

Worcester County, Maryland

Comprehensive Annual Financial Report

For Fiscal Year Ended
June 30, 2018



Worcester County Government Center

Prepared by:

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Budget Officer

WORCESTER COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the FISCAL YEAR ENDED JUNE 30, 2018
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INTRODUCTORY SECTION

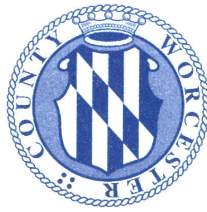
LETTER OF TRANSMITTAL

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

December 13, 2018

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, 2018 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, 2018, are free of material misstatement.

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

presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Worcester County, Maryland's financial statements for the fiscal year ended June 30, 2018 are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

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

Profile of the Government

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

There are four incorporated municipalities in the County: Berlin, Ocean City, Pocomoke City and Snow Hill. Berlin, Pocomoke City and Snow Hill are well-established communities ranging in size from 2,100 to about 4,500 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, a liquor retail operation, highways and streets, planning and zoning, and general administrative services.

Budget Process

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

In recent years, the County has taken a number of steps to control expenses and reduce the cost of providing needed services to its residents. The County's continued use and refinement of its multi-year budget document has proven useful for both operational and capital planning as the County assessable base continues to improve with a positive trend expected in the near term. Most County departments and agencies operating budgets were increased in fiscal year 2018 and included a step payroll adjustment and a phase-in to reclassify certain County positions to improve recruitment and retention of staff. The effects of a State-mandated escalator provision related to school funding required the County to provide additional funding for the second year to the Board of Education. An intergovernmental transfer to provide Homeowner convenience centers and recycling services which began in fiscal year 2017 was also included in the budget. Finally, the County continues to include capital asset purchases, including vehicles and heavy equipment, into the operating budget in order to meet the operating needs of the departments.

Factors Affecting Financial Condition

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

Local Economy – Like state and local governments across the country, Worcester County's local economic performance reflects the current national trends. The housing market continues to improve in the County and this is reflected in the steadily improving assessable base as well as the current volume of new commercial and residential construction. 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 2.9% in the current fiscal year, which translates to a \$10.6 million increase in gross hotel, motel, and condominium rentals indicating that our tourism market continues to perform well. 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 plans to issue debt in fiscal year 2019 for the construction of the Showell Elementary School (which replaces an existing 40 year old facility), an athletic field at Stephen Decatur High School, and numerous water and wastewater and landfill enterprise funds improvement projects

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. 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. During fiscal year 2018, the County and the Board of Education implemented GASB's Statement No. 75 and in accordance, has applied its effects retroactively.

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, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both GAAP and applicable legal requirements.

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

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

Respectfully submitted,



Phillip G. Thompson, CPA
Finance Officer



Government Finance Officers Association

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

Presented to

**Worcester County
Maryland**

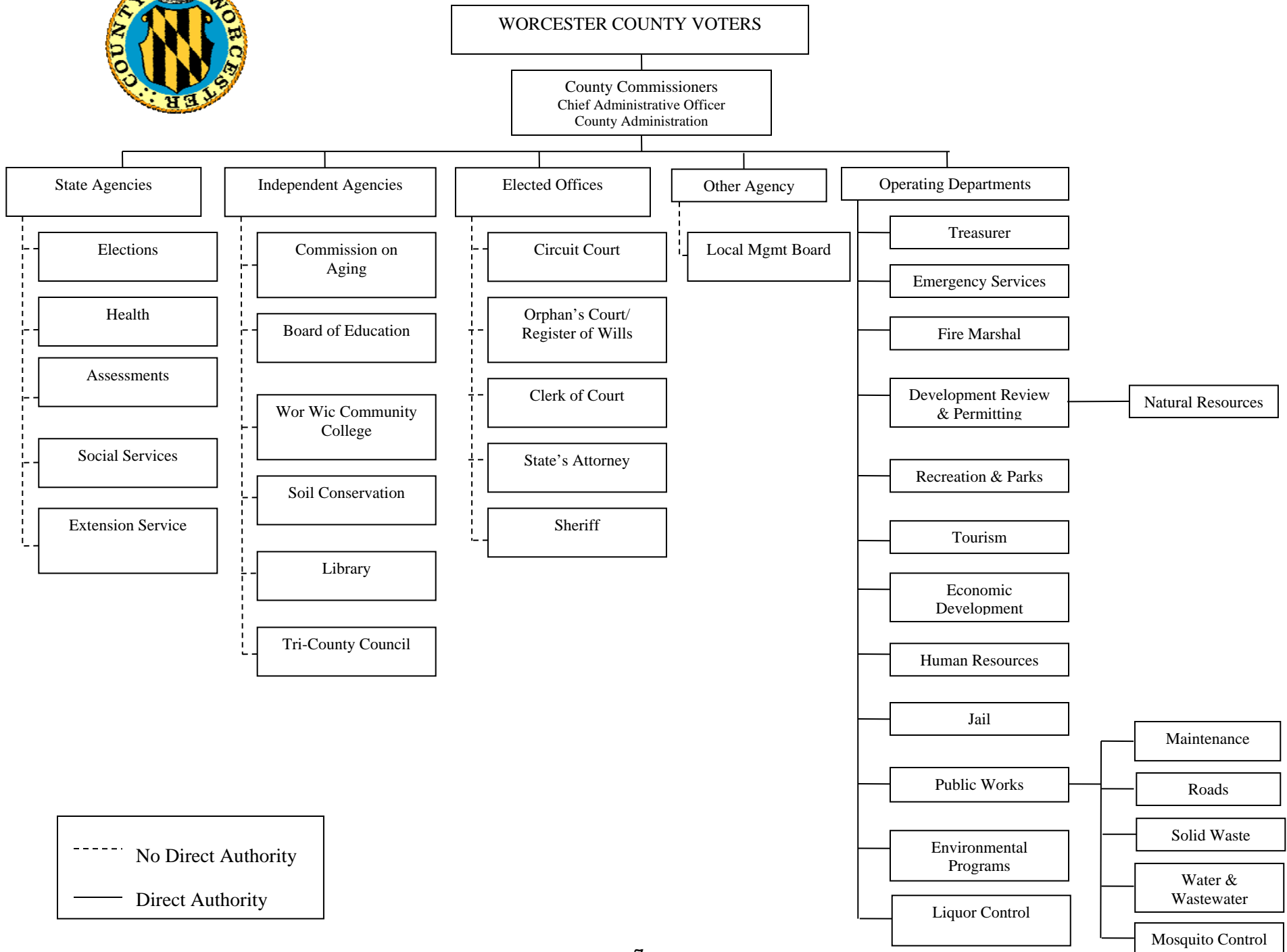
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

Worcester County Organization Chart



Worcester County, Maryland
List of Principal Officials and Directors
June 30, 2018

ELECTED OFFICIALS

County Commissioners

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

Sheriff

Reggie T. Mason, Sr.

APPOINTED OFFICIALS

County Administrator
Assistant County Administrator
State's Attorney
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
William McDermott
Maureen L. Howarth
John Tustin
Vacant
Robert Mitchell
Fred Webster
Phillip G. Thompson
Jeff McMahon
Stacey Norton
Edward Tudor
Donna Bounds
Jennifer Ranck
Tom Perlozzo
Lisa Challenger

FINANCIAL SECTION

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



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Worcester County, Maryland as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Worcester County, Maryland, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows, and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Notes 17 to the financial statements, during the year ended June 30, 2018, Worcester County, Maryland adopted new accounting guidance, Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 (pension schedules and OPEB Trust Fund information, and notes to the required supplementary information) on pages 12 through 26 and 96 through 102, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018 on our consideration of Worcester County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Worcester County, Maryland's internal control over financial reporting and compliance.



Salisbury, Maryland
December 13, 2018

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, 2018. The basic financial statements are comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements. We hope this, in conjunction with additional information provided within the statements, will assist readers in identifying significant financial issues and changes in the County's financial position.

Financial Highlights for Fiscal Year 2018

The assets and deferred outflows of the County exceeded its liabilities and deferred inflows at the close of fiscal year 2018 by \$77 million (net position) an increase of \$10.2 million over the restated fiscal year 2017 net position. Approximately \$57 million is attributable to the County's business-type activities of solid waste, water and wastewater, and liquor control operations and approximately \$20 million is attributable to the County's governmental activities. The prior year net position was reduced by \$44.7 million due to implementation of GASB Statement No. 75 as shown in note 17 on page 94. 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 \$63.2 million at June 30, 2018. Absent the effect of this relationship, the County would have reported an unrestricted governmental activities net position of -\$3.2 million on its government-wide financial statements, rather than the unrestricted net position of -\$66.4 million. Of note is the County's increase in overall capital assets of \$8.6 million and repayment of general government and enterprise fund bonds of \$7.8 million.

At the end of the current fiscal year, the County's governmental funds reported combined fund balance of \$55 million, a decrease of \$6.1 million in comparison with the prior year. This decrease is a combination of changes in the various fund balances. The general fund balance decreased by \$4 million due to the combination of positive variance in operations of \$3.4 million and spending on capital project of \$7.4 million. The positive variance in operations comes from strong transfer and recordation taxes, interest on investments higher than budgeted, and positive actual expenses versus budget across many departments. Major capital project spending during the year includes initial investments in the Showell school replacement of \$1.4 million, road paving costing \$1.5 million, and unreimbursed Berlin library construction costs of \$3.5 million. The capital projects fund balance decreased by \$2.2 million due to planned spending of bond proceeds.

For the 2018 fiscal year real estate billing, Worcester County real property assessments increased by 2.4% over the prior year. This improvement in property values in conjunction with a steadily improving real estate market resulted in an additional \$2.5 million in net property taxes while maintain the same property tax rate. Tourism continues to be a driving force in our local economy as indicators for room and food tax improved due in part to the County's proximity to three major metropolitan areas.

For the fiscal year 2018, budgets increased from \$188.9 million to \$198.9 million or \$10.1 over the prior year. The budget for property taxes increased by \$3.1 million, income taxes by \$4.2 million, room and food taxes by \$1.6 million, transfer and recordation taxes by \$0.5 million, and transfers from budget stabilization by \$0.5 million. On the expense side, the budget for County salaries increased by \$1 million, health care by \$0.7 million, volunteer fire departments by \$0.5 million, transfers out to recycling and homeowner convenience centers by \$0.5 million, and the intergovernmental to towns by \$2.4 million. The County also provided a \$3.3 million increase for Education which includes required \$2.39 million increases; a 2.4% increase of \$1.95 million for the State mandated Maintenance of Effort (MOE) escalator provision and \$0.44 million for additional enrollment.

For actual results during fiscal year 2018, total revenue was up \$1.5 million or 0.8% which included: property taxes increased by \$2.5 million or 2%, income tax decreased by \$0.6 million or 2.8%, interest on investments increased by \$0.6 million or 151%, and transfers of bond premium/proceeds towards debt service decreased by \$0.9 million. Total expenses were up by \$14.4 million or 7.4% including a reserve fund transfer of \$0.9 million and increases in capital project expenditures of \$5.5 million, transfer to solid waste of \$0.5 million, and education spending of \$3.5 million. Fiscal year 2018 department operating costs increased \$3.6 million or 5.3%. Total increases include: County salaries by \$0.9 million or 3.5%, overall benefits and insurance by \$1.2 million or 7.8%, and contributions to volunteer fire companies by \$0.5 million or 7.8%. Other smaller items between \$200,000 and \$500,000 to note were an increase in debt service, an increase in grants to towns, an increase in the beach maintenance appropriation, an increase in the County vehicle and equipment replacement purchases, an increase in the OPEB contribution, and a decrease in the health department matching appropriation.

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 – 36 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 38 – 42 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 43 – 44 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 46 – 94 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 96 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. One of the largest portions of the County's net position reflects its investments in capital assets (e.g., land, buildings, roads, equipment, and bridges) less related outstanding debt used to acquire those assets in the amount of \$148,636,387 at June 30, 2018. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets cannot be used to liquidate these liabilities.

Worcester County, Maryland

Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017, as restated	2018	2017	2018	2017, as restated
Assets:						
Current and other assets	\$ 67,572,678	\$ 89,834,336	\$ 30,632,103	\$ 29,767,175	\$ 98,204,781	\$ 119,601,511
Capital assets	100,362,504	96,939,868	84,410,515	79,202,452	184,773,019	176,142,320
Total assets:	<u>167,935,182</u>	<u>186,774,204</u>	<u>115,042,618</u>	<u>108,969,627</u>	<u>282,977,800</u>	<u>295,743,831</u>
Deferred outflows						
of resources	<u>10,415,664</u>	<u>9,826,084</u>	<u>-</u>	<u>-</u>	<u>10,415,664</u>	<u>9,826,084</u>
Liabilities:						
Current and other						
liabilities	20,314,379	21,384,398	18,721,261	18,323,048	\$ 39,035,640	\$ 39,707,446
Long-term liabilities	<u>132,472,171</u>	<u>160,590,887</u>	<u>39,155,481</u>	<u>36,025,827</u>	<u>171,627,652</u>	<u>196,616,714</u>
Total liabilities:	<u>152,786,550</u>	<u>181,975,285</u>	<u>57,876,742</u>	<u>54,348,875</u>	<u>210,663,292</u>	<u>236,324,160</u>
Deferred inflows						
of resources	<u>5,190,624</u>	<u>1,925,281</u>	<u>-</u>	<u>-</u>	<u>5,190,624</u>	<u>1,925,281</u>
Net position:						
Net investment in						
capital assets	86,692,388	82,846,858	61,943,999	58,358,305	148,636,387	141,205,163
Unrestricted	<u>(66,318,716)</u>	<u>(70,147,136)</u>	<u>(4,778,123)</u>	<u>(3,737,553)</u>	<u>(71,096,839)</u>	<u>(73,884,689)</u>
Total net position:	<u>\$ 20,373,672</u>	<u>\$ 12,699,722</u>	<u>\$ 57,165,876</u>	<u>\$ 54,620,752</u>	<u>\$ 77,539,548</u>	<u>\$ 67,320,474</u>

