - OPERATING FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2016
(CONTINUED)

	Assateague Pointe Service Area			River Run Service Area		
	Original/ Final Budget	Actual	Variance with Final Budget	Original/ Final Budget	Actual	Variance with Final Budget
OPERATING REVENUES:						
Charges for service	\$ 215,800	\$ 218,855	\$ 3,055	\$ 142,000	\$ 162,657	\$ 20,657
Interest and penalties	4,000	3,655	(345)	500	608	108
Other revenue	-	97,512	97,512	-	596	596
Total operating revenues	219,800	320,022	100,222	142,500	163,861	21,361
OPERATING EXPENSES:						
Personnel services	69,601	69,304	297	34,751	46,605	(11,854)
Supplies and materials	23,759	20,597	3,162	14,876	12,840	2,036
Maintenance and services	60,976	77,086	(16,110)	75,673	78,438	(2,765)
Other charges	4,245	4,298	(53)	1,025	1,171	(146)
Interfund charges	27,509	27,421	88	8,042	8,014	28
Total operating expenses	186,090	198,706	(12,616)	134,367	147,068	(12,701)
Operating income (loss) before depreciation	33,710	121,316	87,606	8,133	16,793	8,660
Depreciation	-	80,452	(80,452)	-	2,013	(2,013)
Net operating income (loss)	33,710	40,864	7,154	8,133	14,780	6,647
NONOPERATING REVENUES (EXPENSES):						
Transfer from (to) reserves	(33,710)	-	33,710	(8,133)	-	8,133
Sale of fixed assets	-	-	-	-	-	-
Operating grants	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Net nonoperating revenues (expenses)	(33,710)	-	33,710	(8,133)	-	8,133
Net income (loss)	\$ -	\$ 40,864	\$ 40,864	\$ -	\$ 14,780	\$ 14,780
OTHER BUDGETED EXPENDITURES:						
Capital outlay	\$ -			\$ -		
Total other budgeted expenditures	-			-		
Budgeted net income (loss)	\$ -			\$ -		

Mystic Harbour Service Area			Lighthouse Sound Service Area			Riddle Farm Service Area		
Original/ Final Budget	Actual	Variance with Final Budget	Original/ Final Budget	Actual	Variance with Final Budget	Original/ Final Budget	Actual	Variance with Final Budget
\$ 899,000	\$ 910,739	\$ 11,739	\$ 96,100	\$ 96,200	\$ 100	\$417,200	\$ 427,063	\$ 9,863
14,000	11,505	(2,495)	800	637	(163)	4,500	3,880	(620)
-	4,115	4,115	-	308	308	-	1,103	1,103
913,000	926,359	13,359	96,900	97,145	245	421,700	432,046	10,346
416,630	360,942	55,688	52,529	40,454	12,075	198,203	178,297	19,906
131,730	201,087	(69,357)	12,142	9,436	2,706	50,302	61,802	(11,500)
377,756	562,886	(185,130)	29,543	35,549	(6,006)	153,533	214,301	(60,768)
16,505	13,568	2,937	1,200	630	570	3,820	4,205	(385)
75,226	74,977	249	3,107	3,098	9	19,677	19,613	64
1,017,847	1,213,460	(195,613)	98,521	89,167	9,354	425,535	478,218	(52,683)
(104,847)	(287,101)	(182,254)	(1,621)	7,978	9,599	(3,835)	(46,172)	(42,337)
-	425,900	(425,900)	-	-	-	-	489,450	(489,450)
(104,847)	(713,001)	(608,154)	(1,621)	7,978	9,599	(3,835)	(535,622)	(531,787)
104,847	-	(104,847)	1,621	-	(1,621)	3,835	-	(3,835)
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	173	173	-	-	-	-	-	-
104,847	173	(104,674)	1,621	-	(1,621)	3,835	-	(3,835)
\$ -	\$ (712,828)	\$ (712,828)	\$ -	\$ 7,978	\$ 7,978	\$ -	\$ (535,622)	\$ (535,622)
\$ -			\$ -			\$ -		
-			-			-		
\$ -			\$ -			\$ -		

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - OPERATING FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2016
(CONTINUED)

	The Landings Service Area			Support Group		
	Original/ Final Budget	Actual	Variance with Final Budget	Original/ Final Budget	Actual	Variance with Final Budget
OPERATING REVENUES:						
Charges for service	\$ 274,500	\$ 274,052	\$ (448)	\$ -	\$ -	\$ -
Interest and penalties	4,000	4,542	542	-	-	-
Other revenue	-	209,578	209,578	-	335,338	335,338
Total operating revenues	278,500	488,172	209,672	-	335,338	335,338
OPERATING EXPENSES:						
Personnel services	126,754	152,134	(25,380)	-	12,172	(12,172)
Supplies and materials	21,659	52,565	(30,906)	-	-	-
Maintenance and services	101,091	118,306	(17,215)	-	-	-
Other charges	2,500	2,115	385	-	-	-
Interfund charges	7,082	7,057	25	-	-	-
Total operating expenses	259,086	332,177	(73,091)	-	12,172	(12,172)
Operating income (loss) before depreciation	19,414	155,995	136,581	-	323,166	323,166
Depreciation	-	231,475	(231,475)	-	56,012	(56,012)
Net operating income (loss)	19,414	(75,480)	(94,894)	-	267,154	267,154
NONOPERATING REVENUES (EXPENSES):						
Transfer from (to) reserves	(19,414)	-	19,414	-	-	-
Sale of fixed assets	-	-	-	-	2,540	2,540
Operating grants	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Net nonoperating revenues (expenses)	(19,414)	-	19,414	-	2,540	2,540
Net income (loss)	\$ -	\$ (75,480)	\$ (75,480)	\$ -	\$ 269,694	\$ 269,694
OTHER BUDGETED EXPENDITURES:						
Capital outlay	\$ -			\$ -		
Total other budgeted expenditures	-			-		
Budgeted net income (loss)	\$ -			\$ -		

Shared Facilities			Combined Totals		
Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
\$ -	\$ -	\$ -	\$9,374,000	\$ 9,718,657	\$ 344,657
-	-	-	125,500	126,570	1,070
-	17,883	17,883	122,700	715,461	592,761
-	17,883	17,883	9,622,200	10,560,688	938,488
-	5,739	(5,739)	4,400,835	4,315,664	85,171
-	550	(550)	740,329	954,179	(213,850)
-	7,875	(7,875)	3,660,332	4,347,970	(687,638)
-	-	-	91,800	212,782	(120,982)
-	-	-	670,209	668,042	2,167
-	14,164	(14,164)	9,563,505	10,498,637	(935,132)
-	3,719	3,719	58,695	62,051	3,356
-	-	-	-	2,884,782	(2,884,782)
-	3,719	3,719	58,695	(2,822,731)	(2,881,426)
-	-	-	267,155	164,935	(102,220)
-	-	-	-	4,826	4,826
-	-	-	26,000	26,000	-
-	-	-	-	1,279	1,279
-	-	-	293,155	197,040	(96,115)
\$ -	\$ 3,719	\$ 3,719	\$ 351,850	\$ (2,625,691)	\$ (2,977,541)
\$ -			\$ (351,850)		
-			(351,850)		
\$ -			\$ -		

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, 2016

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Oyster Harbor <u>S.A.</u>	Newark Service Area <u>Area</u>
Revenues:				
Debt service revenue	\$ (85,006)	\$ 1,264,823	\$ 51,408	\$ 22,437
Other revenues	-	52,252	-	-
Total revenues	(85,006)	1,317,075	51,408	22,437
Operating income (loss)	(85,006)	1,317,075	51,408	22,437
Nonoperating income (expense):				
Interest on investments	330	7,889	44	8
Bond interest expense	(5,506)	(416,231)	(10,561)	(4,830)
Transfers from (to) other funds	-	(164,935)	-	-
Total nonoperating income (expense)	(5,176)	(573,277)	(10,517)	(4,822)
Change in net position	(90,182)	743,798	40,891	17,615
Net position (deficit), beginning	312,650	(1,374,029)	(226,349)	(276,362)
Net position (deficit), ending	\$ 222,468	\$ (630,231)	\$ (185,458)	\$ (258,747)

South Point <u>S.A.</u>	Sunset Village <u>S.A.</u>	Mystic Harbour <u>S.A.</u>	Snug Harbor <u>S.A.</u>	<u>Total</u>
\$ 8,640	\$ 16,192	\$ 201,683	\$ 34,450	\$ 1,514,627
-	-	6,000	27,000	85,252
8,640	16,192	207,683	61,450	1,599,879
8,640	16,192	207,683	61,450	1,599,879
9	4	2,595	-	10,879
(602)	(1,621)	(214,500)	(2,902)	(656,753)
-	-	-	-	(164,935)
(593)	(1,617)	(211,905)	(2,902)	(810,809)
8,047	14,575	(4,222)	58,548	789,070
(3,052)	(29,915)	(7,321,552)	(322,279)	(9,240,888)
\$ 4,995	\$ (15,340)	\$ (7,325,774)	\$ (263,731)	\$ (8,451,818)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION BY OPERATING FUND - BUDGET AND ACTUAL
LANDFILL
Year Ended June 30, 2016

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Operating revenues:			
Licenses and permits	\$ 395,000	\$ 358,420	\$ (36,580)
Recycling charges	193,000	131,082	(61,918)
Stump, yard waste, and mulch revenue	30,000	52,172	22,172
Interest and penalties on overdue accounts	1,000	1,544	544
Other revenue	138,000	39,888	(98,112)
Tipping fees	3,700,000	3,421,278	(278,722)
Total operating revenues	4,457,000	4,004,384	(452,616)
Total operating expenses	4,095,763	3,300,789	794,974
Operating income before depreciation	361,237	703,595	342,358
Depreciation	600,000	792,679	(192,679)
Operating loss	(238,763)	(89,084)	149,679
Nonoperating income (expense):			
Interest on investments	10,000	16,329	6,329
Sale of fixed assets	-	556	556
Transfer from other funds	850,763	-	(850,763)
Interest expense	(622,000)	(90,381)	531,619
Total nonoperating income (expense)	238,763	(73,496)	(312,259)
Change in net position	\$ -	(162,580)	\$ (162,580)
Net deficit, beginning		(550,183)	
Net deficit, ending		\$ (712,763)	

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION BY OPERATING FUND - BUDGET AND ACTUAL
LANDFILL
Year Ended June 30, 2016
(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Expenses:			
Department: Administration			
Salaries	\$ 101,525	\$ 98,878	\$ 2,647
Benefits	66,942	64,113	2,829
Salaries and benefits - Treasurer's support	81,579	81,643	(64)
Salaries and benefits - Public Works and administrative support	175,287	174,149	1,138
Administrative expenses	17,563	16,861	702
Audit services	7,500	8,030	(530)
Insurance	11,000	15,576	(4,576)
Solid waste committee	1,200	900	300
Uniforms	700	604	96
	<u>463,296</u>	<u>460,754</u>	<u>2,542</u>
Department: Solid Waste			
Salaries	843,779	765,434	78,345
Benefits	553,884	542,753	11,131
Buildings and grounds	70,000	98,199	(28,199)
Capital equipment	122,000	-	122,000
Closure and post-closure costs	400,000	(24,514)	424,514
Consulting services	200,000	106,464	93,536
Fuel	200,000	104,598	95,402
Leachate expense	180,000	216,896	(36,896)
Safety expense	500	521	(21)
Supplies and equipment	2,000	1,130	870
Telephone	5,000	11,239	(6,239)
Training	800	1,333	(533)
Uniforms	8,750	7,131	1,619
Utilities	20,000	18,753	1,247
Vehicle expense	170,000	134,900	35,100
	<u>2,776,713</u>	<u>1,984,837</u>	<u>791,876</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, 2016

(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Department: Recycling			
Salaries	\$ 301,797	\$ 362,662	\$ (60,865)
Benefits	207,257	218,221	(10,964)
Buildings and grounds	20,000	31,758	(11,758)
Capital equipment	120,000	-	120,000
Fuel	50,000	28,498	21,502
Removal expenses	37,000	77,371	(40,371)
Safety expense	1,500	1,276	224
Special events	47,000	59,174	(12,174)
Supplies and equipment	1,000	2,732	(1,732)
Telephone	2,900	4,351	(1,451)
Training	1,800	1,059	741
Uniforms	3,500	3,365	135
Utilities	30,000	29,984	16
Vehicle expense	32,000	34,747	(2,747)
	855,754	855,198	556
Total operating expenses	\$ 4,095,763	\$ 3,300,789	\$ 794,974

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION BY OPERATING STORE - BUDGET AND ACTUAL
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2016

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Sales:			
Wholesale	\$ 6,365,404	\$ 3,745,843	\$ (2,619,561)
Pocomoke City	924,000	1,070,225	146,225
Gold Coast Mall	897,600	955,720	58,120
Northern Worcester	1,450,000	1,099,834	(350,166)
16th Street - Ocean City	960,000	741,880	(218,120)
Total sales	10,597,004	7,613,502	(2,983,502)
Miscellaneous revenues	-	9,818	9,818
Total operating revenues	10,597,004	7,623,320	(2,973,684)
Cost of goods sold	8,244,602	5,891,654	2,352,948
Gross profit	2,352,402	1,731,666	(620,736)
Total operating expenses	1,371,129	1,255,525	115,604
Operating income before general expenses	981,273	476,141	(505,132)
General expenses	798,612	744,927	53,685
Operating income (loss)	182,661	(268,786)	(451,447)
Nonoperating expense:			
Interest expense	(112,000)	(37,406)	74,594
Total nonoperating expense	(112,000)	(37,406)	74,594
Change in net position before distributions	70,661	(306,192)	(376,853)
Distributions to municipalities	(70,661)	-	70,661
Change in net position after distributions	\$ -	(306,192)	\$ (306,192)
Net deficit, beginning		(92,554)	
Net deficit, ending		\$ (398,746)	

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION BY OPERATING STORE - BUDGET AND ACTUAL
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2016
(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Expenses:			
Store: Wholesale			
Salaries	\$ 227,745	\$ 190,014	\$ 37,731
Payroll taxes and benefits	114,455	119,026	(4,571)
Bank fees	2,500	6,170	(3,670)
Outsourced labor	21,000	38,540	(17,540)
Rent	27,750	64,534	(36,784)
Repairs and maintenance	6,500	6,999	(499)
Supplies	24,500	18,137	6,363
Truck expense	31,000	19,263	11,737
Telephone	-	1,675	(1,675)
Utilities	7,500	4,119	3,381
	462,950	468,477	(5,527)
Store: Pocomoke City			
Salaries	81,800	62,524	19,276
Payroll taxes and benefits	37,712	23,871	13,841
Bank fees	14,000	16,314	(2,314)
Outsourced labor	-	20,681	(20,681)
Repairs and maintenance	5,000	6,274	(1,274)
Security	500	255	245
Supplies	3,000	1,526	1,474
Telephone	4,000	3,768	232
Utilities	9,500	10,090	(590)
	155,512	145,303	10,209
Store: Gold Coast Mall			
Salaries	55,683	50,175	5,508
Payroll taxes and benefits	34,972	33,626	1,346
Advertising	-	145	(145)
Bank fees	14,000	14,419	(419)
Outsourced labor	30,000	27,632	2,368
Rent	46,000	51,030	(5,030)
Repairs and maintenance	3,000	2,270	730
Security	500	995	(495)
Supplies	2,000	2,496	(496)
Telephone	3,500	2,475	1,025
Utilities	7,200	6,596	604
	196,855	191,859	4,996

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION BY OPERATING STORE - BUDGET AND ACTUAL
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2016
(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Store: Northern Worcester			
Salaries	\$ 110,629	\$ 56,876	\$ 53,753
Payroll taxes and benefits	54,884	25,309	29,575
Advertising	5,000	824	4,176
Bank fees	20,000	15,860	4,140
Outsourced labor	60,000	55,413	4,587
Rent	84,000	64,865	19,135
Repairs and maintenance	2,000	2,337	(337)
Security	1,000	500	500
Supplies	1,000	1,853	(853)
Telephone	4,000	2,462	1,538
Utilities	10,000	4,549	5,451
	352,513	230,848	121,665
Store: 16th Street - Ocean City			
Salaries	53,644	58,588	(4,944)
Payroll taxes and benefits	34,555	44,583	(10,028)
Bank fees	14,000	9,960	4,040
Outsourced labor	35,000	33,030	1,970
Rent	51,600	59,974	(8,374)
Repairs and maintenance	2,000	2,405	(405)
Security	2,000	617	1,383
Supplies	2,000	2,560	(560)
Telephone	2,000	2,220	(220)
Utilities	6,500	5,101	1,399
	203,299	219,038	(15,739)
Total expenses	\$ 1,371,129	\$ 1,255,525	\$ 115,604

WORCESTER COUNTY, MARYLAND
SCHEDULE OF GENERAL EXPENSES - BUDGET AND ACTUAL
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2016

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
General and administrative expenses:			
Salaries	\$ 374,484	\$ 358,593	\$ 15,891
Payroll taxes and benefits	160,308	151,580	8,728
Group insurance	10,000	12,279	(2,279)
Other postemployment benefits	26,820	26,820	-
Advertising	5,000	6,047	(1,047)
Credit card fees	500	-	500
Depreciation	125,000	102,778	22,222
Dues	3,000	2,425	575
Electric and heating	18,000	21,497	(3,497)
Internet access	2,500	2,021	479
Office expense	22,000	14,775	7,225
Outsourced labor	-	103	(103)
Professional fees	25,000	22,060	2,940
Repairs and maintenance	16,500	19,561	(3,061)
Security	1,000	1,124	(124)
Telephone	6,000	3,264	2,736
Travel	2,500	-	2,500
Total general and administrative expenses	\$ 798,612	\$ 744,927	\$ 53,685



WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES BY STORE
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2016

	2016 Total	Percentage
Sales:		
Retail, less discounts	\$ 3,867,659	
Wholesale, less discounts	3,745,843	
Net sales	7,613,502	
Miscellaneous revenues	9,818	
Net revenues	7,623,320	100.00%
Cost of sales	5,891,654	77.28%
Gross profit	1,731,666	22.72%
Store expenses:		
Salaries	418,177	5.49%
Advertising	969	0.01%
Credit card and bank fees	62,723	0.82%
Utilities	30,455	0.40%
Payroll taxes and benefits	246,415	3.23%
Outsourced labor	175,296	2.30%
Rent	240,403	3.15%
Repairs and maintenance	20,285	0.27%
Security	2,367	0.03%
Supplies	26,572	0.35%
Truck expense	19,263	0.25%
Telephone	12,600	0.17%
	1,255,525	16.47%
Income after store expenses	476,141	6.25%
General expenses	744,927	9.77%
Income (loss) from operations	(268,786)	-3.53%
Other expense:		
Financial expense, net	(37,406)	-0.49%
	(37,406)	-0.49%
Net income (loss)	\$ (306,192)	-4.02%