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

Worcester County, Maryland

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 9,007,062	\$ 9,017,758	\$ 20,276,349	\$ 23,277,518	\$ 29,283,411	\$ 32,295,276
Operating grants and contributions	7,131,615	6,496,156	26,000	26,000	7,157,615	6,522,156
Capital grants and contributions	2,932,654	1,984,522	-	-	2,932,654	1,984,522
General revenues:						
Real and personal property taxes	132,813,479	130,179,520	-	-	132,813,479	130,179,520
Income taxes	22,260,250	22,891,694	-	-	22,260,250	22,891,694
Other local taxes	30,555,387	30,136,897	-	-	30,555,387	30,136,897
Interest income	1,059,323	476,064	167,894	76,072	1,227,217	552,136
Other income	618,739	704,372	-	588,168	618,739	1,292,540
Total revenues:	<u>206,378,509</u>	<u>201,886,983</u>	<u>20,470,243</u>	<u>23,967,758</u>	<u>226,848,752</u>	<u>225,854,741</u>
Expenses:						
General government	38,378,190	44,311,285	-	-	38,378,190	44,311,285
Public safety	36,229,150	33,626,987	-	-	36,229,150	33,626,987
Public works	8,808,385	4,850,672	-	-	8,808,385	4,850,672
Health and hospitals	6,597,319	6,657,023	-	-	6,597,319	6,657,023
Social services	2,290,971	2,035,417	-	-	2,290,971	2,035,417
Education	92,556,477	94,649,729	-	-	92,556,477	94,649,729
Libraries, recreation and culture	6,049,573	5,905,393	-	-	6,049,573	5,905,393
Conservation of natural resources	712,005	425,671	-	-	712,005	425,671
Economic development	1,711,548	1,686,229	-	-	1,711,548	1,686,229
Interest charges	3,704,618	4,076,145	-	-	3,704,618	4,076,145
Landfill	-	-	4,092,967	4,367,047	4,092,967	4,367,047
Water and wastewater	-	-	14,466,207	13,691,072	14,466,207	13,691,072
Liquor Control	-	-	1,032,268	6,076,646	1,032,268	6,076,646
Total expenses:	<u>197,038,236</u>	<u>198,224,551</u>	<u>19,591,442</u>	<u>24,134,765</u>	<u>216,629,678</u>	<u>222,359,316</u>
Change in net position before transfers	9,340,273	3,662,432	878,801	(167,007)	10,219,074	3,495,425
Transfers in (out)	(1,666,323)	(1,336,264)	1,666,323	1,336,264	-	-
Total change in net position	<u>7,673,950</u>	<u>2,326,168</u>	<u>2,545,124</u>	<u>1,169,257</u>	<u>10,219,074</u>	<u>3,495,425</u>
Net position restated, beginning	<u>12,699,722</u>	<u>10,373,554</u>	<u>54,620,752</u>	<u>53,451,495</u>	<u>67,320,474</u>	<u>63,825,049</u>
Net position, ending	<u>\$ 20,373,672</u>	<u>\$ 12,699,722</u>	<u>\$ 57,165,876</u>	<u>\$ 54,620,752</u>	<u>\$ 77,539,548</u>	<u>\$ 67,320,474</u>

Governmental Activities:

Governmental activities increased the County's net position after transfers by \$7.6 million. Key elements of the increase in the net position of governmental activities are as follows:

Revenues increased by \$4.4 million as compared to fiscal year 2017:

- Net property taxes increased by \$2.6 million over the prior year actual due to the increase in assessments as the real estate market continues to improve.
- Overall grants increased by \$1.5 million, mainly due to \$1.8 million in capital projects grants for the new Berlin library.
- Interest income increased by \$0.6 million over the prior year due to stronger investment interest rates.

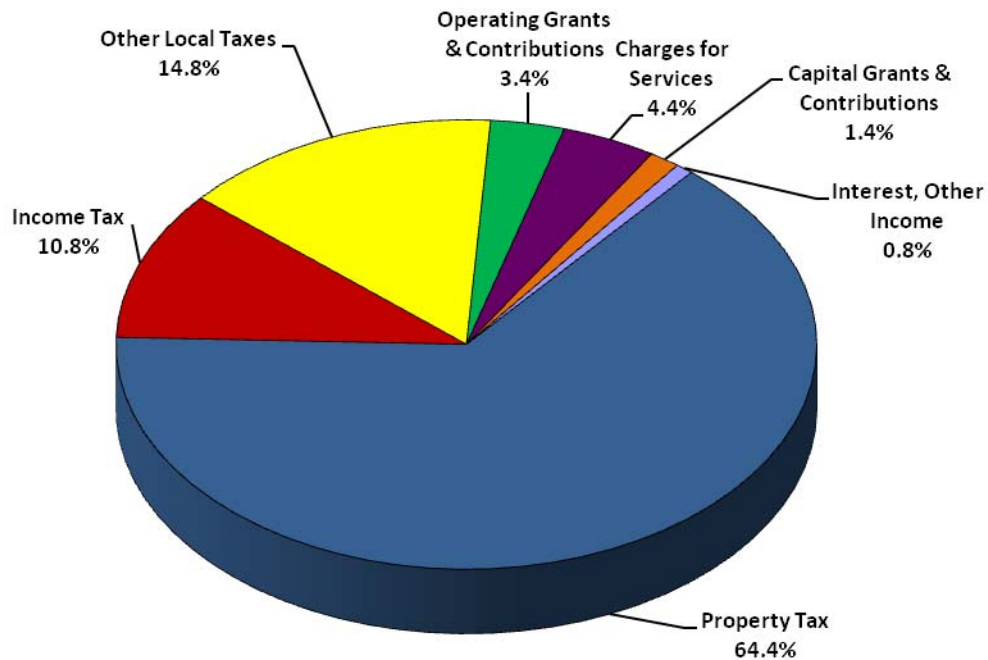
Expenses decreased by \$1.2 million as compared to fiscal year 2017 as a result of a combination of increases and decreases:

- Operating expenses increased by \$7.5 million. This is mainly due to increased spending in education of \$3.6 million and public safety of \$2.2 million.
- Within the capital projects activity, the Board of Education spent \$5.7 million less on capital expenditures than in fiscal year 2017. This decrease in expenditures would be included in the education expenses since they are not capitalized on the County's statement of net position.
- Capital asset purchases decreased by \$1.3 million, pension expenses decreased by \$2.7 million, and post-retirement employee benefits increases by \$1 million.

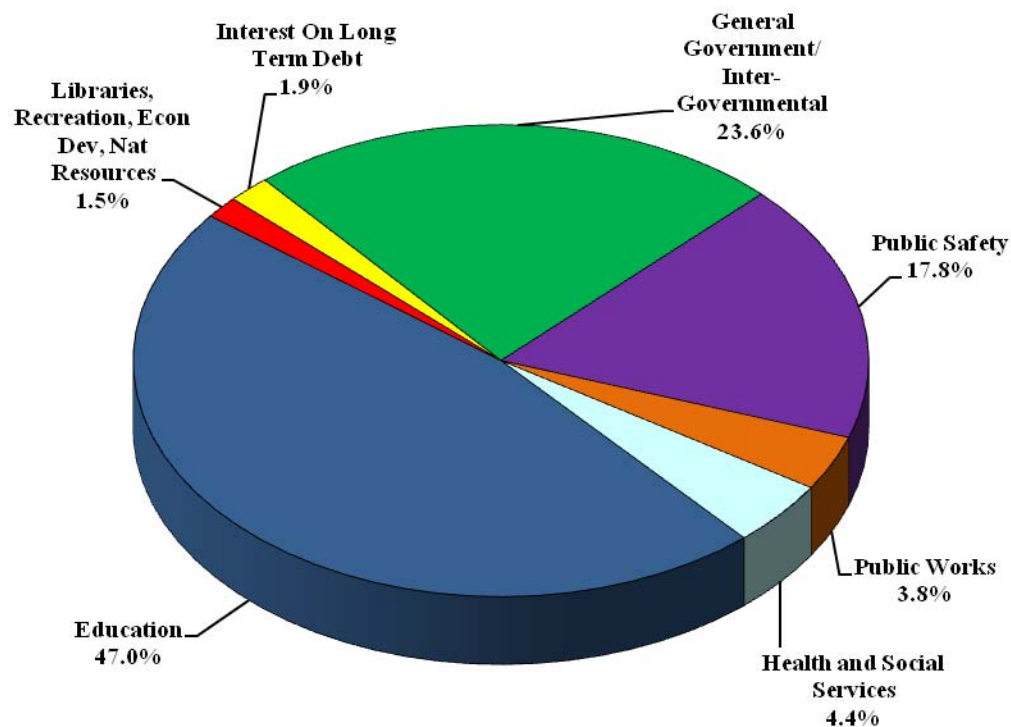
In addition, the County approved a \$1.7 million transfer from the general fund to the solid waste enterprise fund to facilitate the operations of the recycling and homeowners' convenience centers throughout the County.

Fiscal year 2018 revenues and expenses are summarized in the following charts for governmental activities.

Revenues by Source- Governmental Activities For the Year Ended June 30, 2018



Expenses- Governmental Activities For the Year Ended June 30, 2018



Business-type Activities:

Enterprise Fund Statements	June 30, 2018	June 30, 2017	Change in Net Position
Water and Wastewater Services	\$ 56,226,385	\$ 55,209,057	\$ 1,017,328
Solid Waste	1,589,653	(105,993)	1,695,646
Department of Liquor Control	(650,162)	(482,312)	(167,850)
Total	<u>\$ 57,165,876</u>	<u>\$ 54,620,752</u>	<u>\$ 2,545,124</u>

Water and Wastewater***Revenues***

- Revenues increased to \$15.4 million in fiscal year 2018 from \$14.3 million in fiscal year 2017 due to an increase in domestic and commercial charges from service area rate increases and additional assessments collected on water and sewer equivalent dwelling units sold but not yet connected.

Expenses

- Operating expenses increased to \$10.5 million in fiscal year 2018 from \$10.1 million in fiscal year 2017 due to an increase in personnel services from raises and rise in benefit costs and an increase in maintenance and services needed for the Mystic Harbor, Ocean Pines, and West Ocean City service areas.
- Depreciation expense increased to \$3.4 million in fiscal year 2018 from \$3 million in fiscal year 2017 due to additional depreciation on the fiscal year 2018 capital asset additions and on the fiscal year 2017 capital asset additions capitalized on the last day of the fiscal year.

Solid Waste***Revenues***

- Tipping fee revenue increased to \$3.4 million in fiscal year 2018 from \$3.1 million in fiscal year 2017 due to an increased volume of trash being brought to the central landfill from commercial businesses.
- License and permit revenue decreased to \$331,910 in fiscal year 2018 from \$340,740 in fiscal year 2017 due to a decline in homeowner permits purchased for calendar year 2018.
- Recycling revenues increased to \$232,303 in fiscal year 2018 from \$221,733 in fiscal year 2017. The sale of recyclable materials is a highly volatile market, which often experiences large changes from year to year.

Expenses

- Operating expenses decreased to \$3.4 million in fiscal year 2018 from \$3.6 million in fiscal year 2017 due to the decrease in closure and post-closure costs for solid waste cells 1 through 4 which was partially offset by an increase in personnel, fuel, and leachate.
- Depreciation expense decreased to \$576,190 in fiscal year 2018 from \$617,266 in fiscal year 2017 due to one piece of equipment being fully depreciated in the beginning of fiscal year 2018 while there was minimal depreciation on the fiscal year 2018 capital asset additions.

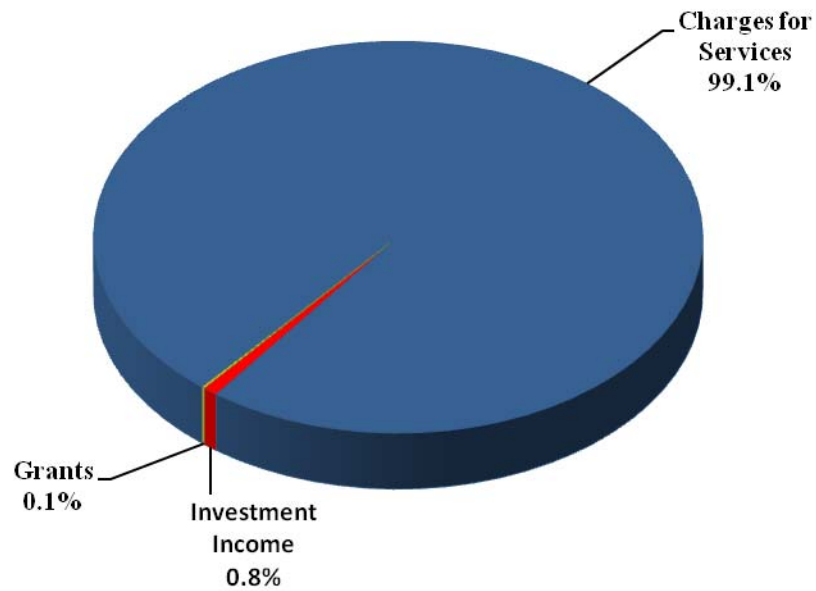
Liquor Control***Revenues***

- Liquor sales decreased to \$772,157 in fiscal year 2018 from \$5.2 million in fiscal year 2017 due to ending the following operations in fiscal year 2017 in accordance with the decision of the County Commissioners to exit the liquor business: wholesale operations ended on September 30, 2016, two retail store operations ended on December 31, 2016, and one retail store operation ended on June 30, 2017. The corresponding cost of sales decreased to \$576,378 in fiscal year 2018 from \$4.1 million in fiscal year 2017.

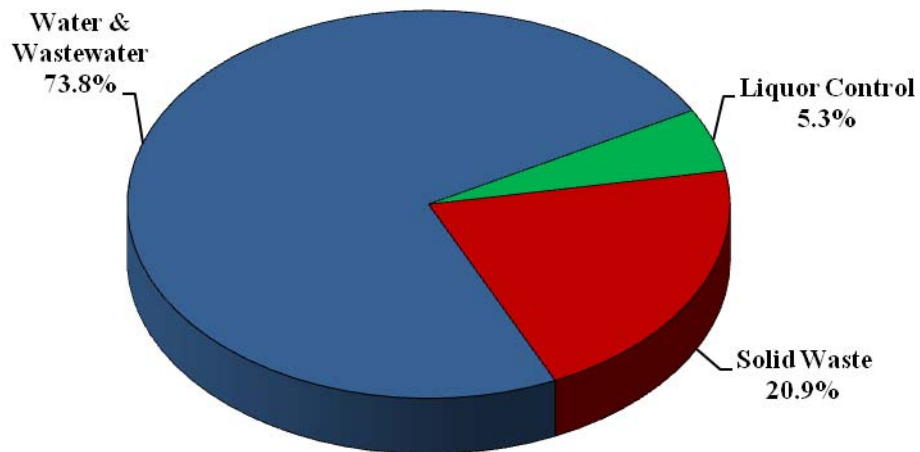
Expenses

- Operating expenses decreased to \$350,913 in fiscal year 2018 from \$1.1 million in fiscal year 2017 due to the aforementioned ending of operations.
- Depreciation and general expenses decreased to \$103,530 in fiscal year 2018 from \$627,212 in fiscal year 2017 due to the aforementioned ending of operations.