Total Wholesale	Total Retail	Pocomoke City	Gold Coast Mall	Northern Worcester	16th Street
\$ -	\$ 3,867,659	\$ 1,070,225	\$ 955,720	\$ 1,099,834	\$ 741,880
3,745,843	-	-	-	-	-
3,745,843	3,867,659	1,070,225	955,720	1,099,834	741,880
4,831	4,987	1,380	1,232	1,418	957
3,750,674	3,872,646	1,071,605	956,952	1,101,252	742,837
3,274,714	2,616,940	728,586	635,440	756,515	496,399
475,960	1,255,706	343,019	321,512	344,737	246,438
190,014	228,163	62,524	50,175	56,876	58,588
-	969	-	145	824	-
6,170	56,553	16,314	14,419	15,860	9,960
4,119	26,336	10,090	6,596	4,549	5,101
119,026	127,389	23,871	33,626	25,309	44,583
38,540	136,756	20,681	27,632	55,413	33,030
64,534	175,869	-	51,030	64,865	59,974
6,999	13,286	6,274	2,270	2,337	2,405
-	2,367	255	995	500	617
18,137	8,435	1,526	2,496	1,853	2,560
19,263	-	-	-	-	-
1,675	10,925	3,768	2,475	2,462	2,220
468,477	787,048	145,303	191,859	230,848	219,038
7,483	468,658	197,716	129,653	113,889	27,400
366,504	378,423	104,714	93,510	107,611	72,588
(359,021)	90,235	93,002	36,143	6,278	(45,188)
(16,680)	(20,726)	(8,269)	(4,256)	(4,897)	(3,304)
(16,680)	(20,726)	(8,269)	(4,256)	(4,897)	(3,304)
\$ (375,701)	\$ 69,509	\$ 84,733	\$ 31,887	\$ 1,381	\$ (48,492)

WORCESTER COUNTY, MARYLAND
COMBINING STATEMENT OF FIDUCIARY NET POSITION
NONMAJOR AGENCY FUNDS
June 30, 2016

	State of Maryland Property Taxes	Maryland Department of Motor Vehicles - License Fees	Tax Sale Fund	Development Taxes	Performance Bonds	Personal Property Tax Liability
ASSETS						
Cash and short-term investments	\$ -	\$ 14,935	\$ 768,873	\$ 122,801	\$ 990,071	\$ 210,605
Taxes receivable	445,934	-	-	-	-	-
Due from other funds	13,023	-	-	-	-	-
Total assets	458,957	14,935	768,873	122,801	990,071	210,605
LIABILITIES						
Due to other governmental units	458,957	14,935	-	-	-	-
Other liabilities	-	-	768,873	122,801	990,071	210,605
Total liabilities	458,957	14,935	768,873	122,801	990,071	210,605
NET POSITION						
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<u>Forest Conservation</u>	<u>Bay Restoration</u>	<u>Snow Hill Property Tax</u>	<u>Berlin Property Tax</u>	<u>Pocomoke Property Tax</u>	<u>Ocean City Property Tax</u>	<u>Special Loans</u>	<u>Critical Areas</u>	<u>Total</u>
\$ 121,750	\$ 78,280	\$ -	\$ -	\$ -	\$ -	\$ 47,795	\$ 79,995	\$ 2,435,105
-	97,169	50,863	67,711	177,227	909,865	-	-	1,748,769
-	-	6,805	12,388	7,867	76,905	-	-	116,988
121,750	175,449	57,668	80,099	185,094	986,770	47,795	79,995	4,300,862
-	175,449	57,668	80,099	185,094	986,770	-	-	1,958,972
121,750	-	-	-	-	-	47,795	79,995	2,341,890
121,750	175,449	57,668	80,099	185,094	986,770	47,795	79,995	4,300,862
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WORCESTER COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
NONMAJOR AGENCY FUNDS
Year Ended June 30, 2016

	Cash	Taxes Receivable	Due from	Total Assets
STATE OF MARYLAND				
PROPERTY TAXES				
Balance 7/1/2015	\$ -	\$ 415,487	\$ 112,494	\$ 527,981
Additions	-	16,318,092	15,771,424	32,089,516
Deductions	-	(16,287,645)	(15,870,895)	(32,158,540)
Balance 6/30/2016	<u>\$ -</u>	<u>\$ 445,934</u>	<u>\$ 13,023</u>	<u>\$ 458,957</u>
MARYLAND DEPT. OF MOTOR				
VEHICLES - LICENSE FEES				
Balance 7/1/2015	\$ 11,092	\$ -	\$ -	\$ 11,092
Additions	392,167	-	-	392,167
Deductions	(388,324)	-	-	(388,324)
Balance 6/30/2016	<u>\$ 14,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,935</u>
TAX SALE FUND				
Balance 7/1/2015	\$ 742,566	\$ -	\$ -	\$ 742,566
Additions	832,227	-	-	832,227
Deductions	(805,920)	-	-	(805,920)
Balance 6/30/2016	<u>\$ 768,873</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,873</u>
DEVELOPMENT TAXES				
Balance 7/1/2015	\$ 117,596	\$ -	\$ -	\$ 117,596
Additions	9,845	-	-	9,845
Deductions	(4,640)	-	-	(4,640)
Balance 6/30/2016	<u>\$ 122,801</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,801</u>
PERFORMANCE BONDS				
Balance 7/1/2015	\$ 869,975	\$ -	\$ -	\$ 869,975
Additions	254,747	-	-	254,747
Deductions	(134,651)	-	-	(134,651)
Balance 6/30/2016	<u>\$ 990,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 990,071</u>

<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other Liabilities</u>	<u>Total Liabilities</u>
\$ -	\$ 527,981	\$ -	\$ 527,981
-	16,188,171	-	16,188,171
-	(16,257,195)	-	(16,257,195)
<u>\$ -</u>	<u>\$ 458,957</u>	<u>\$ -</u>	<u>\$ 458,957</u>
\$ -	\$ 11,092	\$ -	\$ 11,092
-	402,088	-	402,088
-	(398,245)	-	(398,245)
<u>\$ -</u>	<u>\$ 14,935</u>	<u>\$ -</u>	<u>\$ 14,935</u>
\$ -	\$ -	\$ 742,566	\$ 742,566
-	-	827,082	827,082
-	-	(800,775)	(800,775)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 768,873</u>	<u>\$ 768,873</u>
\$ -	\$ -	\$ 117,596	\$ 117,596
-	-	9,845	9,845
-	-	(4,640)	(4,640)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,801</u>	<u>\$ 122,801</u>
\$ -	\$ -	\$ 869,975	\$ 869,975
-	-	252,247	252,247
-	-	(132,151)	(132,151)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 990,071</u>	<u>\$ 990,071</u>

WORCESTER COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
NONMAJOR AGENCY FUNDS
Year Ended June 30, 2016
(CONTINUED)

	Cash	Taxes Receivable	Due from	Total Assets
PERSONAL PROPERTY TAX LIABILITY				
Balance 7/1/2015	\$ 196,618	\$ -	\$ -	\$ 196,618
Additions	43,188	-	-	43,188
Deductions	(29,201)	-	-	(29,201)
Balance 6/30/2016	<u>\$ 210,605</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,605</u>
FOREST CONSERVATION				
Balance 7/1/2015	\$ 121,628	\$ -	\$ -	\$ 121,628
Additions	122	-	-	122
Deductions	-	-	-	-
Balance 6/30/2016	<u>\$ 121,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,750</u>
BAY RESTORATION				
Balance 7/1/2015	\$ 69,972	\$ 95,139	\$ -	\$ 165,111
Additions	434,710	693,125	453,402	1,581,237
Deductions	(426,402)	(691,095)	(453,402)	(1,570,899)
Balance 6/30/2016	<u>\$ 78,280</u>	<u>\$ 97,169</u>	<u>\$ -</u>	<u>\$ 175,449</u>
SNOW HILL PROPERTY TAX				
Balance 7/1/2015	\$ -	\$ 54,622	\$ 1,554	\$ 56,176
Additions	-	898,147	920,143	1,818,290
Deductions	-	(901,906)	(914,892)	(1,816,798)
Balance 6/30/2016	<u>\$ -</u>	<u>\$ 50,863</u>	<u>\$ 6,805</u>	<u>\$ 57,668</u>
BERLIN PROPERTY TAX				
Balance 7/1/2015	\$ -	\$ 93,075	\$ 30,370	\$ 123,445
Additions	-	2,547,943	2,578,885	5,126,828
Deductions	-	(2,573,307)	(2,596,867)	(5,170,174)
Balance 6/30/2016	<u>\$ -</u>	<u>\$ 67,711</u>	<u>\$ 12,388</u>	<u>\$ 80,099</u>

<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other Liabilities</u>	<u>Total Liabilities</u>
\$ -	\$ -	\$ 196,618	\$ 196,618
-	-	45,537	45,537
-	-	(31,550)	(31,550)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,605</u>	<u>\$ 210,605</u>
\$ -	\$ -	\$ 121,628	\$ 121,628
-	-	122	122
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,750</u>	<u>\$ 121,750</u>
\$ -	\$ 165,111	\$ -	\$ 165,111
-	502,787	-	502,787
-	(492,449)	-	(492,449)
<u>\$ -</u>	<u>\$ 175,449</u>	<u>\$ -</u>	<u>\$ 175,449</u>
\$ -	\$ 56,176	\$ -	\$ 56,176
-	923,082	-	923,082
-	(921,590)	-	(921,590)
<u>\$ -</u>	<u>\$ 57,668</u>	<u>\$ -</u>	<u>\$ 57,668</u>
\$ -	\$ 123,445	\$ -	\$ 123,445
-	2,573,552	-	2,573,552
-	(2,616,898)	-	(2,616,898)
<u>\$ -</u>	<u>\$ 80,099</u>	<u>\$ -</u>	<u>\$ 80,099</u>