**Revenues by Source- Business-Type Activities
For the Year Ended June 30, 2018**



**Expenses- Business-Type Activities
For the Year Ended June 30, 2018**



Financial Analysis on Governmental Fund Financial Statements

Governmental Funds:

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

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. The County has implemented *GASB Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions*. The purpose of this Statement is to improve financial reporting by establishing fund balance classifications that are easier to understand and apply. It establishes a framework based largely on the spending constraints of the government in order to determine how it may use amounts reported on the governmental funds balance sheet. Fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The following information is as of June 30, 2018 and 2017:

Governmental Activities - Fund Statements	June 30, 2018	June 30, 2017	Net Change in Fund Balance
General Fund	\$ 53,965,423	\$ 57,929,588	\$ (3,964,165)
Capital Projects Fund	(554,039)	1,655,852	(2,209,891)
Debt Service Fund	-	-	-
Other Governmental Funds	1,628,447	1,578,412	50,035
Total	<u>\$ 55,039,831</u>	<u>\$ 61,163,852</u>	<u>\$ (6,124,021)</u>

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 \$53,965,423. This fund balance includes non-spendable items totaling \$59,544 for prepaid expenses, assigned fund balance of \$18,735,587 for future capital projects, and \$35,170,292 as unassigned fund balance. In accordance with GASB Statement No. 54, the unassigned general fund amount includes the County reserve of \$19,893,268, 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 16.4% of total general fund expenditures, while total fund balance represents 26.1% 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 \$2,209,891 during the current fiscal year. This is due to the spend-down of bond proceeds of \$1.5 million for the Snow Hill High School Addition and Renovation Project and \$0.7 million for the 800MHZ radio system project.

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

The **Other Governmental Funds** include the Department of Social Services, Local Management Board, Casino Fund, and the Energy Service Fund. Fund balances in these funds increased by \$50,035 from fiscal year 2017. The Energy Service Fund and the Department of Social Services decreased by \$20,334 and \$5,826, respectively. The Local Management Board increased \$68,081. The Casino Fund, which was created to account for the County's portion of proceeds from the Ocean Downs Casino facility, reflects an \$8,114 increase in fund balance in fiscal year 2018.

Further details of these activities is on pages 123 – 124.

General Fund Budgetary Highlights

General fund differences between the final budget and the final actual results for the County decreased \$3,964,165. Revenues received were \$6,230,075 more than final budgeted estimates and expenditures and other financing uses were \$10,194,240 more than final budgeted estimates. The major variances between the budgeted amounts and actual are summarized as follows:

Revenues were \$6,230,075 more than original estimates, a 3.2% increase.

- Net property tax revenues decreased by \$197,804 less than budget due to the timing of business taxes and net additions and abatements and ended the year at 99.9% of property tax budgeted revenues, this included the assessment increase of 2.42%. Property taxes comprised 66.1% of all County revenues in 2018 and 64.5% when compared to 2017.
- The largest revenue increase in 2018 was in the category of “other local taxes”. It increased by \$4,932,073 over estimated budget revenues. This category includes admission and amusement taxes, trailer park excise tax, room and food tax, recordation and transfer tax. Room taxes, the largest revenue source in this category with receipts of \$16,877,349 had an increase of \$2,261,930 or 15.4% above budget. This revenue is collected and passed through to the municipalities as required by state law. Food tax ended the year \$343,271 over budget or 29.6% and is collected on behalf of the Town of Ocean City and supports the Town’s debt service for the Convention Center. Increases for recordation tax of \$1,268,586 and Transfer Tax of \$900,977 were above budget by 23.4% due to the transfer and recording of property in the County from a steadily increasing real estate market.
- Income taxes ended the fiscal year with a shortfall of \$239,750, or 98.9% of budgeted revenues. The increase in the local income tax rate from 1.25% to 1.75% in January 1, 2016 was estimated for an additional \$4.2 million increase in fiscal year 2018. The actual receipts to the County and municipalities were short by 1.1% of the estimate.
- Licenses and permits increased by \$291,673 or 15.8% over budgeted revenues mainly due to \$122,530 in building permits and \$46,585 in plumbing permits which included the completion of a new shopping center in Ocean Landing II and a new medical plaza, both on the north end of the County.
- Intergovernmental grants from federal and state were \$144,867 over anticipated budgets. State aid for bridges accounted for \$324,225 of the revenue above budget. Unbudgeted revenue from the State reimbursed the County 80% for Meadow Bridge Road bridge replacement which began the prior year.
- Service charges and fees were more than anticipated by \$258,165 primarily due to increased use of jail fees. Increased use for storm water management review and fire inspection fees increased by \$62,211 above budget.
- Other revenue increased by \$1,041,031 or 133.0% over budget due to additional 714,636 for interest on investments due to the increased rate in the market and \$229,868 for on-behalf payments for the library’s Maryland State Retirement Pension which is also accounted for as on-behalf in expenditures for the library.

Expenses increased by \$10,194,240, or 5.2% more than budget as compared to the budget.

- General government actual was less than budget by \$488,395 due in part to savings in development review and permitting of \$195,158 for the housing rehabilitation program, Environmental programs \$135,828 in grant program expenses and State’s Attorney savings in salary and benefits of \$155,420 mainly due to mid-year staffing appointments. Other general government budget overage of \$196,218 included the new fiber project carryover encumbered expenses from the prior year.
- Public safety actual expenses were less and budget by \$659,753 with the largest savings in the jail totaling \$456,396 which includes savings for inmate expense of \$213,385 in food services, medical and pharmacy expense. Emergency services savings of \$138,135 was attributable to savings for grant reimbursement for the county fiber project and the completion into the next fiscal year.
- The education category was over budget by \$528,164 for fiscal year 2018. This included \$500,000 for additional Board of Education post retirement trust fund contributions.

- Intergovernmental expenses were over budget by \$1,917,133 or 8.2%. The following expenses in this category are passed through to the municipalities and are covered by revenues as detailed above. Included is \$1,862,922 in room tax revenue, \$300,240 for food tax to the Town of Ocean City, and \$28,311 for Town's share of liquor license fees. Income taxes passed through the municipalities were \$300,240 under budget for the fiscal year.
- Other financing sources were over budget by \$9,090,019, or 194.4% which is comprised of two transfers. The first is the transfer of \$7,418,589 to the capital projects fund to cover pay-as-you-go expenses for the fiscal year not included in the fiscal year 2018 budget. The transfer to the Department of Solid Waste for \$1,666,323 from the budget stabilization fund to cover operating expenses for recycling and convenience center shortfall.

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, 2018 amounts to \$184,773,019 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current year was 4.9%. This net investment in capital assets includes land, buildings, water and sewer infrastructure, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

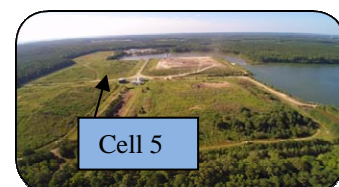
Worcester County, Maryland Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and improvements	\$ 15,631,638	\$ 15,611,712	\$ 1,341,872	\$ 1,341,872	\$ 16,973,510	\$ 16,953,584
Building and building improvements	54,534,191	56,585,993	3,012,905	3,134,693	57,547,096	59,720,686
Improvements other than buildings	6,195,973	6,439,192	7,256,720	2,264,111	13,452,693	8,703,303
Machinery and equipment	5,896,116	6,021,320	3,755,693	3,154,091	9,651,809	9,175,411
Water and sewer systems	-	-	66,141,678	66,943,394	66,141,678	66,943,394
Infrastructure	5,257,212	5,876,027	-	-	5,257,212	5,876,027
Construction-in-progress	12,847,374	6,405,624	2,901,647	2,364,291	15,749,021	8,769,915
Total:	\$ 100,362,504	\$ 96,939,868	\$ 84,410,515	\$ 79,202,452	\$ 184,773,019	\$ 176,142,320




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

Enterprise Funds

- The Mystic Harbour effluent disposal project is under construction to convey treated effluent from the wastewater treatment plant to be sprayed on the Eagles Landing Golf Course which is owned by the Mayor and City Council of Ocean City. This project is expected to cost \$3,450,000 and will be funded through the US Department of Agriculture with \$830,000 in grants and \$2,620,000 in loans. The estimated completion date is January 2019.
- The County contracted with Allan Myers of Fallston, MD for the construction of Cell 5 and with EA Engineering, Science and Technology, Inc. of Hunt Valley, MD for the construction management services. The project is expected to cost \$12,728,000. The County secured bond funds in June 2015 for \$2,035,000 and a projected \$3,328,000 will be bonded in 2019 to assist with financing Cell 5. The remaining \$7,365,000 in funds have been set aside for the project. The estimated completion date is December 2018.



General government

- In April 2017 the County contracted with Skyline Technology Solutions, Glen Burnie, Maryland for \$899,767 in order to design, implement and support a high speed, ultra-reliable fiber optic backbone to support Public Safety operations for the Next Generation 9-1-1 telephone system and the new two-way radio system. The State of Maryland Emergency Numbers Systems Board will reimburse the County \$218,279 with additional grant funds from Homeland Security of \$66,900 to cover a portion of equipment. The fiber construction was completed in November 2018 and currently is close-out phase. The project is transiting into Operation and Maintenance phase.
- In June 2017 the County contracted with Gipe Associates, Inc of Easton, MD for \$283,000 to engineer and design building improvements and repairs with HVAC renovations and electrical improvements at the Worcester Jail. The estimated project cost of \$3,500,000 is to be funded from assigned fund balance and plans to begin during the fall of 2018 will be completed in phases. Inmate housing unit facilities are not included in the scope of work. 
- In September 2015 the County engaged Harris Corporation of Lynchburg, Virginia for a new 800 MHZ P25 Radio System, which will include six antenna sites with the County owning the system core. Equipment includes roughly 800 new radios with warranties, estimated at \$4,000 each. As of September 2017 the amended contract cost for equipment and service is \$5,340,175 to include a radio site at the Mystic Harbour water plant and is funded with 2015 bonds. The estimated completion date is the end of calendar year 2018. 
- In March 2017 the County contracted with Whiting Turner Contracting Company, Salisbury, Maryland in the amount of \$6,250,000 for the construction of a new library in Berlin for a guaranteed maximum price contract. The County reimbursement of \$1,836,900 from the State of Maryland Department of Education in capital grants was secured by the Library. The new 12,000 square foot facility was completed and opened in July 2018. The current Library building in Berlin will be returned to the Berlin Volunteer Fire Department in fiscal year 2019. 
- The County engaged Chesapeake Paving and Sealing in August 2017 and February 2018 for the purchase and application of bituminous concrete blacktop to resurface approximately 29.08 total miles of County roadway in the amount of \$1,999,558 which was completed in October 2017 and June 2018 respectively.
- The County engaged Russell Standard Corporation of Mars, Pennsylvania in April 2018 to furnish tar and chip seal to resurface approximately 31.67 miles of County roadway in the amount of \$435,885 which was completed in June 2018.
- The purchase of new vehicles for public safety totaled \$362,326, public works new vehicles and equipment totaled \$646,141, parks totaled \$12,331, library phone upgrades totaled \$31,856 and general government totaled \$105,416 for vehicles and equipment during the fiscal year.
- The County contributed \$3,535,363 for the following education projects:
 - \$1,532,830 for the renovation and construction of an addition to Snow Hill High School.
 - \$1,437,365 for educational specification and conceptual design for a new Showell Elementary School.
 - \$244,930 for a replacement chiller unit for Stephen Decatur Middle School.
 - \$311,100 for roof repairs to Buckingham Elementary School, Snow Hill Middle School and Worcester Technical High School
 - \$9,138 for Cedar Chapel Special School for a new courtyard swing.

Additional information on Worcester County's capital assets can be found in note 5 on pages 58 – 59 of this report.

Long-term debt: At the end of the current fiscal year, Worcester County had total bonded long-term debt of \$97,445,813. The total debt is backed by the full faith and credit of Worcester County. Business-type activities are directly responsible for \$20,591,706 of the total debt. School-related debt totals \$63,240,000 at June 30, 2018 and is included in the governmental activities.

Worcester County, Maryland
Outstanding Debt/General Obligation Bonds

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Bonded Debt	\$ 76,854,107	\$ 85,806,287	\$ 20,591,706	\$ 20,151,002	\$ 97,445,813	\$ 105,957,289

The County's total bonded debt decreased by \$8,511,476 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 60 – 65 of this report.

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

Fiscal Year 2019 Budget

The approved fiscal year 2019 general fund operating budget is \$190,030,719 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 2019 represents the third year of increasing real property assessment in the County. The local income tax rate increase effective January 1, 2016 and stronger estimates of net taxable income increased estimates for fiscal 2019.

Revenues

In fiscal year 2019, the operating budget decreased \$8,901,956 or 4.7% less than fiscal year 2018. The real property tax rate of \$.0835 was unchanged and a rising assessable base increased net property taxes \$2.8 million. Income tax revenue estimates increased by \$500,000 due to actual receipts and increased estimates and is based on the current tax rate of 1.75%. Other local taxes decreased \$13.6 million due to the reduction of \$15.1 million in room and food tax revenue which will be accounted for in a new Agency fund in order to meet recently passed Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities (GASB 84). Increases in other local taxes of \$1.5 million for recordation, transfer and room tax for unincorporated collections are based on actual estimates. Interest income increased \$1,175,000 based on improving interest rates. The County will utilize for the sixth year the planned use of casino/local impact grant funds totaling \$2,236,200 for the debt payment for the Worcester Career and Technical High School in fiscal year 2019. For the third year a transfer-to of existing budget stabilization funds for \$1,698,323 will be passed through to the solid waste enterprise fund to cover the cost of recycling at \$1,033,339 and \$664,984 for the homeowner convenience centers, an increase of \$32,000 over fiscal year 2018.

Expenditures

The fiscal year 2019 operating budget decrease from the prior year includes increases to most all departments and agencies for a fourth year due to equipment and capital purchases that have been postponed since the economic downturn. Salary increases were included for County employees in July 2018. Insurance and benefits increased primarily for medical insurance for County and BOE employees. Additional medical and pharmacy enhancements were enacted for further cost savings in fiscal year 2019 to manage benefit expenses with the new medical insurance plan enacted in fiscal year 2016. Debt service decreased \$365,814 due to existing debt and refunding activity from fiscal year 2015. The other post-employment benefit general fund transfer will be funded at \$5,071,000, which is an increase of \$1.071 million from the prior year. Taxes shared with Towns decreased by \$15.0 million from fiscal year 2018 due to the enactment by the County for the creation of the new Agency Fund which will account for fiscal year 2019 room and food tax payments to the Municipalities. The Board of Education operating budget was increased by \$2,548,999 above the fiscal year 2018 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 2019 the required maintenance of effort (MOE) level increased by two changes and totaled \$1,252,347. The changes include the MOE escalator provision effective in fiscal year 2015 which required additional funding of 1.3% or \$1,090,312 for fiscal year 2019 and the enrollment increase of additional students equated to \$162,035. The additional budget increase of \$1,296,652 covered school salary account and health insurance and benefit increases.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government			Component Unit
	Governmental	Business-Type		The Worcester
	Activities	Activities	Total	County Board of Education
ASSETS				
Cash and short-term investments	\$ 50,778,201	\$ 12,543,905	\$ 63,322,106	\$ 7,414,947
Receivables:				
Taxes	3,599,618	-	3,599,618	-
Federal, state, and local governments	5,242,165	-	5,242,165	1,371,320
Other	3,776,946	5,330,840	9,107,786	72,136
Internal balances	3,971,083	(3,971,083)	-	-
Inventories, at first-in, first-out method	-	243,283	243,283	-
Due from fiduciary funds	51,857	-	51,857	-
Prepaid items	59,544	-	59,544	-
Other assets	93,264	16,485,158	16,578,422	-
Nondepreciable capital assets	28,479,012	4,243,519	32,722,531	4,187,696
Depreciable capital assets, net	71,883,492	80,166,996	152,050,488	159,432,805
Total assets	167,935,182	115,042,618	282,977,800	172,478,904
DEFERRED OUTFLOWS OF RESOURCES				
Pensions (see Note 7)	7,379,334	-	7,379,334	1,298,762
Other post employment benefits (see Note 8)	2,640,678	-	2,640,678	5,526,004
Deferred charge on refunding	395,652	-	395,652	-
Total deferred outflows of resources	10,415,664	-	10,415,664	6,824,766
LIABILITIES				
Accounts payable and accrued liabilities	8,277,253	1,749,602	10,026,855	5,957,207
Unearned revenue	342,436	-	342,436	1,193,324
Early incentive payment	-	-	-	152,857
Long-term liabilities:				
Compensated absences due within one year	1,009,000	195,270	1,204,270	42,193
Compensated absences due in more than one year	1,233,251	238,663	1,471,914	242,191
Long-term debt due within one year	9,452,439	16,776,389	26,228,828	-
Long-term debt due in more than one year	74,248,890	21,236,994	95,485,884	-
Unearned revenue	-	17,679,824	17,679,824	-
Net pension liability (see Note 7)	26,556,233	-	26,556,233	4,666,979
Other post employment benefits (see Note 8)	31,667,048	-	31,667,048	318,103,354
Total liabilities	152,786,550	57,876,742	210,663,292	330,358,105
DEFERRED INFLOWS OF RESOURCES				
Pensions (see Note 7)	3,521,934	-	3,521,934	625,391
Other post employment benefits (see Note 8)	1,668,690	-	1,668,690	19,401,793
Total deferred inflows of resources	5,190,624	-	5,190,624	20,027,184
NET POSITION				
Net investment in capital assets	86,692,388	61,943,999	148,636,387	163,620,501
Restricted for:				
Capital projects	-	-	-	53,091
Food service activities	-	-	-	17,750
Unrestricted (deficit)	(66,318,716)	(4,778,123)	(71,096,839)	(334,772,961)
Total net position	\$ 20,373,672	\$ 57,165,876	\$ 77,539,548	\$ (171,081,619)

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



WORCESTER COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental activities:				
Current:				
General government	\$ 38,378,190	\$ 2,276,106	\$ 4,047,052	\$ -
Public safety	36,229,150	5,803,127	1,193,604	2,284,884
Public works	8,808,385	98,986	549,347	553,018
Health and hospitals	6,597,319	444,284	165,345	-
Social services	2,290,971	-	-	-
Education	92,556,477	-	-	-
Libraries, recreation and culture	6,049,573	364,513	1,054,590	42,962
Conservation of natural resources	712,005	-	5,138	-
Economic development	1,711,548	20,046	116,539	51,790
Interest on long-term debt	3,704,618	-	-	-
Total governmental activities	197,038,236	9,007,062	7,131,615	2,932,654
Business-type activities:				
Department of Solid Waste	4,092,967	4,005,295	-	-
Department of Water and Wastewater	14,466,207	15,406,636	26,000	-
Department of Liquor Control	1,032,268	864,418	-	-
Total business-type activities	19,591,442	20,276,349	26,000	-
Total primary government	216,629,678	29,283,411	7,157,615	2,932,654
Component units:				
The Worcester County Board of Education	145,380,835	725,270	120,650,014	6,164,151
Total component units	145,380,835	725,270	120,650,014	6,164,151

General revenues:

Taxes:

Real and personal property

Income

Other:

Room tax

Admission and amusement

Recordation

Trailer park excise tax

Transfer tax

Food tax

Interest

Other

Total general revenues

Transfers

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
\$ (32,055,032)	\$ -	\$ (32,055,032)	\$ -
(26,947,535)	-	(26,947,535)	-
(7,607,034)	-	(7,607,034)	-
(5,987,690)	-	(5,987,690)	-
(2,290,971)	-	(2,290,971)	-
(92,556,477)	-	(92,556,477)	-
(4,587,508)	-	(4,587,508)	-
(706,867)	-	(706,867)	-
(1,523,173)	-	(1,523,173)	-
(3,704,618)	-	(3,704,618)	-
(177,966,905)	-	(177,966,905)	-
-	(87,672)	(87,672)	-
-	966,429	966,429	-
-	(167,850)	(167,850)	-
-	710,907	710,907	-
(177,966,905)	710,907	(177,255,998)	-
-	-	-	(17,841,400)
-	-	-	(17,841,400)
132,813,479	-	132,813,479	-
22,260,250	-	22,260,250	-
16,877,349	-	16,877,349	-
648,691	-	648,691	-
7,018,586	-	7,018,586	-
108,618	-	108,618	-
4,400,977	-	4,400,977	-
1,501,166	-	1,501,166	-
1,059,323	167,894	1,227,217	71,394
618,739	-	618,739	34,140
187,307,178	167,894	187,475,072	105,534
(1,666,323)	1,666,323	-	-
7,673,950	2,545,124	10,219,074	(17,735,866)
12,699,722	54,620,752	67,320,474	(153,345,753)
\$ 20,373,672	\$ 57,165,876	\$ 77,539,548	\$ (171,081,619)

WORCESTER COUNTY, MARYLAND

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
ASSETS					
Cash and short-term investments	\$ 48,584,942	\$ 817,070	\$ -	\$ 1,376,189	\$ 50,778,201
Receivables:					
Taxes	3,599,618	-	-	-	3,599,618
Federal, state, and local governments	5,242,165	-	-	-	5,242,165
Other	3,736,677	-	-	40,269	3,776,946
Due from other funds	4,031,790	-	-	415,108	4,446,898
Prepaid items	59,544	-	-	-	59,544
Other assets	93,264	-	-	-	93,264
Total assets	\$ 65,348,000	\$ 817,070	\$ -	\$ 1,831,566	\$ 67,996,636
LIABILITIES					
Accounts payable and accrued liabilities	\$ 4,710,431	\$ 1,371,109	\$ -	\$ 203,119	\$ 6,284,659
Due to other funds	423,958	-	-	-	423,958
Unearned revenue	342,436	-	-	-	342,436
Other	3,001,594	-	-	-	3,001,594
Total liabilities	8,478,419	1,371,109	-	203,119	10,052,647
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	2,904,158	-	-	-	2,904,158
FUND BALANCES					
Nonspendable	59,544	-	-	-	59,544
Assigned	18,735,587	-	-	1,628,447	20,364,034
Unassigned	35,170,292	(554,039)	-	-	34,616,253
Total fund balances	53,965,423	(554,039)	-	1,628,447	55,039,831
Total liabilities, deferred inflows of resources, and fund balances	\$ 65,348,000	\$ 817,070	\$ -	\$ 1,831,566	\$ 67,996,636

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, 2018

Total fund balances, governmental funds	\$ 55,039,831
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	100,362,504
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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.	2,904,158
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Deferred outflows of resources - deferred charge on refunding (see Note 6)	395,652
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Deferred outflows of resources - pensions (see Note 7)	7,379,334
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Deferred outflows of resources - OPEB (see Note 8)	2,640,678
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Deferred inflows of resources - pensions (see Note 7)	(3,521,934)
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Deferred inflows of resources - OPEB (see Note 8)	(1,668,690)
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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	(83,701,329)	
Compensated absences	(1,233,251)	
Net pension liability (see Note 7)	(26,556,233)	
Other post employment benefits (see Note 8)	(31,667,048)	
Total long-term liabilities	(143,157,861)	

Net position of governmental activities in the Statement of Net Position	\$ 20,373,672
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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, 2018

	<u>General</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
REVENUES:					
Taxes and special assessments	\$185,557,977	\$ -	\$ -	\$ -	\$185,557,977
Licenses and permits	2,131,974	-	-	-	2,131,974
Intergovernmental	4,636,258	2,134,821	-	3,326,542	10,097,621
Service charges and fees	6,647,971	-	-	-	6,647,971
Miscellaneous	1,823,716	35,397	-	12,714	1,871,827
Total revenues	200,797,896	2,170,218	-	3,339,256	206,307,370
EXPENDITURES:					
Current:					
General government	15,244,102	-	-	-	15,244,102
Public safety	33,806,134	-	-	-	33,806,134
Public works	6,868,097	-	-	-	6,868,097
Health and hospitals	6,098,463	-	-	-	6,098,463
Social services	1,512,490	-	-	778,481	2,290,971
Education	89,586,282	2,970,195	-	-	92,556,477
Libraries, recreation, parks and culture	5,529,816	-	-	-	5,529,816
Conservation of natural resources	691,671	-	-	20,334	712,005
Economic development	1,652,589	-	-	-	1,652,589
Distributions to incorporated municipalities	25,062,659	-	-	-	25,062,659
Capital projects	-	8,620,378	-	-	8,620,378
Debt service:					
Principal retirement	-	-	8,952,180	-	8,952,180
Interest and other charges	-	-	3,371,197	-	3,371,197
Total expenditures	186,052,303	11,590,573	12,323,377	798,815	210,765,068
Excess (deficiency) of revenues over expenditures	14,745,593	(9,420,355)	(12,323,377)	2,540,441	(4,457,698)
OTHER FINANCING SOURCES (USES):					
Transfers in	2,698,531	7,418,589	12,323,377	-	22,440,497
Transfers out	(21,408,289)	(208,125)	-	(2,490,406)	(24,106,820)
Total other financing sources (uses)	(18,709,758)	7,210,464	12,323,377	(2,490,406)	(1,666,323)
Net change in fund balances	(3,964,165)	(2,209,891)	-	50,035	(6,124,021)
Fund balances, beginning	57,929,588	1,655,852	-	1,578,412	61,163,852
Fund balances, ending	\$ 53,965,423	\$ (554,039)	\$ -	\$ 1,628,447	\$ 55,039,831

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, 2018

Net change in fund balances, governmental funds	\$ (6,124,021)
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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	8,840,133
Depreciation expense	(5,417,497)

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.	71,139
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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.	8,966,231
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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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Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These items consist of:

Change in pension expense (see Note 7)	2,717,048
Change in post-retirement employee benefits (see Note 8)	(976,715)
Change in compensated absences	(68,947)

Change in net position of governmental activities	<u><u>\$ 7,673,950</u></u>
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The Notes to Financial Statements are an integral part of this statement.