WORCESTER COUNTY, MARYLAND
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 NONMAJOR AGENCY FUNDS
 Year Ended June 30, 2016
 (CONTINUED)

	Cash	Taxes Receivable	Due from	Total Assets
POCOMOKE PROPERTY TAX				
Balance 7/1/2015	\$ -	\$ 217,920	\$ 38,482	\$ 256,402
Additions	-	2,554,897	2,588,735	5,143,632
Deductions	-	(2,595,590)	(2,619,350)	(5,214,940)
Balance 6/30/2016	<u>\$ -</u>	<u>\$ 177,227</u>	<u>\$ 7,867</u>	<u>\$ 185,094</u>
OCEAN CITY PROPERTY TAX				
Balance 7/1/2015	\$ -	\$ 796,629	\$ 289,765	\$ 1,086,394
Additions	-	40,350,711	40,347,276	80,697,987
Deductions	-	(40,237,475)	(40,560,136)	(80,797,611)
Balance 6/30/2016	<u>\$ -</u>	<u>\$ 909,865</u>	<u>\$ 76,905</u>	<u>\$ 986,770</u>
SPECIAL LOANS				
Balance 7/1/2015	\$ 2,058	\$ -	\$ -	\$ 2,058
Additions	108,882	-	-	108,882
Deductions	(63,145)	-	-	(63,145)
Balance 6/30/2016	<u>\$ 47,795</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,795</u>
CRITICAL AREAS				
Balance 7/1/2015	\$ 79,915	\$ -	\$ -	\$ 79,915
Additions	80	-	-	80
Deductions	-	-	-	-
Balance 6/30/2016	<u>\$ 79,995</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,995</u>
TOTALS				
Balance 7/1/2015	\$ 2,211,420	\$ 1,672,872	\$ 472,665	\$ 4,356,957
Additions	2,075,968	63,362,915	62,659,865	128,098,748
Deductions	(1,852,283)	(63,287,018)	(63,015,542)	(128,154,843)
Balance 6/30/2016	<u>\$ 2,435,105</u>	<u>\$ 1,748,769</u>	<u>\$ 116,988</u>	<u>\$ 4,300,862</u>

Due to Other Funds	Due to Other Governments	Other Liabilities	Total Liabilities
\$ -	\$ 256,402	\$ -	\$ 256,402
-	2,588,375	-	2,588,375
-	(2,659,683)	-	(2,659,683)
<u>\$ -</u>	<u>\$ 185,094</u>	<u>\$ -</u>	<u>\$ 185,094</u>
\$ -	\$ 1,086,394	\$ -	\$ 1,086,394
-	40,347,276	-	40,347,276
-	(40,446,900)	-	(40,446,900)
<u>\$ -</u>	<u>\$ 986,770</u>	<u>\$ -</u>	<u>\$ 986,770</u>
\$ -	\$ -	\$ 2,058	\$ 2,058
-	-	122,882	122,882
-	-	(77,145)	(77,145)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,795</u>	<u>\$ 47,795</u>
\$ -	\$ -	\$ 79,915	\$ 79,915
-	-	80	80
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 79,995</u>	<u>\$ 79,995</u>
\$ -	\$ 2,226,601	\$ 2,130,356	\$ 4,356,957
-	63,525,331	1,257,795	64,783,126
-	(63,792,960)	(1,046,261)	(64,839,221)
<u>\$ -</u>	<u>\$ 1,958,972</u>	<u>\$ 2,341,890</u>	<u>\$ 4,300,862</u>

WORCESTER COUNTY, MARYLAND
SCHEDULE OF ASSESSABLE BASE
GENERAL FUND
Year Ended June 30, 2016

	<u>Full-Year Assessment</u>	<u>Half-Year Assessment</u>	<u>Total</u>
Real property	\$ 14,499,486,017	\$ 35,072,635	\$ 14,534,558,652
Personal property - individuals and firms - all districts	17,437,771	-	17,437,771
Railroads and public utilities	134,231,700	-	134,231,700
Railroads and public utilities - reduced rate	539,520	-	539,520
Ordinary business corporations	198,890,450	-	198,890,450
Total	\$ 14,850,585,458	\$ 35,072,635	\$ 14,885,658,093

Computation of Taxes for County Purposes

\$14,499,486,017 assessable base at \$0.835 per \$100 base (full-year)	\$ 121,070,708
\$350,559,921 assessable base at \$2.0875 per \$100 base (full-year)	7,317,938
\$539,520 assessable base at \$0.835 per \$100 base (full-year)	4,505
\$35,072,635 assessable base at \$0.4175 per \$100 base (half-year)	146,428
	128,539,579
Adjustment for deferred property taxes receivable	(350,635)
Net additions and abatements	(129,934)
Total County taxes for the year ended June 30, 2016	\$ 128,059,010

WORCESTER COUNTY, MARYLAND
SCHEDULE OF ASSESSABLE BASES AND TAX LEVIES
GENERAL FUND
Fiscal Years Ended June 30, 2016

<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>
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)%
2013 - 2014	15,069,853,304	(4.47)%	.77 - 1.925	119,266,630	(4.72)%
2014 - 2015	14,888,348,699	(1.20)%	.77 - 1.925	119,042,321	(0.19)%
2015 - 2016	14,885,658,093	(0.02)%	.835 - 2.0875	128,059,010	7.57%

* 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, 2016

Levies of years ended June 30:

2016	\$ 3,239,105
2015	103,287
2014	67,395
2013	81,134
2012 and prior	278,021
Total	\$ 3,768,942

NOTES TO OTHER SUPPLEMENTARY INFORMATION

Note 1. Budgetary Basis

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

Budgetary Comparison Schedules:

- Department of Water and Wastewater Services
- 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.

Contents

Schedule

Financial Trends

1 – 4

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity

5 – 11

These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property taxes.

Debt Capacity

12 – 15

These schedules contain information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information

16 – 17

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.

Operating Information

18 – 20

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.

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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 77,605,845	\$ 88,196,133	\$ 104,308,508	\$ 104,803,212	\$ 100,290,019	\$ 99,870,348	\$ 90,110,170	\$ 86,424,881	\$ 86,671,386	\$ 77,759,097
Restricted	1,500,000	1,500,000	1,500,000	-	-	-	-	-	-	-
Unrestricted	53,932,414	46,462,418	5,485,842	3,776,962	4,029,977	11,260,873	21,389,838	(5,573,996)	(28,314,942)	(22,728,680)
Total governmental activities net position	<u>133,038,259</u>	<u>136,158,551</u>	<u>111,294,350</u>	<u>108,580,174</u>	<u>104,319,996</u>	<u>111,131,221</u>	<u>111,500,008</u>	<u>80,850,885</u>	<u>58,356,444</u>	<u>55,030,417</u>
Business-type activities										
Net investment in capital assets	57,150,700	58,545,520	57,477,462	56,312,951	55,935,777	54,334,765	59,302,023	53,642,591	55,184,962	53,420,609
Unrestricted	15,832,651	11,339,193	8,382,036	4,250,752	1,158,971	1,912,977	27,420	4,651,348	571,926	30,886
Total business-type activities net position	<u>72,983,351</u>	<u>69,884,713</u>	<u>65,859,498</u>	<u>60,563,703</u>	<u>57,094,748</u>	<u>56,247,742</u>	<u>59,329,443</u>	<u>58,293,939</u>	<u>55,756,888</u>	<u>53,451,495</u>
Primary government										
Net investment in capital assets	134,756,545	146,741,653	161,785,970	161,116,163	156,225,796	154,205,113	149,412,193	140,067,472	141,856,348	131,179,706
Restricted	1,500,000	1,500,000	1,500,000	-	-	-	-	-	-	-
Unrestricted	69,765,065	57,801,611	13,867,878	8,027,714	5,188,948	13,173,850	21,417,258	(922,648)	(27,743,016)	(22,697,794)
Total primary government net position	<u>\$ 206,021,610</u>	<u>\$ 206,043,264</u>	<u>\$ 177,153,848</u>	<u>\$ 169,143,877</u>	<u>\$ 161,414,744</u>	<u>\$ 167,378,963</u>	<u>\$ 170,829,451</u>	<u>\$ 139,144,824</u>	<u>\$ 114,113,332</u>	<u>\$ 108,481,912</u>