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
REVENUES:				
Taxes	\$181,063,458	\$181,063,458	\$185,557,977	\$ 4,494,519
Licenses and permits	1,840,301	1,840,301	2,131,974	291,673
Intergovernmental	4,491,571	4,491,571	4,636,258	144,687
Charges for services	6,389,806	6,389,806	6,647,971	258,165
Miscellaneous	782,685	782,685	1,823,716	1,041,031
Total revenues	194,567,821	194,567,821	200,797,896	6,230,075
EXPENDITURES:				
General government	15,734,352	15,732,497	15,244,102	488,395
Public safety	34,462,490	34,465,887	33,806,134	659,753
Public works	6,767,253	6,766,538	6,868,097	(101,559)
Health and hospitals	6,151,396	6,151,384	6,098,463	52,921
Social services	1,569,673	1,569,673	1,512,490	57,183
Education	89,058,118	89,058,118	89,586,282	(528,164)
Libraries, recreation, parks, and culture	5,670,019	5,669,308	5,529,816	139,492
Conservation of natural resources	679,666	679,666	691,671	(12,005)
Economic development	1,709,589	1,709,485	1,652,589	56,896
Intergovernmental	23,145,526	23,145,526	25,062,659	(1,917,133)
Total expenditures	184,948,082	184,948,082	186,052,303	(1,104,221)
Excess of revenues over expenditures	9,619,739	9,619,739	14,745,593	5,125,854
OTHER FINANCING (SOURCES) USES:				
Operating transfers in	(4,364,854)	(4,364,854)	(2,698,531)	(1,666,323)
Operating transfers out	13,984,593	13,984,593	21,408,289	(7,423,696)
Total other financing uses	9,619,739	9,619,739	18,709,758	(9,090,019)
Net change in fund balance	\$ -	\$ -	(3,964,165)	<u>\$ (3,964,165)</u>
Fund balance, beginning			<u>57,929,588</u>	
Fund balance, ending			<u><u>\$ 53,965,423</u></u>	

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



WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION

BUSINESS-TYPE ACTIVITIES

June 30, 2018

	Department of <u>Solid Waste</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	\$ 7,519,649	\$ 4,977,560	\$ 46,696	\$ 12,543,905
Accounts receivable	237,917	5,092,923	-	5,330,840
Inventory	-	-	243,283	243,283
Due from other funds	8,606	-	-	8,606
Total current assets	7,766,172	10,070,483	289,979	18,126,634
Noncurrent assets:				
Capital assets:				
Land, land rights and improvements	1,226,989	114,883	-	1,341,872
Construction-in-progress	-	2,901,647	-	2,901,647
Buildings and building improvements	4,233,213	-	715,215	4,948,428
Improvements other than buildings	34,808,159	-	-	34,808,159
Water and sewer systems	-	107,370,953	-	107,370,953
Machinery and equipment	7,551,842	4,908,740	-	12,460,582
	47,820,203	115,296,223	715,215	163,831,641
Less: accumulated depreciation	(33,959,040)	(45,198,596)	(263,490)	(79,421,126)
	13,861,163	70,097,627	451,725	84,410,515
Other assets:				
Long-term debt service receivable	-	16,485,158	-	16,485,158
Total noncurrent assets	13,861,163	86,582,785	451,725	100,895,673
Total assets	\$ 21,627,335	\$ 96,653,268	\$ 741,704	\$ 119,022,307

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

	Department of <u>Solid Waste</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	\$ 1,184,528	\$ 538,668	\$ 97,090	\$ 1,820,286
Bonds and notes payable - current	113,108	1,195,573	-	1,308,681
Capital leases payable - current	550,769	-	-	550,769
Landfill - closure and postclosure costs	14,858,150	-	-	14,858,150
Bond costs deferred	11,001	47,788	-	58,789
Accrued bond interest payable	-	124,586	-	124,586
Due to other funds	-	69,091	-	69,091
Total current liabilities	16,717,556	1,975,706	97,090	18,790,352
Noncurrent liabilities:				
Unearned revenues	-	17,679,824	-	17,679,824
Compensated absences	63,462	165,336	9,865	238,663
Bonds and notes payable	1,811,612	17,471,413	-	19,283,025
Capital leases payable	1,324,041	-	-	1,324,041
Bond costs deferred	121,011	508,917	-	629,928
Due to other funds	-	2,625,687	1,284,911	3,910,598
Total noncurrent liabilities	3,320,126	38,451,177	1,294,776	43,066,079
Total liabilities	20,037,682	40,426,883	1,391,866	61,856,431
NET POSITION (DEFICIT)				
Net investment in capital assets	10,061,633	51,430,641	451,725	61,943,999
Unrestricted (deficit)	(8,471,980)	4,795,744	(1,101,887)	(4,778,123)
Total net position (deficit)	\$ 1,589,653	\$ 56,226,385	\$ (650,162)	\$ 57,165,876

WORCESTER COUNTY, MARYLAND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
Year Ended June 30, 2018

	Department of <u>Solid Waste</u>	Department of Water and <u>Wastewater</u>	Department of Liquor <u>Control</u>	<u>Total</u>
OPERATING REVENUES:				
Domestic charges	\$ -	\$ 8,946,280	\$ -	\$ 8,946,280
Commercial charges	-	806,385	-	806,385
Hook-up charges	-	200,896	-	200,896
Future capital development	-	148,536	-	148,536
Interest and penalties on overdue accounts	1,157	135,061	-	136,218
Additional assessments	-	570,535	-	570,535
Payments by developers	-	13,864	-	13,864
Other revenue	12,100	2,931,674	92,261	3,036,035
Debt service revenue	-	1,426,485	-	1,426,485
White Horse Park revenue	-	226,920	-	226,920
Liquor sales	-	-	772,157	772,157
Recycling charges	232,303	-	-	232,303
Stump, yard waste, and mulch revenue	37,488	-	-	37,488
Licenses and permits	331,910	-	-	331,910
Tipping fees	3,390,337	-	-	3,390,337
Total operating revenues	4,005,295	15,406,636	864,418	20,276,349
Cost of goods sold	-	-	576,378	576,378
Gross profit	4,005,295	15,406,636	288,040	19,699,971
Total operating expenses	3,410,147	10,518,109	350,913	14,279,169
Operating income (loss) before depreciation and general expenses	595,148	4,888,527	(62,873)	5,420,802
Depreciation and general expenses	576,190	3,393,118	103,530	4,072,838
Operating income (loss)	18,958	1,495,409	(166,403)	1,347,964
NONOPERATING REVENUES (EXPENSES):				
Interest on investments	116,995	50,899	-	167,894
Sale of assets	2,800	(11,909)	-	(9,109)
Operating grants	-	26,000	-	26,000
Interest expense	(109,430)	(543,071)	(1,447)	(653,948)
Total nonoperating revenues (expenses)	10,365	(478,081)	(1,447)	(469,163)
TRANSFERS IN	1,666,323	-	-	1,666,323
Change in net position	1,695,646	1,017,328	(167,850)	2,545,124
Net position (deficit), beginning	(105,993)	55,209,057	(482,312)	54,620,752
Net position (deficit), ending	\$ 1,589,653	\$ 56,226,385	\$ (650,162)	\$ 57,165,876

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, 2018

	Department of <u>Solid Waste</u>	Department of <u>Water and Wastewater</u>	Department of <u>Liquor Control</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received for services	\$ 3,941,439	\$ 14,079,601	\$ -	\$ 18,021,040
Cash received for liquor sales	-	-	772,157	772,157
Cash received from other revenues	25,257	2,931,674	92,261	3,049,192
Cash received for future capital development	-	148,536	-	148,536
Cash payments to employees	(1,455,125)	(3,464,850)	(99,619)	(5,019,594)
Cash payments for fringe benefits	(973,364)	(1,700,658)	(80,388)	(2,754,410)
Cash payments for inventory, materials, supplies, and services	(14,665)	(5,469,828)	(856,592)	(6,341,085)
Net cash provided (used) by operating activities	1,523,542	6,524,475	(172,181)	7,875,836
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchases of property and equipment	(5,129,554)	(2,977,078)	-	(8,106,632)
Proceeds from sales of property and equipment	393,800	(11,909)	-	381,891
Proceeds from issuance of bonds and notes	-	2,450,000	-	2,450,000
Principal paid on capital lease obligations	(406,312)	-	-	(406,312)
Principal paid on bonds, lines of credit, and notes	(110,279)	(1,899,017)	-	(2,009,296)
Interest paid on capital lease obligations	(28,213)	-	-	(28,213)
Interest paid on bonds, lines of credit, and notes	(81,217)	(543,071)	(1,447)	(625,735)
Bond costs deferred	(11,001)	(20,030)	-	(31,031)
Debt service assessments deferred	-	(1,266,026)	-	(1,266,026)
Net cash used by capital and related financing activities	(5,372,776)	(4,267,131)	(1,447)	(9,641,354)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received for operating grants	-	26,000	-	26,000
Transfers from General Fund	1,666,323	-	-	1,666,323
Advances from (to) other funds	(125,819)	(3,058,553)	33,113	(3,151,259)
Net cash provided (used) by noncapital financing activities	1,540,504	(3,032,553)	33,113	(1,458,936)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	116,995	50,899	-	167,894
Net cash provided by investing activities	116,995	50,899	-	167,894
Net decrease in cash and short-term investments	(2,191,735)	(724,310)	(140,515)	(3,056,560)
Cash and short-term investments, beginning	9,711,384	5,701,870	187,211	15,600,465
Cash and short-term investments, ending	\$ 7,519,649	\$ 4,977,560	\$ 46,696	\$ 12,543,905

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, 2018

(CONTINUED)

	Department of <u>Solid Waste</u>	Department of Water and <u>Wastewater</u>	Department of Liquor <u>Control</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME				
(LOSS) TO NET CASH PROVIDED BY				
OPERATING ACTIVITIES:				
Operating income (loss)	\$ 18,958	\$ 1,495,409	\$ (166,403)	\$ 1,347,964
Adjustments to reconcile operating income (loss)				
to net cash provided by operating activities:				
Depreciation	576,190	3,393,118	15,958	3,985,266
Changes in assets and liabilities:				
Accounts receivable	(50,599)	586,440	-	535,841
Inventories	-	-	(52,044)	(52,044)
Other receivables	12,000	-	-	12,000
Accounts payable and accrued expenses	961,574	(133,297)	45,670	873,947
Unearned revenue	-	1,166,735	-	1,166,735
Compensated absences	5,419	16,070	(15,362)	6,127
Net cash provided (used) by operating activities	\$ 1,523,542	\$ 6,524,475	\$ (172,181)	\$ 7,875,836
NONCASH INVESTING, CAPITAL, AND				
FINANCING ACTIVITIES:				
Equipment acquired under capital leases	\$ 1,477,697	\$ -	\$ -	\$ 1,477,697
Total non-cash activities	\$ 1,477,697	\$ -	\$ -	\$ 1,477,697

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

WORCESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

June 30, 2018

	Public Drainage <u>Associations</u>	Other Post- Employment Benefits <u>Trust</u>	Agency <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 578,886	\$ 2,216,124	\$ 2,968,589
Trust investments:			
Money market funds	-	1,126,372	-
MLGIP	-	608,427	-
Fixed income securities	-	14,507,857	-
Equities securities	-	30,846,302	-
Taxes receivable	-	-	1,605,381
Special assessments receivable	7,766	-	-
Due from other funds	244	-	-
Total assets	586,896	49,305,082	4,573,970
LIABILITIES			
Due to other governmental units	-	-	1,716,256
Due to other funds	-	-	52,101
Other liabilities	5,873	-	2,805,613
Total liabilities	5,873	-	4,573,970
NET POSITION			
Held in trust for other post-employment benefits	-	49,305,082	-
Restricted	581,023	-	-
Total net position	\$ 581,023	\$ 49,305,082	\$ -

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, 2018

	Public Drainage <u>Associations</u>	Other Post Employment Benefits <u>Trust</u>
ADDITIONS:		
Contributions:		
Special assessments	\$ 107,824	\$ -
Intergovernmental	4,916	-
Employer contributions	-	2,500,000
Plan member contributions	-	803,728
Miscellaneous	17,500	-
Total contributions	130,240	3,303,728
Investment earnings:		
Interest	2,035	32,041
Net increase in fair value of investments	-	3,298,384
Total investment earnings	2,035	3,330,425
Total additions	132,275	6,634,153
DEDUCTIONS:		
Ditch maintenance	88,911	-
Claims incurred	-	3,069,193
Miscellaneous	197	1,151
Total deductions	89,108	3,070,344
Change in net position	43,167	3,563,809
Net position, beginning	537,856	45,741,273
Net position, ending	\$ 581,023	\$ 49,305,082

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

NOTES TO FINANCIAL STATEMENTS

NOTES TO FINANCIAL STATEMENTS

Note 1. Description of Worcester County, Maryland

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

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

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

Separately issued financial statements can be obtained from the following:

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

B. Basis of Presentation

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

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

FUND FINANCIAL STATEMENTS

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

C. Fund Accounting

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

GOVERNMENTAL FUND TYPES

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

PROPRIETARY FUND TYPES

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

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

FIDUCIARY FUND TYPES

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

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

D. Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

FUND FINANCIAL STATEMENTS

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

E. Basis of Accounting

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

REVENUES – EXCHANGE AND NONEXCHANGE TRANSACTIONS

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

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

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

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position and/or Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until that time. The County recognizes deferred outflows of resources related to advance refundings of debt (see Note 6). The County and BOE recognize deferred outflows of resources related to their pension obligations (see Note 7) and OPEB liability (Note 8) for changes in assumptions and difference between expected and actual experience. 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) and OPEB liability (see Note 8) for the net difference between projected and actual investment earnings and differences between expected and actual experience. 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, 2018. All annual appropriations lapse at fiscal year-end.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

G. Encumbrances

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

H. Cash and Short-Term Investments

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

I. Prepaid Items

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

J. Property Taxes

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

K. Inventory

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

L. Capital Assets

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

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

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

M. Interfund Receivables / Payables

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

N. Compensated Absences

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

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

O. Accrued Liabilities and Long-Term Obligations

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

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

P. Net Position

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Q. Governmental Fund Balance

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

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

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

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

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

Unassigned – Amounts not included in other spendable classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount. In accordance with County policy, included within unassigned fund balance are reserve amounts of \$19,893,268 for contingency and emergency conditions. These reserve amounts do not meet the definition of assigned in accordance with GASB 54 and are thus included within unassigned fund balance.

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

R. Operating Revenues and Expenses

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

S. Interfund Transactions

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

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

T. Estimates

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

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Short-Term Investments

Deposits are maintained in a variety of financial institutions.

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

At June 30, 2018, Worcester County had deposits with financial institutions totaling \$15,139,357 (with a carrying value of \$12,466,496). 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, 2018 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, 2018, the County had investments of \$57,219,601 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, 2018, as its only investments within the primary government consisted of the MLGIP. The County's only other investments are within the Retiree Benefit Trust Fund.

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

NOTES TO FINANCIAL STATEMENTS

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

Investments in the Retiree Benefit Trust Fund by type and maturity at June 30, 2018, measured at fair value, were as follows:

	1 Year	1-5 Years	Over 5 Years	Total	Rate
MLGIP	\$ 608,427	\$ -	\$ -	\$ 608,427	1.82%
M&T Investments:					
Money Market	1,126,372	-	-	1,126,372	0.97%
Fixed Income:					
U.S. Treasury	219,639	1,136,573	1,554,448	2,910,660	1.125% - 3.625%
U.S. Government Agency	-	54,418	1,546,812	1,601,230	1.25% - 5.00%
Other Fixed Income	95,067	1,512,942	8,387,958	9,995,967	1.819% - 6.20%
Equities	30,846,302	-	-	30,846,302	N/A
Total	\$ 32,895,807	\$ 2,703,933	\$ 11,489,218	\$ 47,088,958	

All investments are measured using the market approach: using prices and other relevant information generated by market transactions involving identical or comparable assets or a group of assets.

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

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

Petty cash	\$ 8,035
Carrying amount of deposits	12,466,496
Money market funds	1,126,372
Fixed income securities	14,507,857
Equities securities	30,846,302
MLGIP	57,219,601
Less: cash and investments recorded within fiduciary funds	(52,852,557)
Total	\$ 63,322,106

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, 2018, appropriate "due from/to" other funds have been established.

Interfund transactions are classified as follows:

- 1) Transfers to support the operations of other funds are recorded as "Transfers in (out) to other funds" and classified as "other financing sources (uses)" in the fund statements. Transfers between governmental and proprietary funds are netted as part of the reconciliation of the government-wide financial statements. All payroll and some shared expenses, such as benefits, are paid out of the General Fund and then reimbursed from proprietary or other funds as applicable. Tax collections are receipted into the General Fund and reimbursed to other taxing agencies/funds monthly.

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Balances and Transfers (continued)

- 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.

Interfund balances at June 30, 2018 consisted of the following individual fund receivables and payables:

	Due from Other Funds	Due to Other Funds
General Fund:		
Enterprise funds:		
Department of Solid Waste (shared expenses)	\$ -	\$ (8,606)
Department of Liquor Control (inventory loan and shared expenses)	1,284,911	-
Department of Water and Wastewater (payroll and shared expenses)	2,694,778	-
Total due from (to) enterprise funds	3,979,689	(8,606)
Other funds:		
Energy Service Fund (funds held on behalf of)	-	(411,685)
Casino Fund (reimbursement between funds)	-	(3,423)
Tax Sale Agency Fund (June collections paid in July)	52,101	-
Public Drainage Association (June collections paid in July)	-	(244)
Total due from (to) other funds	52,101	(415,352)
Total General Fund due from (to) other funds	4,031,790	(423,958)
Other governmental funds:		
General Fund	415,108	-
Fiduciary funds	-	(51,857)
Enterprise funds:		
General Fund	-	(3,971,083)
	\$ 4,446,898	\$ (4,446,898)

NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Balances and Transfers (continued)

Interfund transfer activity for the year ended June 30, 2018 consisted of the following individual amounts:

	Transfers In	Transfers Out
General Fund:		
Capital Projects Fund	\$ 208,125	\$ 7,418,589
Debt Service Fund	-	12,323,377
Casino Fund	2,490,406	-
Department of Solid Waste	-	1,666,323
Capital Projects Fund:		
General Fund	7,418,589	208,125
Debt Service Fund:		
General Fund	12,323,377	-
Casino Fund:		
General Fund	-	2,490,406
Department of Solid Waste:		
General Fund	1,666,323	-
	\$ 24,106,820	\$ 24,106,820

Interfund transfers are for the following purposes:

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Transfers and Reductions	Balance June 30, 2018
Primary government:				
Governmental activities:				
Nondepreciable capital assets:				
Land and improvements	\$ 15,611,712	\$ 19,926	\$ -	\$ 15,631,638
Construction-in-progress	6,405,624	6,930,647	(488,897)	12,847,374
Total nondepreciable capital assets	22,017,336	6,950,573	(488,897)	28,479,012
Depreciable capital assets:				
Building and building improvements	84,960,712	135,229	-	85,095,941
Improvements other than buildings	12,743,496	297,592	(20,100)	13,020,988
Machinery and equipment	27,443,481	1,456,739	(671,489)	28,228,731
Infrastructure	110,584,883	-	408,164	110,993,047
Total depreciable capital assets	235,732,572	1,889,560	(283,425)	237,338,707
Less accumulated depreciation for:				
Buildings and building improvements	(28,374,719)	(2,187,031)	-	(30,561,750)
Improvements other than buildings	(6,304,304)	(540,811)	20,100	(6,825,015)
Machinery and equipment	(21,422,161)	(1,662,676)	752,222	(22,332,615)
Infrastructure	(104,708,856)	(1,026,979)	-	(105,735,835)
Total accumulated depreciation	(160,810,040)	(5,417,497)	772,322	(165,455,215)
Total depreciable capital assets, net	74,922,532	(3,527,937)	488,897	71,883,492
Governmental activities capital assets, net	\$ 96,939,868	\$ 3,422,636	\$ -	\$ 100,362,504

Depreciation expense was charged to governmental functions as follows:

General government	\$ 589,282
Public safety	2,050,409
Public works	1,501,185
Health and hospitals	526,228
Libraries, recreation and culture	741,434
Economic development	8,959
Total depreciation expense	<u>\$ 5,417,497</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

Capital asset activity for the enterprise funds for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Transfers and Reductions	Balance June 30, 2018
Business-type activities:				
Nondepreciable capital assets:				
Land, land rights and improvements	\$ 1,341,872	\$ -	\$ -	\$ 1,341,872
Construction-in-progress	2,364,291	537,356	-	2,901,647
Total nondepreciable capital assets	3,706,163	537,356	-	4,243,519
Depreciable capital assets:				
Buildings and building improvements	4,948,428	-	-	4,948,428
Improvements other than buildings	29,744,086	5,064,073	-	34,808,159
Machinery and equipment	12,098,572	1,635,733	(1,273,723)	12,460,582
Water and sewer systems	105,023,786	2,347,167	-	107,370,953
Total depreciable capital assets	151,814,872	9,046,973	(1,273,723)	159,588,122
Less accumulated depreciation for:				
Buildings and building improvements	(1,813,735)	(121,788)	-	(1,935,523)
Improvements other than buildings	(27,479,975)	(71,464)	-	(27,551,439)
Machinery and equipment	(8,944,481)	(643,131)	882,723	(8,704,889)
Water and sewer systems	(38,080,392)	(3,148,883)	-	(41,229,275)
Total accumulated depreciation	(76,318,583)	(3,985,266)	882,723	(79,421,126)
Total depreciable capital assets, net	75,496,289	5,061,707	(391,000)	80,166,996
Business-type activities capital assets, net	\$ 79,202,452	\$ 5,599,063	\$ (391,000)	\$ 84,410,515

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

Changes in the County's long-term obligations for the year ended June 30, 2018 were as follows:

	Balance at June 30, 2017	Additions/ Transfers	Reductions	Balance at June 30, 2018	Amount Due in One Year
Governmental activities:					
General obligation bonds:					
Consolidated Public Improvement Bonds, 2007 Series; interest at 3.5 % to 4.5 %; due semiannually to 2018	\$ 2,005,000	\$ -	\$ (2,005,000)	\$ -	\$ -
MDE Water Quality Bond; interest at 0.4 %; due annually to 2022	970,682	-	(236,855)	733,827	237,802
Consolidated Public Improvement Bonds, 2008 Series; interest at 3.25 % to 5 %; due semiannually to 2019	4,805,000	-	(2,355,000)	2,450,000	2,450,000
Consolidated Public Improvement Bonds, 2013 Series; interest at 3 % to 4 %; due semiannually to 2020	3,745,605	-	(1,460,605)	2,285,000	1,120,000
Consolidated Public Improvement Bonds, 2013 Series; interest at 2.5 % to 3.4 %; due semiannually to 2033	4,595,000	-	-	4,595,000	35,000
Consolidated Public Improvement Bonds, 2014 Series; interest at 3.25 % to 5 %; due annually to 2029	35,875,000	-	(2,420,000)	33,455,000	2,495,000
Consolidated Public Improvement Bonds, 2015 Series A; interest at 3 % to 5 %; due semiannually to 2030	8,760,000	-	(474,720)	8,285,280	486,892
Consolidated Public Improvement Refunding Bonds, 2015 Series B; interest at 2.125 % to 4 %; due semiannually to 2026	25,050,000	-	-	25,050,000	1,830,000
Note payable; interest at 4.09 %; due monthly to 2039	465,712	-	(14,051)	451,661	14,637
Deferred bond premium, net	6,750,477	-	(354,916)	6,395,561	783,108
	93,022,476	-	(9,321,147)	83,701,329	9,452,439
Compensated absences	2,117,304	1,605,771	(1,480,824)	2,242,251	1,009,000
Total governmental activities	\$ 95,139,780	\$ 1,605,771	\$ (10,801,971)	\$ 85,943,580	\$ 10,461,439

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2017	Additions	Reductions/ Transfers	Balance at June 30, 2018	Amount Due in One Year
Business-type activities:					
Estimated landfill closure costs	\$ 14,858,150	\$ -	\$ -	\$ 14,858,150	\$ 14,858,150
General obligation bonds:					
MDE Water Quality Bond; interest at 0.4%; due annually to 2022	1,903,409	-	(419,435)	1,483,974	421,111
Public Refunding Bonds, 2007; interest at 3.5% to 4.5%; due semiannually to 2017	570,000	-	(570,000)	-	-
Snug Harbor Water Quality Loan Agreement, 2007; interest at 0.04%; due semiannually to 2026	278,417	-	(31,254)	247,163	31,379
MDE Drinking Water Bond; interest at 1.1%; due annually to 2029	239,963	-	(18,816)	221,147	19,023
Mystic Harbour USDA note payable, 2012; interest at 2%; due quarterly to 2052	4,626,953	-	(92,233)	4,534,720	94,095
Mystic Harbour USDA note payable, 2014; interest at 2.5%; due quarterly to 2053	2,671,494	-	(45,296)	2,626,198	46,443
Mystic Harbour USDA note payable, 2016; interest at 2.25%; due quarterly to 2056	246,100	-	(3,989)	242,111	4,080
Mystic Harbour USDA note payable, 2018; interest at 2.75%; due quarterly to 2058	-	2,450,000	(8,327)	2,441,673	34,442
Consolidated Public Improvement Refunding Bonds, 2013 Series; interest at 3% to 4%; due annually to 2017	184,666	-	(184,666)	-	-
Consolidated Public Improvement Bonds, 2014 Series; interest at 2% to 5%; due semiannually to 2029	4,425,000	-	(300,000)	4,125,000	305,000
Consolidated Public Improvement Refunding Bonds, 2015 Series B; interest at 2.125% to 4%; due semiannually to 2026	1,750,000	-	(160,000)	1,590,000	170,000
Consolidated Public Improvement Bonds, 2015 Series A; interest at 3% to 5%; due semiannually to 2030	3,255,000	-	(175,280)	3,079,720	183,108
Deferred bond premium (costs), net	719,748	-	(31,031)	688,717	58,789
Capital lease payable	803,425	1,477,697	(406,312)	1,874,810	550,769
	36,532,325	3,927,697	(2,446,639)	38,013,383	16,776,389
Compensated absences	422,790	289,840	(278,697)	433,933	195,270
Total business-type activities	\$ 36,955,115	\$ 4,217,537	\$ (2,725,336)	\$ 38,447,316	\$ 16,971,659

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 caused the County to incur additional closure costs to cap the Berlin rubble fill, which had previously closed. The County capped the Berlin rubble fill during the year ended June 30, 2018. No additional liability remains for this item.

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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

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

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

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

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

In March 2018, the County entered into an agreement with the United States Department of Agriculture Rural Development to finance the Mystic Harbour Effluent Disposal and Reuse Facilities totaling \$2,450,000 with an interest rate of 2.75% and maturing in 2058.

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>
2019	\$ 8,669,331	\$ 2,991,731	\$ 11,661,062
2020	9,412,122	2,602,704	12,014,826
2021	8,644,942	2,224,864	10,869,806
2022	8,772,803	1,855,142	10,627,945
2023	9,124,332	1,459,024	10,583,356
2024-2028	24,482,770	3,571,614	28,054,384
2029-2033	8,044,564	462,462	8,507,026
2034-2038	146,754	17,433	164,187
2039-2040	8,150	58	8,208
Total	\$ 77,305,768	\$ 15,185,032	\$ 92,490,800

Business-Type Activities

<u>Year Ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,308,681	\$ 605,775	\$ 1,914,456
2020	1,333,414	569,328	1,902,742
2021	1,358,611	530,613	1,889,224
2022	1,190,016	490,806	1,680,822
2023	1,010,802	429,897	1,440,699
2024-2028	5,181,913	1,566,529	6,748,442
2029-2033	2,529,117	913,278	3,442,395
2034-2038	1,320,749	713,571	2,034,320
2039-2043	1,481,400	552,920	2,034,320
2044-2048	1,661,928	372,392	2,034,320
2049-2053	1,679,083	170,986	1,850,069
2054-2058	535,992	33,613	569,605
Total	\$ 20,591,706	\$ 6,949,708	\$ 27,541,414

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	\$ 3,819,152
Less: accumulated depreciation	(1,257,107)
Total	<u>\$ 2,562,045</u>

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

Business-Type Activities

<u>Year Ending June 30,</u>	
2019	\$ 611,935
2020	440,294
2021	395,603
2022	324,173
2023	252,262
	<u>2,024,267</u>
Less: amount representing interest	(149,457)
Present value of future minimum lease payments	<u>\$ 1,874,810</u>

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

Funds Used for Debt Service and Liquidation of Compensated Absences

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans

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

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

Maryland State Retirement and Pension System

Organization

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

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

The employees participating in each plan are as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Basis of Accounting

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

Covered Members

Teachers' Retirement and Pension Systems

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

Employees' Retirement and Pension Systems

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

The Law Enforcement Officers' Pension System (LEOPS)

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Summary of Significant Plan Provisions

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

Beginning July 1, 2011, the member contribution rate was increased for members of the Teachers' Pension System and Employees' Pension System from 5% to 7%. The contribution rate changed from 4% to 6% in fiscal year 2012 and 7% in fiscal year 2013 and beyond for members of the Law Enforcement Officers' Pension System. Beginning July 1, 2013, the member contribution rate was increased for members of the Judges' Retirement System from 6% to 8%.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments ("COLA") that is based on the increase in the Consumer Price Index ("CPI") and capped at 2.5% or 1.0% based on whether the fair value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation (currently 7.50%).

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

Service Retirement Allowances

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

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

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

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

Vested Allowances

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

Early Service Retirement

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

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

Disability and Death Benefits

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

Adjusted Retirement Allowances

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2016 actuarial valuation, 2.90% general, 3.20% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2016 actuarial valuation, 3.20% to 9.20%. In the 2017 actuarial valuation, 3.15% to 9.15%.
Investment Rate of Return	In the 2016 actuarial valuation, 7.55%. In the 2017 actuarial valuation, 7.50%.
Discount Rate	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	36%	5.3%
Private Equity	11%	7.0%
Rate Sensitive	21%	1.2%
Credit Opportunity	9%	3.6%
Real Assets	15%	5.7%
Absolute Return	8%	3.1%
Total	<u>100%</u>	

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, 2017.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 10.02%. 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 7.50% 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 7.50%. 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 7.50%, 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 6.50%	Current Discount	1% Increase to 7.50%
County	\$ 37,635,442	\$ 26,556,233	\$ 17,363,624
Board of Education	6,614,033	4,666,979	3,051,474

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

Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board of Education is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The specified percentage increases each fiscal year, until fiscal year 2017, when the BOE paid 100% of the normal cost for each teacher. The related payment for the fiscal year ending June 30, 2018, was \$2,555,312. In addition, the State of Maryland contributed \$6,672,989 on behalf of the BOE. The BOE has recognized the State on-behalf payments as both a revenue and expense.