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

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental activities:										
General government	\$ 32,654,118	\$ 32,663,595	\$ 47,083,442	\$ 35,859,173	\$ 37,627,186	\$ 38,001,439	\$ 38,915,371	\$ 41,815,245	\$ 38,635,684	\$ 44,076,570
Public safety	21,786,643	23,542,080	36,283,485	28,381,381	28,164,200	29,409,797	33,952,043	31,088,753	31,973,300	31,539,249
Public works	13,733,952	12,833,648	15,599,323	9,985,598	10,211,713	6,579,810	6,582,195	6,843,212	5,217,371	5,567,728
Health and hospitals	4,759,554	5,335,022	6,012,215	5,889,198	4,841,634	5,414,163	5,379,303	6,003,573	6,551,417	6,377,497
Social services	1,360,501	1,634,695	3,448,378	2,606,989	2,138,165	1,861,337	1,799,550	1,879,944	1,946,138	2,075,471
Education	65,947,811	88,762,738	127,128,498	91,515,958	85,169,388	75,683,870	77,254,710	84,004,053	100,313,254	93,437,468
Libraries, recreation and culture	4,880,260	5,882,121	9,031,660	6,141,887	5,479,418	5,301,793	5,322,151	5,438,515	6,092,227	5,258,231
Conservation of natural resources	562,929	584,921	858,559	233,393	587,200	661,679	226,121	241,883	375,697	497,939
Economic development	1,881,698	2,461,997	1,978,375	1,409,693	1,755,183	2,094,400	1,947,815	1,667,636	1,932,046	1,631,443
Interest on long-term debt	1,848,694	2,477,071	3,049,378	3,693,496	3,411,269	3,092,624	2,601,958	2,428,386	4,891,421	3,874,043
Total governmental activities expenses	<u>149,416,160</u>	<u>176,177,888</u>	<u>250,473,313</u>	<u>185,716,766</u>	<u>179,385,356</u>	<u>168,100,912</u>	<u>173,981,217</u>	<u>181,411,200</u>	<u>197,928,555</u>	<u>194,335,639</u>
Business-type activities:										
Landfill	6,071,486	7,639,296	6,760,109	6,910,451	5,460,265	5,307,959	5,424,173	5,513,619	5,638,012	4,183,293
Department of Water and Wastewater	10,931,337	11,860,477	12,009,174	11,849,234	11,925,133	11,671,743	11,502,025	12,351,756	13,409,381	14,035,346
Department of Liquor Control	-	-	-	-	-	15,213,363	15,102,811	15,518,122	10,477,998	7,929,512
Total business-type activities expenses	<u>17,002,823</u>	<u>19,499,773</u>	<u>18,769,283</u>	<u>18,759,685</u>	<u>17,385,398</u>	<u>32,193,065</u>	<u>32,029,009</u>	<u>33,383,497</u>	<u>29,525,391</u>	<u>26,148,151</u>
Total primary government expenses	<u>\$ 166,418,983</u>	<u>\$ 195,677,661</u>	<u>\$ 269,242,596</u>	<u>\$ 204,476,451</u>	<u>\$ 196,770,754</u>	<u>\$ 200,293,977</u>	<u>\$ 206,010,226</u>	<u>\$ 214,794,697</u>	<u>\$ 227,453,946</u>	<u>\$ 220,483,790</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 2,021,984	\$ 1,948,504	\$ 1,693,885	\$ 1,697,109	\$ 1,758,641	\$ 1,873,888	\$ 1,932,275	\$ 2,010,031	\$ 2,081,072	\$ 2,053,695
Public safety	1,985,066	1,636,510	2,268,650	2,817,223	4,955,974	6,025,129	6,182,160	5,616,912	5,143,953	5,513,482
Public works	58,632	37,233	31,372	131,126	85,384	79,893	75,543	79,207	87,884	75,713
Health and hospitals	456,345	503,239	486,954	429,184	418,806	457,086	434,917	435,267	431,421	431,643
Libraries, recreation and culture	327,306	294,456	328,879	252,138	191,097	182,130	196,705	236,546	312,460	349,348
Economic development	47,739	19,983	7,377	31,886	25,935	49,840	17,833	22,230	38,184	8,747
Operating grants and contributions	5,675,002	4,036,459	31,044,359	10,138,302	5,243,439	4,257,505	4,181,653	4,154,275	5,132,554	5,244,177
Capital grants and contributions	1,908,265	1,463,798	11,157,620	4,613,990	4,446,811	2,078,722	1,546,506	1,220,927	1,861,970	1,936,382
Total governmental activities program revenues	<u>12,480,339</u>	<u>9,940,182</u>	<u>47,019,096</u>	<u>20,110,958</u>	<u>17,126,087</u>	<u>15,004,193</u>	<u>14,567,592</u>	<u>13,775,395</u>	<u>15,089,498</u>	<u>15,613,187</u>
Business-type activities:										
Charges for services:										
Landfill	6,587,119	6,048,653	5,049,021	3,847,393	3,805,409	4,590,998	4,182,238	3,783,926	4,060,039	4,004,384
Department of Water and Wastewater	10,311,596	9,919,770	9,556,043	9,570,821	10,068,811	11,107,727	15,766,173	13,013,971	12,885,762	12,160,567
Department of Liquor Control	-	-	-	-	-	15,888,520	15,414,939	15,476,906	9,985,444	7,623,320
Operating grants and contributions	30,000	25,000	22,000	22,000	22,000	22,000	47,000	25,000	49,202	26,000
Capital grants and contributions	8,983,508	-	-	-	-	-	-	-	-	-
Total business-type activities program revenues	<u>25,912,223</u>	<u>15,993,423</u>	<u>14,627,064</u>	<u>13,440,214</u>	<u>13,896,220</u>	<u>31,609,245</u>	<u>35,410,350</u>	<u>32,299,803</u>	<u>26,980,447</u>	<u>23,814,271</u>
Total primary government program revenues	<u>\$ 38,392,562</u>	<u>\$ 25,933,605</u>	<u>\$ 61,646,160</u>	<u>\$ 33,551,172</u>	<u>\$ 31,022,307</u>	<u>\$ 46,613,438</u>	<u>\$ 49,977,942</u>	<u>\$ 46,075,198</u>	<u>\$ 42,069,945</u>	<u>\$ 39,427,458</u>
Net (expense)/revenue										
Governmental activities	\$ (136,935,821)	\$ (166,237,706)	\$ (203,454,217)	\$ (165,605,808)	\$ (162,259,269)	\$ (153,096,719)	\$ (159,413,625)	\$ (167,635,805)	\$ (182,839,057)	\$ (178,722,452)
Business-type activities	8,909,400	(3,506,350)	(4,142,219)	(5,319,471)	(3,489,178)	(583,820)	3,381,341	(1,083,694)	(2,544,944)	(2,333,880)
Total primary government net expense	<u>\$ (128,026,421)</u>	<u>\$ (169,744,056)</u>	<u>\$ (207,596,436)</u>	<u>\$ (170,925,279)</u>	<u>\$ (165,748,447)</u>	<u>\$ (153,680,539)</u>	<u>\$ (156,032,284)</u>	<u>\$ (168,719,499)</u>	<u>\$ (185,384,001)</u>	<u>\$ (181,056,332)</u>

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General revenues and other changes in net position										
Governmental activities:										
Property taxes	\$ 99,594,792	\$ 116,778,663	\$ 134,015,561	\$ 127,176,751	\$ 121,990,826	\$ 121,290,966	\$ 121,348,615	\$ 117,173,133	\$ 117,097,119	\$ 127,411,911
Local income tax	15,842,045	13,684,600	13,062,134	10,921,118	10,459,699	12,900,072	12,676,852	13,673,793	13,690,331	17,931,884
Other local taxes	30,073,645	26,305,749	23,221,489	23,115,287	23,513,666	23,111,431	25,047,347	24,324,762	25,418,688	28,239,135
State shared	6,194,180	5,654,165	4,809,446	724,582	804,689	687,960	904,365	891,106	931,712	942,464
Department of Liquor Control distribution	363,442	415,403	168,625	55,853	363,568	103,626	620,428	284,609	9,005	-
Gain (loss) on sale of capital assets	(643,251)	-	-	-	-	-	(1,665,007)	(250,000)	-	-
Transfers in (out)	-	(38,860)	(81,154)	635,708	649,917	-	-	-	-	-
Interest	5,069,327	5,980,550	2,597,658	262,333	216,726	283,728	193,101	194,221	180,030	207,071
Other	584,279	577,728	796,257	-	-	1,530,161	656,711	690,527	3,017,731	663,960
Total governmental activities	<u>157,078,459</u>	<u>169,357,998</u>	<u>178,590,016</u>	<u>162,891,632</u>	<u>157,999,091</u>	<u>159,907,944</u>	<u>159,782,412</u>	<u>156,982,151</u>	<u>160,344,616</u>	<u>175,396,425</u>
Business-type activities:										
Transfers in (out)	-	38,860	-	-	-	(675,340)	(321,854)	(10,984)	-	-
Interest	600,400	368,852	117,004	23,676	20,043	12,334	22,214	59,174	7,893	28,487
Total business-type activities	<u>600,400</u>	<u>407,712</u>	<u>117,004</u>	<u>23,676</u>	<u>20,043</u>	<u>(663,006)</u>	<u>(299,640)</u>	<u>48,190</u>	<u>7,893</u>	<u>28,487</u>
Total primary government	<u>\$ 157,678,859</u>	<u>\$ 169,765,710</u>	<u>\$ 178,707,020</u>	<u>\$ 162,915,308</u>	<u>\$ 158,019,134</u>	<u>\$ 159,244,938</u>	<u>\$ 159,482,772</u>	<u>\$ 157,030,341</u>	<u>\$ 160,352,509</u>	<u>\$ 175,424,912</u>
Change in net position										
Governmental activities	\$ 20,142,638	\$ 3,120,292	\$ (24,864,201)	\$ (2,714,176)	\$ (4,260,178)	\$ 6,811,225	\$ 368,787	\$ (10,653,654)	\$ (22,494,441)	\$ (3,326,027)
Business-type activities	9,509,800	(3,098,638)	(4,025,215)	(5,295,795)	(3,469,135)	(1,246,826)	3,081,701	(1,035,504)	(2,537,051)	(2,305,393)
Total primary government	<u>\$ 29,652,438</u>	<u>\$ 21,654</u>	<u>\$ (28,889,416)</u>	<u>\$ (8,009,971)</u>	<u>\$ (7,729,313)</u>	<u>\$ 5,564,399</u>	<u>\$ 3,450,488</u>	<u>\$ (11,689,158)</u>	<u>\$ (25,031,492)</u>	<u>\$ (5,631,420)</u>

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

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Nonspendable	\$ 4,706,880	\$ 5,564,944	\$ 5,287,250	\$ 2,619,871	\$ 130,079	\$ 110,609	\$ 102,938	\$ 103,849	\$ 5,255	\$ 106,655
Restricted										
Assigned	31,186,920	27,991,458	17,946,506	14,201,916	14,963,906	10,821,409	15,735,019	9,662,128	8,679,957	16,315,297
Unassigned	500,000	500,000	500,000	500,000	26,992,224	38,855,192	40,904,499	39,833,756	33,976,802	33,532,633
Total General Fund	<u>36,393,800</u>	<u>34,056,402</u>	<u>23,733,756</u>	<u>17,321,787</u>	<u>42,086,209</u>	<u>49,787,210</u>	<u>56,742,456</u>	<u>49,599,733</u>	<u>42,662,014</u>	<u>49,954,585</u>
All other governmental funds										
Restricted	-	-	-	-	1,225,068	-	-	42,954,786	31,685,392	18,055,520
Assigned	70,206,804	65,373,635	43,039,161	35,852,877	5,801,380	2,372,247	3,670,839	3,054,848	2,249,959	1,876,454
Unassigned	-	-	-	-	-	(599,589)	(1,247,996)	-	-	(13,457)
Total all other governmental funds	<u>70,206,804</u>	<u>65,373,635</u>	<u>43,039,161</u>	<u>35,852,877</u>	<u>7,026,448</u>	<u>1,772,658</u>	<u>2,422,843</u>	<u>46,009,634</u>	<u>33,935,351</u>	<u>19,918,517</u>
Total governmental funds	<u>\$ 106,600,604</u>	<u>\$ 99,430,037</u>	<u>\$ 66,772,917</u>	<u>\$ 53,174,664</u>	<u>\$ 49,112,657</u>	<u>\$ 51,559,868</u>	<u>\$ 59,165,299</u>	<u>\$ 95,609,367</u>	<u>\$ 76,597,365</u>	<u>\$ 69,873,102</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Property tax	\$ 98,902,050	\$ 116,356,479	\$ 133,037,649	\$ 127,048,961	\$ 122,233,623	\$ 121,243,588	\$ 121,570,804	\$ 117,311,193	\$ 117,963,356	\$ 127,061,276
Income tax	15,842,045	13,684,600	13,062,134	10,921,118	10,459,699	12,900,072	12,676,852	13,673,793	13,690,331	17,931,884
Room tax	10,842,013	11,284,976	11,589,393	11,808,110	12,449,817	13,262,770	13,632,599	14,127,887	14,707,093	15,564,805
Food tax	2,227,465	2,230,516	2,064,542	1,130,290	1,163,970	1,215,666	1,247,890	1,299,372	1,358,236	1,424,439
Transfer tax	5,395,746	3,984,963	2,843,502	3,254,790	3,194,074	2,595,376	2,912,623	3,165,274	3,278,524	4,158,215
Recordation tax	10,905,366	8,026,476	5,962,649	6,195,293	5,987,911	5,328,454	6,648,660	5,142,527	5,437,913	6,449,513
Other local taxes	703,055	778,818	761,403	726,804	717,894	709,165	605,575	589,702	636,922	642,163
State-shared taxes	6,194,180	5,654,165	4,809,446	724,582	804,689	687,960	904,365	891,106	931,712	942,464
Licenses and permits	2,000,074	2,010,919	1,668,670	1,712,306	1,735,427	1,739,111	1,756,502	1,854,757	1,917,527	1,896,140
Intergovernmental	7,595,453	5,505,717	13,807,495	8,643,309	8,085,938	6,393,147	5,747,750	5,402,866	7,015,992	7,215,195
Service charges	3,097,255	2,704,784	3,145,711	3,490,909	6,002,590	6,833,192	7,513,274	6,630,311	5,984,170	6,322,840
Miscellaneous	1,632,149	1,854,426	2,058,850	863,649	817,611	1,673,075	830,237	869,043	741,127	894,974
Interest income	4,172,456	4,838,017	1,505,668	194,455	214,732	283,183	190,069	187,775	180,035	155,069
Total revenues	169,509,307	178,914,856	196,317,112	176,714,576	173,867,975	174,864,759	176,237,200	171,145,606	173,842,938	190,658,977
Expenditures										
General government	13,158,875	14,010,326	24,865,890	15,855,802	13,315,008	13,272,863	12,850,452	14,134,546	13,296,067	13,817,335
Public safety	20,977,696	21,552,888	34,370,015	27,534,380	25,877,097	26,513,127	31,157,171	28,621,374	29,173,284	30,032,349
Public works	8,801,444	8,136,481	10,026,907	5,246,775	5,569,252	4,273,829	4,641,049	4,726,992	5,104,405	5,533,978
Health and hospitals	4,586,294	5,066,899	5,588,851	5,494,946	4,937,219	4,900,545	5,060,999	5,472,143	6,083,778	5,972,819
Social services	2,539,439	2,822,890	3,448,378	2,606,989	2,138,165	1,861,337	1,799,550	1,879,944	1,946,138	2,075,471
Education	65,947,811	73,140,412	104,090,392	80,309,872	74,817,429	75,683,870	77,254,710	80,510,956	100,313,254	93,437,468
Libraries, recreation and culture	4,846,976	6,136,628	8,772,282	5,504,621	5,141,859	5,133,304	4,674,945	5,517,089	6,052,818	6,041,560
Conservation of natural resources	562,929	584,921	858,559	233,393	587,200	661,679	226,121	241,883	375,697	497,939
Economic development	1,881,698	2,096,997	1,613,375	1,081,193	1,426,683	1,762,761	1,897,159	1,610,180	1,874,591	1,590,410
Distributions to municipalities	16,856,357	17,249,935	19,570,744	18,770,287	19,357,791	20,317,357	20,450,152	21,871,051	22,572,176	23,471,593
Debt service interest	1,871,691	2,500,068	3,108,154	3,767,529	3,485,302	3,166,657	2,675,991	2,908,091	4,249,246	3,540,622
Debt service principal	5,047,700	4,026,300	5,219,231	7,271,910	7,522,974	7,824,044	7,393,498	7,628,103	9,487,482	7,940,134
Capital projects	11,919,855	28,721,826	42,970,601	16,635,132	13,754,003	7,046,175	3,084,228	7,788,332	2,005,481	3,431,562
Total expenditures	158,998,765	186,046,571	264,503,379	190,312,829	177,929,982	172,417,548	173,166,025	182,910,684	202,534,417	197,383,240
Excess of revenues over (under) expenditures	10,510,542	(7,131,715)	(68,186,267)	(13,598,253)	(4,062,007)	2,447,211	3,071,175	(11,765,078)	(28,691,479)	(6,724,263)
Other financing sources (uses)										
Issuance of long-term debt	28,307,695	-	35,610,301	-	-	-	14,212,936	48,209,146	37,437,354	-
Payment to bond refunding escrow agent	-	-	-	-	-	-	(9,678,680)	-	(27,757,877)	-
Transfers:										
Transfers in	33,177,229	31,704,276	20,289,317	20,328,314	20,328,314	11,214,335	11,467,814	14,458,054	19,908,436	17,469,180
Transfers out	(33,177,229)	(31,743,136)	(20,370,471)	(20,328,314)	(20,328,314)	(11,214,335)	(11,467,814)	(14,458,054)	(19,908,436)	(17,469,180)
Total other financing sources (uses)	28,307,695	(38,860)	35,529,147	-	-	-	4,534,256	48,209,146	9,679,477	-
Net change in fund balances	\$ 38,818,237	\$ (7,170,575)	\$ (32,657,120)	\$ (13,598,253)	\$ (4,062,007)	\$ 2,447,211	\$ 7,605,431	\$ 36,444,068	\$ (19,012,002)	\$ (6,724,263)
Debt service as a percentage of noncapital expenditures	4.75%	3.80%	3.43%	6.03%	6.28%	6.52%	5.88%	5.84%	6.86%	5.97%

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

Fiscal Year		Real Property	Personal Property Individuals and Firms	Businesses, Corporations and Utilities	Total Assessable Base	County Tax Rate *	State Tax Rate
2016	\$	14,534,558,652	\$ 17,437,771	\$ 333,661,670	\$ 14,885,658,093	\$ 0.835	\$ 0.112
2015		14,556,412,647	16,548,700	315,387,352	14,888,348,699	0.77	0.112
2014		14,755,590,502	17,112,844	297,149,958	15,069,853,304	0.77	0.112
2013		15,462,442,895	15,847,573	297,224,707	15,775,515,175	0.70	0.112
2012		17,207,677,633	16,321,783	298,394,546	17,522,393,962	0.70	0.112
2011		17,829,124,045	16,428,122	284,635,088	18,130,187,255	0.70	0.112
2010		18,981,906,096	17,203,174	302,400,983	19,301,510,253	0.70	0.112
2009		19,919,553,300	19,948,057	307,837,176	20,247,338,533	0.70	0.112
2008		17,044,842,573	19,730,065	306,795,892	17,371,368,530	0.70	0.112
2007		14,276,994,202	18,282,490	284,886,128	14,580,162,820	0.70	0.112