During fiscal year 2018, the BOE reported expense of \$482,366 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, 2018, 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)	\$ 4,666,979
State's proportionate share of the net pension liability (Teachers' Systems)	73,617,121
Total	\$ 78,284,100

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The BOE's proportion of the net pension liability was calculated as follows by the System(s):

- 1) Calculate the net pension liability as of June 30, 2017, for the entire System in accordance with the provision of GASB No. 67.
- 2) Determine the total contributions to the System by the State and participating governmental units ("PGUs"), inclusive of any underfunding of contributions.
- 3) Based on the number of participants at each Board of Education, calculate the difference between what each BOE would have contributed if they funded at the rate of all other participating governments and what the BOE actually contributed. The difference between what the BOE contributed and what they would have contributed if they funded at the rate of the other participating governments is then added to the total contribution to the System, to calculate the System's adjusted contribution.
- 4) Calculate, for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each PGU's contribution.
- 5) Provide each PGU its adjusted percentage of the contribution and the System's net pension liability and other related amounts as of June 30, 2017, under the GASB No. 67 requirements.

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

At June 30, 2018, 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	0.0215827%	0.1228108%
Employer's proportionate share of the collective net pension liability	\$ 4,666,979	\$ 26,556,233
Pension expense recognized by the employer for the year ended June 30, 2018	\$ 482,366	\$ (2,717,048)
Deferred inflows of resources at June 30, 2017	\$ 350,685	\$ 1,925,281
Difference between expected and actual experience	226,129	1,286,727
Difference between projected and actual earnings	186,457	1,060,987
Amortization of items allowed by GASB 68	(137,880)	(751,061)
Deferred inflows of resources at June 30, 2018	\$ 625,391	\$ 3,521,934
Deferred outflows of resources at June 30, 2017	\$ 1,544,333	\$ 8,742,095
Year ended June 30, 2017 contributions	(439,282)	(2,499,618)
Changes in assumptions	23,234	132,205
Amortization of items allowed by GASB 68	(311,889)	(1,757,635)
Year ended June 30, 2018 contributions	482,366	2,762,287
Deferred outflows of resources at June 30, 2018	\$ 1,298,762	\$ 7,379,334
Net pension liability June 30, 2017	\$ 5,614,576	\$ 32,232,695
Change in net pension liability factored for contributions	(947,597)	(5,676,462)
Net pension liability June 30, 2018	\$ 4,666,979	\$ 26,556,233

The \$482,366 and \$2,762,287 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, 2019. Other amounts reported as deferred outflows and inflows of resources will be amortized over approximately a five-year period.

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

County

<u>Year Ended June 30,</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
2019	\$ 1,785,299	\$ (1,285,559)
2020	1,710,840	(722,170)
2021	1,071,694	(707,209)
2022	27,663	(597,273)
2023	21,551	(209,723)
<u>Total</u>	<u>\$ 4,617,047</u>	<u>\$ (3,521,934)</u>

NOTES TO FINANCIAL STATEMENTS

Note 7. Pension Plans (continued)

Board of Education

Year Ended June 30,	Deferred Outflows	Deferred Inflows
2019	\$ 316,750	\$ (231,813)
2020	302,929	(127,245)
2021	188,069	(124,557)
2022	4,862	(104,923)
2023	3,786	(36,853)
<u>Total</u>	<u>\$ 816,396</u>	<u>\$ (625,391)</u>

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

	Total Payroll	Covered Payroll	On-Behalf by State
County - MD Retirement and Pension System	\$ 30,158,969	\$ 24,561,036	\$ -
Board of Education	69,508,200	62,892,100	6,672,989
Library	1,547,805	1,396,394	229,868

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, 2017, the latest date available, are:

Actuarially computed value of:

Vested accrued benefit obligation	\$ 5,544,167
Nonvested accrued benefit obligation	-
	<hr/> 5,544,167
Net assets available for pension benefits	<hr/> 6,331,144
Net pension asset (obligation)	<hr/> <hr/> \$ 786,977

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, 2018 was \$70,643 and is based on the entry age normal cost method. The Department has contributed 100% of the required contribution for the past five years.

Covered payroll for the Department totaled approximately \$1,145,600.

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

Interest	6%, 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, 2018, 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 2018 – 2016 is as follows:

	2018	2017	2016
Net assets available for pension benefits	\$ 6,331,144	\$ 6,378,143	\$ 6,603,752
Pension obligation	\$ 5,544,167	\$ 5,338,749	\$ 4,824,474
Percentage funded	114%	119%	137%
Net pension assets	\$ 786,977	\$ 1,039,394	\$ 1,779,278
Annual covered payroll	\$ 1,972,979	\$ 2,020,907	\$ 2,046,383
Assets in excess of pension obligation as a percentage of covered payroll	40%	51%	87%
Employer contributions	\$ 352,188	\$ 212,882	\$ 129,742
Employer contributions as a percentage of covered payroll	18%	11%	6%

Note 8. Other Post-Employment Benefits

Worcester County

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, 2017, the date of the last actuarial valuation, the following numbers of employees were receiving or were potentially eligible to receive future benefits:

	<u>County</u>
Inactive employees or beneficiaries currently receiving benefit payments	330
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	499
	<u>829</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

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

Funding Policy

The County provides basic major medical insurance (Medicare supplemental program for those over 65) and a prescription drug plan for its retired employees. It is the County's policy to pay 90% of the cost of such benefits for eligible retirees, dependents, and spouses hired prior to July 1, 2015. For employees hired between June 30, 2015 and September 30, 2017, the County will pay 80% of the cost of benefits for retirees, their spouses, and their dependents. For employees hired subsequent to October 1, 2017, the County will pay 80% of the cost of the benefits for retirees only. 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, 2018, the OPEB Trust paid for coverage of 330 retirees at a total cost, net of retiree contributions, of approximately \$2,753,000.

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. Employee and retiree contributions are not permitted and an actuarially determined contribution is not calculated for the plan. 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.

Net OPEB Liability

The County's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 %
Salary increases	4.00 %, average, including inflation
Discount rate	7.00 %
Healthcare cost trend rates	6.00 % for fiscal year 2018, decreasing .11 % per year to an ultimate rate of 5.00 % for fiscal year 2028 and later years
Mortality	RP-2014 Combined Annuitant Mortality Table for males and females

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

Investments

The long-term expected rate of return on OPEB 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 OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash and cash equivalents	5%	0.5%
Fixed income investments	30%	5.7%
Equities	65%	8.1%
Total	100%	

Discount rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the County's contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The periods of projected benefit payments were fiscal years 2018 through 2028.

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year's measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

The County's net OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the County's net OPEB liability, fiduciary net position, and the resulting net OPEB liability as of June 30, 2018:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2017	\$ 75,459,618	\$ 45,741,273	\$ 29,718,345
Changes for the year:			
Service cost	1,608,612	-	1,608,612
Interest cost	5,528,825	-	5,528,825
Differences between expected and actual experience	(930,789)	41,035	(971,824)
Changes of assumptions and other inputs	(972,422)	-	(972,422)
Contributions - employer	-	2,500,000	(2,500,000)
Contributions - non-employer contributing entities	-	487,541	(487,541)
Net investment income	-	3,330,424	(3,330,424)
Benefit payments	(2,753,006)	(2,753,006)	-
Administrative expense	-	(1,150)	1,150
Other changes	3,031,292	(41,035)	3,072,327
Net changes	5,512,512	3,563,809	1,948,703
Balances at 6/30/2018	\$ 80,972,130	\$ 49,305,082	\$ 31,667,048

Funding Status and Funding Progress

As of July 1, 2017, the most recent actuarial valuation date, the total OPEB liability for benefits was \$80,972,130, with \$49,305,082 in plan Fiduciary net position, resulting in an unfunded OPEB liability of \$31,667,048. The covered employee payroll was \$24,859,390, and the ratio of the net OPEB liability to the covered payroll was 127%.

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. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of net OPEB liability, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the net OPEB liability is increasing or decreasing over time relative to the total OPEB liability for benefits.

Additional information as of the latest actuarial valuation is as follows:

- *Measurement date* – The County selected a June 30, 2018 measurement date for fiscal year-end 2018. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.

Sensitivity of the Total and Net OPEB Liability

The following table presents the County's total and net OPEB liability using the discount rate of 7.00%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Net OPEB Liability
1% decrease	6.00%	\$ 42,562,268
Current discount Rate	7.00%	\$ 31,667,048
1% increase	8.00%	\$ 22,738,417

The following table presents the County's net OPEB liability using the health care trend rate of 6%, decreasing to 5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	Health Care Cost Trend Rate	Net OPEB Liability
1% decrease	5% decreasing to 4%	\$ 21,895,569
Current discount Rate	6% decreasing to 5%	\$ 31,667,048
1% increase	7% decreasing to 6%	\$ 43,750,977

OPEB Expense and Deferred Inflows/Outflows of Resources related to OPEB

For the fiscal year ended June 30, 2018, the County recognized an OPEB expense of \$3,476,671 on the government-wide statements. At June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 832,845
Changes of assumptions	2,640,678	835,845
Total	<u>\$ 2,640,678</u>	<u>\$ 1,668,690</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

Amounts reported as deferred outflows and inflows of resources related to the OPEB plan will be amortized and expensed over the expected average remaining service life of participants as follows:

Year Ended June 30,	Outflows	Inflows
2019	\$ 431,648	\$ 275,600
2020	431,648	275,600
2021	431,648	275,600
2022	431,648	275,600
2023	431,648	275,600
2024	431,648	275,600
2025	50,790	15,090

Changes in assumptions in the most recent actuarial valuation included the health care trend rate (a decrease from 6.50% to 6.00%) and actuarial cost method changes, the starting per capita costs were updated using most recent premiums, and the health care trend rates were reset based on recent experience.

Board of Education of Worcester County

Plan Description and benefits provided

The Worcester County Public Schools Post-Retirement Medical Benefits Plan (the “Plan”) is an agent multiple employer defined benefit healthcare plan administered by the Board. The Plan provides medical and prescription drug benefits to eligible retirees, their spouses and eligible dependents. All classes of employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers’ pension system described below:

For members hired before July 1, 2011, the earliest retirement eligibility is the earlier of:

- Age 55 with 15 years of service,
- Age 62 with 5 years of service,
- Age 63 with 4 years of service,
- Age 64 with 3 years of service,
- Age 65 with 2 years of service, or
- 30 years of service, regardless of age.

For members hired after July 1, 2011, the earliest retirement eligibility is the earlier of

- Rule of 90 (age plus service is at least 90),
- Age 65 with 10 years of service,
- Age 60 with 15 years of service

In addition, 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, 2017, the date of the last actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	712
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	961
	<u>1,673</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

Funding Policy

The Board provides basic major medical insurance (medicare supplemental program for those over 65) and a prescription drug plan for its retired employees. It is the Board's policy to pay 90% of the cost of such benefits for eligible retirees, dependents and spouses hired prior to July 1, 2015, 80% for retirees, dependents, and spouses for July 1, 2015 to September 30, 2017 hires, and 80% for employees hired after October 1, 2017. The Board's OPEB Trust currently pays for the cost of these benefits on a pay as you go basis. For the year ended June 30, 2018, the OPEB Trust paid for coverage of approximately 712 retirees at a total cost, net of retiree contributions, of approximately \$6,000,000. For the year ended June 30, 2018, Worcester County Commissioners funded the trust in the amount of \$2,500,000 to fund future benefits.

On behalf of the Board, the Worcester County Commissioners created the Retiree Benefit Trust of the Board of Education of Worcester County (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 Board intends the contributions to the Trust will qualify as "contributions in relation to the actuarially determined contribution" within the meaning of GASB Statement Number 75 and that the Trust will qualify as a "trust or equivalent arrangement" within the meaning of GASB Statement 75.

Contributions by the Board are solely dependent on the governmental entities that provide funding for the Board. Employee and retiree contributions are not permitted. The trustees of the Trust consist of a five member board who have final authority in all matters pertaining to the Trust.

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

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00%
Salary increases	4.00%, average, including inflation
Discount rate	2.986%
Healthcare cost trend rates	6.00% for fiscal year 2018, decreasing .11% per year to an ultimate rate of 5.00% for fiscal year 2028 and later years
Mortality	RP-2014 Combined Annuitant Mortality Table for males and females

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

Investments

The long-term expected rate of return on OPEB 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 OPEB 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	5 %	0.5 %
Fixed income investments	30 %	5.7 %
Equities	65 %	8.1 %
Total	<u>100 %</u>	

Discount rate

The discount rate used to measure the total OPEB liability was 2.986%. The projection of cash flows used to determine the discount rate assumed that the Board's contribution will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The periods of projected benefit payments were fiscal years 2018 through 2028.

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year's measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

The Board's net OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the Board's net OPEB liability, fiduciary net position, and the resulting net OPEB liability as of June 30, 2018:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance at 6/30/2017	\$ 335,432,205	\$ 20,953,941	\$ 314,478,264
Changes for the year:			
Service cost	14,629,936	-	14,629,936
Interest cost	9,394,241	-	9,394,241
Differences between expected and actual experience	(15,957,568)	28,645	(15,986,213)
Changes of assumptions and other inputs	199,538	-	199,538
Contributions - employer		2,500,000	(2,500,000)
Net investment income	-	1,582,921	(1,582,921)
Benefit payments	(5,974,464)	(5,974,464)	-
Administrative expense	-	(1,150)	1,150
Other changes	(559,286)	(28,645)	(530,641)
Net changes	1,732,397	(1,892,693)	3,625,090
Balances at 6/30/2018	\$ 337,164,602	\$ 19,061,248	\$ 318,103,354

Funding Status and Funding Progress

As of July 1, 2017, the most recent actuarial valuation date, the total OPEB liability for benefits was \$337,164,602, with \$19,061,248 in plan Fiduciary net position, resulting in an unfunded OPEB liability of \$318,103,354. The covered employee payroll was \$62,892,100, and the ratio of the net OPEB liability to the covered payroll was 505.79%.