Source: State of Maryland, Department of Assessments and Taxation

Note: * Per \$100 of value

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

	Year Taxes Are Payable									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
County Direct Rates										
General	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.77	\$ 0.77	\$ 0.77	\$ 0.835
Town Rates										
Berlin	0.73	0.73	0.73	0.73	0.73	0.73	0.68	0.68	0.68	0.68
Ocean City	0.43	0.41	0.38	0.395	0.395	0.395	0.4585	0.472	0.4704	0.478
Pocomoke	0.76	0.76	0.76	0.76	0.76	0.75	0.82	0.82	0.9285	0.9375
Snow Hill	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86

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

Taxpayer	Fiscal Year 2016			Fiscal Year 2007		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Delmarva Power	\$ 70,500,390	1	0.47%	\$ 45,510,300	2	0.31%
Harrison Inn Stardust	55,274,800	2	0.37%	54,590,633	1	0.37%
Americana Stowaway Motel Inc.	30,159,800	3	0.20%	28,131,900	5	0.19%
91st Street Joint Venture	29,395,867	4	0.20%	29,908,700	4	0.21%
Choptank Electric Cooperative	23,535,220	5	0.16%			
Harrison Hi 18 LLC	20,757,400	6	0.14%	18,513,300	8	0.13%
Harrison Inn Ocean View	20,754,100	7	0.14%	24,338,000	6	0.17%
Individual	20,117,000	8	0.14%	20,405,100	7	0.14%
Sandpiper Energy	19,142,800	9	0.13%			
Verizon Maryland	18,136,940	10	0.12%	40,308,960	3	0.28%
LPBOC Hotel				16,925,666	9	0.12%
Harrison Hi 17 LLC				16,530,400	10	0.11%
Total	\$ 307,774,317		2.07%	\$ 295,162,959		2.03%

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
2016	\$ 127,310,134	\$ 124,150,927	97.52%	\$ 2,910,349	\$ 127,061,276	99.80%
2015	116,946,415	113,877,415	97.38%	2,913,774	116,791,189	99.87%
2014	117,232,826	113,637,017	96.93%	2,865,685	116,502,702	99.38%
2013	120,978,969	118,039,082	97.57%	2,668,186	120,707,268	99.78%
2012	120,824,876	117,865,015	97.55%	2,461,933	120,326,948	99.59%
2011	122,758,482	118,346,054	96.41%	2,936,982	121,283,036	98.80%
2010	127,501,001	123,185,310	96.62%	2,842,094	126,027,404	98.84%
2009	134,758,214	129,987,549	96.46%	2,216,085	132,203,634	98.10%
2008	117,235,050	113,909,952	97.16%	2,446,527	116,356,479	99.25%
2007	100,027,236	97,270,141	97.24%	1,631,909	98,902,050	98.88%

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

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

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

Tax Year	State Income Tax Rate								Worcester County Local Income Tax Direct Rate
	\$0 to \$1,000 Net Taxable Income	\$1,000 to \$2,000 Net Taxable Income	\$2,000 to \$3,000 Net Taxable Income	\$3,000 to \$100,000 Net Taxable Income	\$100,000 to \$125,000 Net Taxable Income	\$125,000 to \$150,000 Net Taxable Income	\$150,000 to \$250,000 Net Taxable Income	In excess of \$250,000 Net Taxable Income	
2015	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2014	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2013	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2012	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2011	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2010	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2009	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2008	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2007	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2006	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%

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

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

Tax Year	Number of Taxable Returns	Maryland Adjusted Gross Income	Net Taxable Income	Net State Income Tax	Local Income Tax	Total Tax Liability	Worcester County Income Tax Direct Rate
2014 *	20,851	\$ 1,365,308,664	\$ 1,072,579,791	\$ 47,357,771	\$ 13,075,365	\$ 60,433,136	1.25%
2013	20,617	1,286,708,049	990,978,118	43,499,534	12,128,750	55,628,284	1.25%
2012	20,440	1,290,129,238	994,950,253	43,469,925	12,174,791	55,644,716	1.25%
2011	20,024	1,217,864,067	914,819,943	38,544,724	11,193,861	49,738,585	1.25%
2010	20,005	1,210,435,351	902,488,197	38,732,378	11,049,389	49,693,809	1.25%
2009	19,568	1,134,122,027	830,593,787	35,899,902	10,154,650	46,054,552	1.25%
2008	20,223	1,227,188,627	910,200,259	39,699,296	11,184,183	50,883,479	1.25%
2007	21,233	1,334,945,488	1,026,855,196	43,562,023	12,604,859	56,166,882	1.25%
2006	21,009	1,295,487,063	1,004,316,908	42,084,216	12,342,088	54,426,304	1.25%
2005	20,627	1,300,452,155	1,028,181,007	43,982,552	12,647,518	56,630,070	1.25%

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

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

* Data unavailable for the 2015 filing year

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

	Tax Year 2014 *					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$250,000 and higher	530	2.5%	\$ 286,469,444	26.7%	\$ 3,534,823	27.0%
\$100,000 - 249,999	2,594	12.4%	310,370,867	28.9%	3,872,709	29.6%
\$50,000 - 99,999	4,958	23.8%	262,082,979	24.4%	3,273,774	25.0%
\$25,000 - 49,999	6,343	30.4%	153,134,693	14.3%	1,772,448	13.6%
\$5,000 - 24,999	6,271	30.1%	60,258,261	5.6%	618,620	4.7%
Under \$5,000	155	0.7%	263,547	0.0%	2,991	0.0%
Totals	20,851	100.0%	\$ 1,072,579,791	100.0%	\$ 13,075,365	100.0%

	Tax Year 2005					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$250,000 and higher	514	2.5%	\$ 352,681,839	34.3%	\$ 4,408,522	34.9%
\$100,000 - 249,999	1,852	9.0%	218,191,918	21.2%	2,727,417	21.6%
\$50,000 - 99,999	4,560	22.1%	238,301,518	23.2%	2,978,313	23.5%
\$25,000 - 49,999	6,124	29.7%	147,869,888	14.4%	1,799,837	14.2%
\$5,000 - 24,999	7,362	35.7%	70,774,705	6.9%	729,437	5.8%
Under \$5,000	215	1.0%	361,139	0.0%	3,992	0.0%
Totals	20,627	100.0%	\$ 1,028,181,007	100.0%	\$ 12,647,518	100.0%

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

Note: * Data unavailable for the 2015 filing year

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

Fiscal Year	Governmental Activities		Business-type Activities			Total Primary Government	Percentage of Personal Income	Bond/Lease Debt Per Capita
	General Obligation Bonds	Deferred Bond Premiums	General Obligation Bonds	Capital Leases	Deferred Bond Premiums (Costs)			
2016	\$ 94,004,273	\$ 7,105,393	\$ 22,670,278	\$ 1,353,997	\$ 758,437	\$ 125,892,378	4.62%	\$ 2,380
2015	101,944,407	7,460,309	24,299,716	1,527,500	782,829	136,014,761	4.99%	2,639
2014	102,921,889	5,648,657	23,223,396	1,391,965	411,541	133,597,448	5.21%	2,585
2013	67,549,992	919,216	17,062,876	1,359,361	(173,920)	86,717,525	3.34%	1,680
2012	70,701,211	701,272	19,348,694	1,239,613	(211,545)	91,779,245	3.68%	1,779
2011	78,525,255	775,305	15,053,052	1,574,530	(249,170)	95,678,972	4.22%	1,857
2010	86,048,230	849,338	15,215,449	1,579,885	(286,795)	103,406,107	5.05%	2,105
2009	93,320,140	923,371	16,409,885	2,422,300	(324,420)	112,751,276	5.60%	2,288
2008	63,539,371	371,846	18,268,965	2,475,233	(362,078)	84,293,337	4.53%	1,711
2007	67,565,671	394,843	19,674,002	2,453,842	(399,702)	89,688,656	5.16%	1,828

Notes: 2016 percentage of personal income calculated using 2015 personal income data, which is the most recent available

See Schedule 16 for population and personal income data

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

Fiscal Year	General Obligation Bonds	Total Taxable Assessable Base	Percentage of Total Taxable Assessable Base	Population *	Bond Debt Per Capita
2016	\$ 116,674,551	\$ 14,885,658,093	0.78%	51,540	\$ 2,264
2015	126,244,123	14,888,348,699	0.85%	51,675	2,443
2014	126,145,285	15,069,853,304	0.84%	51,620	2,444
2013	84,612,868	15,775,515,175	0.54%	51,578	1,640
2012	90,049,905	17,522,393,962	0.51%	51,514	1,748
2011	93,578,307	18,130,187,255	0.52%	49,122	1,905
2010	101,263,679	19,301,510,253	0.52%	49,274	2,055
2009	109,730,025	20,247,338,533	0.54%	49,270	2,227
2008	81,808,336	17,371,368,530	0.47%	49,069	1,667
2007	87,239,673	14,580,162,820	0.60%	48,785	1,788

Source: Worcester County Finance Office

Note: * Using prior calendar year population data for fiscal year calculation

Schedule 14
Worcester County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2016

	<u>Governmental Unit</u>	<u>Debt Outstanding</u>
Direct Debt		
	Worcester County - General Government	\$ 15,319,273
	Worcester County - School Debt	<u>78,685,000</u>
	Subtotal Direct Debt	<u>94,004,273</u>
Overlapping Debt		
	Berlin	23,066,000
	Ocean City	92,212,871
	Pocomoke	4,355,613
	Snow Hill	<u>2,166,798</u>
	Subtotal Overlapping Debt	<u>121,801,282</u> *
Total Direct and Overlapping Debt		<u><u>\$ 215,805,555</u></u>

Source: Worcester County Finance Office

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Debt Outstanding Limit										
Taxable Assessable Base	\$ 14,580,163	\$ 17,371,369	\$ 20,247,339	\$ 19,301,510	\$ 18,130,187	\$ 17,522,394	\$ 15,775,515	\$ 15,069,853	\$ 14,888,349	\$ 14,885,658
Debt Limit, 1% of Assessable Base	145,802	173,714	202,473	193,015	181,302	175,224	157,755	150,699	148,883	148,857
Amount of Debt Applicable to Limit	67,566	63,539	93,320	86,048	78,525	70,701	67,550	102,922	101,944	94,004
Debt Margin	<u>\$ 78,236</u>	<u>\$ 110,174</u>	<u>\$ 109,153</u>	<u>\$ 106,967</u>	<u>\$ 102,777</u>	<u>\$ 104,523</u>	<u>\$ 90,205</u>	<u>\$ 47,777</u>	<u>\$ 46,939</u>	<u>\$ 54,852</u>
Total debt applicable to the limit as a percentage of debt limit	46.34%	36.58%	46.09%	44.58%	43.31%	40.35%	42.82%	68.30%	68.47%	63.15%
Total Debt Service Limit										
Total Governmental Fund Revenue	\$ 169,509	\$ 178,915	\$ 196,317	\$ 176,715	\$ 173,868	\$ 174,865	\$ 176,237	\$ 171,146	\$ 173,843	\$ 190,659
Debt Service Limit, 10% of Revenue	16,951	17,891	19,632	17,671	17,387	17,486	17,624	17,115	17,384	19,066
Debt Service Applicable to Limit	6,919	6,526	8,327	11,039	11,008	10,991	10,069	10,536	13,737	11,481
Debt Service Margin	<u>\$ 10,032</u>	<u>\$ 11,365</u>	<u>\$ 11,304</u>	<u>\$ 6,632</u>	<u>\$ 6,379</u>	<u>\$ 6,496</u>	<u>\$ 7,554</u>	<u>\$ 6,578</u>	<u>\$ 3,648</u>	<u>\$ 7,585</u>
Total debt service applicable to the limit as a percentage of debt service limit	40.82%	36.48%	42.42%	62.47%	63.31%	62.85%	57.14%	61.56%	79.02%	60.22%

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 (dollars in thousands)	Per Capita Personal Income ^b	Public School Enrollment ^c	Unemployment Rate ^d
2016	52,900	*	*	6,660	6.2%
2015	51,540	2,723,740	52,847	6,654	7.9%
2014	51,675	2,562,653	49,592	6,649	7.2%
2013	51,620	2,597,794	50,325	6,650	8.5%
2012	51,578	2,493,986	48,354	6,643	8.2%
2011	51,514	2,265,940	43,987	6,699	8.9%
2010	49,122	2,045,692	41,645	6,659	8.1%
2009	49,274	2,013,834	40,870	6,673	7.5%
2008	49,270	1,860,874	37,769	6,747	4.6%
2007	49,069	1,737,887	35,417	6,830	3.8%

Sources: ^a U.S. Census Bureau Population Estimate - Maryland Department of Planning, July 2016

^b U.S. Department of Commerce Bureau of Economic Analysis, November 17, 2016

^c Worcester County Board of Education

^d Maryland Department of Labor, Licensing and Regulation, as of June 30

Note: * Information not yet available

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

Employer	2016	
	Employees	Percentage of Total County Employment
Harrison Group	1,172	4.55%
Worcester County Board of Education	1,171	4.55%
Atlantic General Hospital	861	3.35%
Worcester County Government	663	2.58%
Wal-Mart Super Center	583	2.27%
Town of Ocean City	529	2.06%
Bayshore Development	519	2.02%
O.C. Seacrets, Inc.	469	1.82%
Dough Roller	360	1.40%
Clarion Fountainebleu Hotel	340	1.32%
	6,667	25.92%

Total Worcester County Employees 25,734

Employer	2007	
	Employees	Percentage of Total County Employment
Worcester Board of Education	1,129	3.68%
Harrison Group	800	2.61%
Dough Roller	737	2.40%
Phillips Seafood Restaurant	725	2.36%
Worcester County Government	668	2.18%
Town of Ocean City	600	1.95%
Atlantic General Hospital	599	1.95%
OC Seacrets, Inc.	504	1.64%
Wal-Mart Super Center	500	1.63%
Clarion Fountainebleu Hotel	294	0.96%
	6,556	21.36%

Total Worcester County Employees 30,692

Sources: Worcester County Economic Development

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

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

Function/Program	Full-time Equivalent Employees as of June 30									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General government	144.8	149.7	153.4	137.1	127.4	125.0	124.3	122.0	121.4	122.0
Commissioners, judges, and boards	20.0	20.0	20.0	20.0	21.0	21.0	22.0	21.0	21.0	19.0
Public safety	174.6	174.4	180.3	191.5	203.3	207.1	212.1	222.3	225.2	228.7
Public works	68.7	70.0	70.6	64.8	61.9	59.7	57.7	56.9	59.1	57.2
Social services - LMB	3.7	3.8	3.5	3.0	1.0	-	-	-	-	-
Library and recreation	63.2	67.1	70.0	65.1	62.0	60.4	63.1	63.1	64.0	64.3
Natural resources	0.2	0.2	-	-	-	-	-	-	-	-
Water and wastewater	66.6	66.6	67.2	63.7	65.0	62.6	62.9	65.2	64.8	65.9
Solid waste	47.6	46.6	45.3	40.9	39.0	36.6	35.0	35.6	35.7	35.2
Liquor control	-	-	-	-	-	36.0	31.8	31.0	24.5	19.0
Total	<u>589.4</u>	<u>598.4</u>	<u>610.3</u>	<u>586.1</u>	<u>580.6</u>	<u>608.4</u>	<u>608.9</u>	<u>617.1</u>	<u>615.7</u>	<u>611.3</u>

Source: Worcester County Finance Office

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

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

The Department of Liquor Control was new in FY12

Part-time and temporary employees are included in this table

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
Building permits issued *	194	98	73	75	59	65	76	124	133	138
Value of new construction (in 000's)	52,891	31,990	17,063	17,524	13,317	14,437	20,344	31,150	26,806	29,865
Public Safety										
Detention Center										
Average daily population	308	274	196	267	334	375	376	335	338	344
Fire protection (all volunteer)										
Fire calls answered	1,756	1,526	1,425	1,370	1,490	1,539	1,612	2,164	2,673	2,436
Emergency Medical Services										
EMS calls answered	5,700	5,812	5,621	5,928	5,572	6,050	6,243	5,937	6,537	6,551
Education										
Students	6,727	6,747	6,673	6,659	6,699	6,643	6,650	6,649	6,654	6,660
Teachers	575	577	579	572	571	570	571	572	572	572
Public Works										
Centerline miles of road maintained	519	524	524	529	530	530	530	530	531	531
Wastewater treated (mgd)	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.4

Source: Worcester County Finance Office and individual County departments

Note: * Single Family Dwelling Units

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

Function/Program	Fiscal Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Public Safety										
Detention center capacity	300	300	300	507	507	507	507	507	507	507
Fire companies	9	9	9	9	9	9	9	9	9	9
Emergency medical services companies	6	6	7	7	7	7	7	7	7	7
Education										
Elementary schools	5	5	5	5	5	5	5	5	5	5
Intermediate schools	1	1	1	1	1	1	1	1	1	1
Middle schools	3	3	3	3	3	3	3	3	3	3
Special school	1	1	1	1	1	1	1	1	1	1
High schools	3	3	3	3	3	3	3	3	3	3
Technical high school	-	1	1	1	1	1	1	1	1	1
Career and technology center	1	-	-	-	-	-	-	-	-	-
Public libraries	5	5	5	5	5	5	5	5	5	5
Recreation Facilities										
Recreation center	1	1	1	1	1	1	1	1	1	1
County parks	12	12	13	13	13	13	13	13	13	13
Park acreage	880	880	883	883	883	883	883	883	883	883
Public landings and wharves	9	9	9	9	9	9	9	9	9	9
Boat slips	8	8	8	8	8	8	8	8	8	8
Public Works										
Centerline miles of County roads	519	524	527	529	530	530	530	530	531	531
Public easements - Ocean Pines	62.88	64.16	64.16	64.12	64.12	64.12	64.12	64.12	64.12	64.12
Bridges	40	40	40	44	44	44	44	44	44	43
Wastewater treatment plants	8	8	8	8	8	8	8	8	8	8
Miles of sewer pipeline	187	187	187	187	187	187	187	190	191	191
Water well house facilities	5	5	5	5	5	5	5	5	5	5
Pump stations	53	53	53	53	54	54	54	54	55	55
Water tanks	5	5	6	6	6	6	6	6	6	6
Waterlines	148	148	149	150	150	150	151	151	151	154
Water treatment facilities	10	10	10	10	10	10	10	10	10	10
Recycling center	1	1	1	1	1	1	1	1	1	1

Source: Worcester County Finance Office and individual County departments



Worcester County

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