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 future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of net OPEB liability, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the net OPEB liability is increasing or decreasing over time relative to the total OPEB liability for benefits.

Additional information as of the latest actuarial valuation is as follows:

- *Measurement date* – The Board selected a June 30, 2018 measurement date for fiscal year-end 2018. The measurement date can be any date between the last day of the prior fiscal year and the last day of the current fiscal year.
- *Cost method* – This valuation uses the Entry Age Normal Funding Method calculated on an individual basis with level percentage of payroll.

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

Sensitivity of the Total and Net OPEB Liability

The following table presents the Board's total and net OPEB liability using the discount rate of 2.986%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate	Board's Net OPEB Liability
1 % decrease	1.986 %	\$ 381,904,296
Current discount Rate	2.986 %	\$ 318,103,354
1 % increase	3.986 %	\$ 267,977,291

The following table presents the Board's net OPEB liability using the health care trend rate of 6%, decreasing to 5%, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

	Health Care Cost Trend Rate	Board's Net OPEB Liability
1 % decrease	5 % decreasing to 4 %	\$ 277,499,941
Current discount Rate	6 % decreasing to 5 %	\$ 318,103,354
1 % increase	7 % decreasing to 6 %	\$ 371,368,514

OPEB Expense and Deferred Inflows/Outflows of Resources related to OPEB

For the fiscal year ended June 30, 2018, the Board recognized an OPEB expense of \$17,500,879 on the government-wide statements. At June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,594,199
Changes of assumptions	5,526,004	5,807,594
Total	<u>\$ 5,526,004</u>	<u>\$ 19,401,793</u>

Amounts reported as deferred outflows and inflows of resources related to the OPEB plan will be amortized and expensed over the expected average remaining service life of participants as follows:

Year Ended June 30,	Outflows	Inflows
2019	\$ 971,656	\$ 3,413,183
2020	971,656	3,413,183
2021	971,656	3,413,183
2022	971,656	3,413,183
2023	971,656	3,413,183
2024	667,724	2,335,878

NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (continued)

Changes in assumptions in the most recent actuarial valuation included the discount rate (a decrease from 7% to 2.986%) and actuarial cost method changes, the starting per capita costs were updated using most recent premiums, and the health care trend rates were reset based on recent experience.

Note 9. Deferred Compensation

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

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

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

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

Note 10. Commitments and Contingencies

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

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

Enterprise Funds

The County entered into a contract with Allan Myers MD, Inc. on October 5, 2017 in the amount of \$11,727,777 (modified in 2018 down to \$11,534,714) for the construction of landfill cell 5 at the Worcester County central landfill facility. Also, on September 28th, 2017 the County entered into an agreement with EA Engineering, Science, and Technology, Inc. PBC to provide the construction management services on a time and materials bases with an estimated cost of \$421,337. Total project costs are anticipated at \$12,728,000 and will be funding from \$2,035,000 in 2015 Bonds, \$7,365,000 in landfill enterprise funds set aside, and \$3,328,000 in anticipated 2019 future bonds.

On October 3, 2018 the County modified a contract with Somerset Well Drilling Company, Inc. at a total price of \$705,586 to complete work on the Mystic Harbour Effluent disposal project.

General Fund

The County approved a proposal on June 20, 2017 with Gipe Associates, Inc. for engineering design and contract administration for the Worcester County Jail HVAC Renovation Project in the amount of \$283,000. An additional contract for up to \$16,000 plus 10% for direct out-of-pocket expenses was signed on October 31st, 2018. Funding for the first phase of this project has been allocated in the assigned fund balance.

On June 28th, 2018 the County entered into an agreement with The Whiting-Turner Contracting Company for construction management services on the Worcester County Court House HVAC renovation project up to \$39,200.

NOTES TO FINANCIAL STATEMENTS

Note 10. Commitments and Contingencies (continued)

On July 5th, 2018 the County entered into an agreement with K.B. Coldiron, Inc. for \$109,810 for the renovation of two public restrooms located in the Worcester County Court House.

In September 2018 the County entered into a base-bid guaranteed maximum price (GMP) agreement with Whiting-Turner Contracting Company in the amount of \$1,254,639 for work on the Ocean Pines Library to include roof replacement, interior architectural repairs, and HVAC system upgrade.

NOTES TO FINANCIAL STATEMENTS

Note 11. Assigned Fund Balance

Assignments of fund balance are intended to be used for specific purposes but are not legally restricted. The assignments for the year ended June 30, 2018 are summarized as follows:

Assigned for:

Bayside Road bridge replacement	\$ 2,176,000
Berlin Health Department storage and parking lot	220,000
Berlin Library project	730,000
Bishopville homeowner convenience center	300,000
Board of Education PMS evening beta program	50,000
Board of Education building automation upgrades for PMS and SDMS	343,500
Building HVAC automation system controls	250,000
County building repairs and improvements	401,589
Courthouse HVAC replacement	600,000
Elections building improvement 100 Belt Street	50,000
Emergency Services radio system enhancement	26,487
Emergency Services tower shelters and UPS units	120,000
Encumbrances	1,726,631
Fiber project	100,000
Financial tax software/docuware/servers	150,000
Fire tower building	50,000
Fire Training Center improvements	100,000
Government Center (ventilation and building repairs)	355,000
Isle of Wight building improvements	100,000
Jail building improvements and repairs	3,570,000
Maryland Broadband fiber project	50,000
North End Public Works building	100,000
Ocean Pines Library improvements	1,264,639
Other Post-Employment Benefits transfer	1,000,000
Outdoor sports field complex study	400,000
Parking lot improvements	350,000
Pearl Street building repairs	240,500
Pocomoke Health Department building upgrades	500,000
Pocomoke Library building improvements	500,000
Public Landing marina (boat slips with amenities)	190,000
Public Works building expansion	50,000
Recreation Center building improvements	200,000
Roads Department paving projects	500,000
Route 50 service road (future road design)	277,000
Showell Elementary School	144,241
Snow Hill Senior Center	150,000
Snow Hill transmitter building replacement	300,000
Snow Hill warehouse	1,000,000
Strategic plan - building infrastructure	100,000
Total	\$ 18,735,587

NOTES TO FINANCIAL STATEMENTS

Note 11. Assigned Fund Balance (continued)

The nonmajor governmental fund have assigned fund balances as follows:

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

Note 12. Landfill Closure and Post-closure Care Costs

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

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

The County has reported \$14,858,150 in estimated landfill closure and post-closure care liabilities at June 30, 2018 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, 2018, cells #2 and #3 are full. The County received approval from the Maryland Department of the Environment to begin mining the existing cell #1 instead of closing or “capping” it in order to reclaim as much as 40% of the airspace for future use. If successful, the mining operation will likely continue to the other closed or “filled” cells in order to reclaim landfill capacity and extend the overall life of the facility. The County began mining of cell #1 during fiscal year 2010, but suspended the mining operation during fiscal years 2014 through 2018 to avoid filling up cell #4 before cell #5 is complete.

The County has satisfied its financial assurance requirements based upon the local government financial ratio tests as of June 30, 2017. The County expects to satisfy these requirements as of June 30, 2018 using the same criteria.

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

NOTES TO FINANCIAL STATEMENTS

Note 13. Risk Management

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

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

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

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

Note 14. On-Behalf Payments

On-behalf payments for fringe benefits represent the pension contribution by the State of Maryland to the State Retirement System for applicable employees of the Library. The amount recognized as revenue and expenditures for the year ended June 30, 2018 was \$229,868 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, 2018, the BOE had deposits of \$8,029,768 (carrying value \$7,414,947), which were either fully insured or collateralized by securities held in the name of the BOE.

NOTES TO FINANCIAL STATEMENTS

Note 15. Component Units (continued)

Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Transfers and Reductions	Balance June 30, 2018
Governmental activities:				
Nondepreciable capital assets:				
Land and improvements	\$ 1,886,779	\$ -	\$ -	\$ 1,886,779
Construction-in-progress	920,822	1,380,095	-	2,300,917
Total nondepreciable capital assets	2,807,601	1,380,095	-	4,187,696
Depreciable capital assets:				
Building and building improvements	223,773,168	2,197,755	(165,403)	225,805,520
Machinery and equipment	4,223,563	226,971	(154,827)	4,295,707
Total depreciable assets	227,996,731	2,424,726	(320,230)	230,101,227
Less accumulated depreciation for:				
Buildings and building improvements	(63,708,647)	(3,766,321)	165,403	(67,309,565)
Machinery and equipment	(3,343,557)	(182,688)	142,865	(3,383,380)
Total accumulated depreciation	(67,052,204)	(3,949,009)	308,268	(70,692,945)
Total depreciable capital assets, net	160,944,527	(1,524,283)	(11,962)	159,408,282
Governmental activities capital assets, net	\$ 163,752,128	\$ (144,188)	\$ (11,962)	\$ 163,595,978
Business-type activities:				
Depreciable capital assets:				
Machinery, equipment and vehicles	\$ 265,957	\$ -	\$ -	\$ 265,957
Less accumulated depreciation for:				
Machinery, equipment and vehicles	(236,931)	(4,503)	-	(241,434)
Total depreciable capital assets, net	29,026	(4,503)	-	24,523
Business-type activities capital assets, net	\$ 29,026	\$ (4,503)	\$ -	\$ 24,523

Long-Term Debt

The following is a summary of long-term debt transactions of the BOE for the year ended June 30, 2018:

NOTES TO FINANCIAL STATEMENTS

Note 15. Component Units (continued)

	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Net OPEB liability, as restated	\$ 314,478,264	\$ 3,625,090	\$ -	\$ 318,103,354
Net pension liability	5,614,576	-	(947,597)	4,666,979
Retirement incentive and severance	29,530	152,857	(29,530)	152,857
Long-term portion of accrued compensated absences	289,431	37,365	(42,412)	284,384
	\$ 320,411,801	\$ 3,815,312	\$ (1,019,539)	\$ 323,207,574

Post-Retirement Benefits

The BOE currently funds 90% of the healthcare insurance premiums for retirees hired prior to July 1, 2015 (and 80% of the premiums for retirees hired subsequent to June 30, 2015) who have accumulated the required number of years of service with the BOE prior to their retirement. The BOE's OPEB Trust currently pays for the cost of these benefits on a pay-as-you-go basis. For the year ended June 30, 2018, the BOE's OPEB Trust paid for coverage of approximately 712 retirees at a total cost, net of retiree contributions, of approximately \$6,000,000. For the year ended June 30, 2018, the County contributed \$2,500,000 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 Showell Elementary School. The contract is for approximately \$47.5 million of which approximately \$2.3 million had been completed by June 30, 2018. The contract is being funded by Worcester County and the State of Maryland.

The BOE receives a substantial amount of its support from Federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the 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, 2018 was \$6,672,989 for the BOE, which is included in intergovernmental revenues and education expenditures, respectively, in the BOE's separately issued financial statements.

Note 16. Required Fund Disclosures

The General Fund had an excess of actual expenditures over budgeted expenditures of \$1,104,221 for the year ended June 30, 2018.

Note 17. Prior Period Restatement

During fiscal year 2018, the County and the BOE implemented Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and in accordance, has applied its effects retroactively. The statement's objective is to improve the accounting and financial reporting for postemployment benefits other than pensions (OPEB) as well as to improve the information provided by employers about financial support for OPEB (see Note 8).

The following table is a summary of the effects of these changes on net position as of June 30, 2017.

	Governmental Activities	
	Net Position	
	County	BOE
June 30, 2017, as previously reported	\$ 57,356,585	\$ 72,996,426
Adjustment to net OPEB liability	(44,656,863)	(226,389,011)
June 30, 2017, as restated	\$ 12,699,722	\$ (153,392,585)

REQUIRED SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(as of measurement date)

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportionate Share of the Collective NPL B	Employer's Covered 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)
June 30, 2014	0.1160133%	20,588,571	27,965,651	73.62%	45,339,988	63,086,719	71.87%
June 30, 2015	0.1316800%	27,365,360	23,419,512	116.85%	45,789,840	66,571,552	68.78%
June 30, 2016	0.1366138%	32,232,695	23,922,358	134.74%	45,365,927	68,959,954	65.79%
June 30, 2017	0.1228108%	26,556,233	23,537,007	112.83%	48,987,184	70,610,885	69.38%

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, 2018

SCHEDULE OF CONTRIBUTIONS
(as of fiscal year)

Fiscal Year	Contractually Required Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A - B)	Employer's Covered Payroll C	Actual Contribution as a Percentage of Covered Payroll (B / C)
2015	\$ 2,703,529	\$ 2,703,529	\$ -	\$ 23,419,512	11.54%
2016	2,775,459	2,775,459	-	23,922,358	11.60%
2017	2,661,350	2,661,350	-	23,537,007	11.31%
2018	2,499,618	2,499,618	-	24,859,390	10.06%

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, 2018
ACTUARIAL ASSUMPTIONS - PENSION PLAN

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2016 actuarial valuation: 25-year closed schedule ending June 30, 2039; 22 years remaining. In the 2017 actuarial valuation: 25-year closed schedule ending June 30, 2039; 21 years remaining.
Asset Valuation Method	Five-year smoothed market (max. 120% and min 80% of the market
Inflation	In the 2016 actuarial valuation. 2.90% general, 3.20% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2016 actuarial valuation, 3.20% to 9.20% including inflation. In the 2017 actuarial valuation, 3.15% to 9.15% including inflation.
Investment Rate of Return	In the 2016 actuarial valuation, 7.55%. In the 2017 actuarial valuation, 7.50%.
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to the 2015 Experience Study of the period July 1, 2010 to June 30, 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014 2-dimensional mortality improvement scale.

WORCESTER COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS

As of June 30,	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2017</u>	<u>2018</u>
Total OPEB liability										
Service cost										\$ 1,608,612
Interest										5,528,825
Differences between expected and actual experience										(930,789)
Changes of assumptions										(972,422)
Benefit payments										(2,753,006)
Other charges										3,031,292
Net change in OPEB liability										<u>5,512,512</u>
Total OPEB liability - beginning										75,459,618
Total OPEB liability - ending (a)										<u><u>\$ 80,972,130</u></u>
 Plan fiduciary net position										
Differences between expected and actual experience										41,035
Contributions - employer										2,500,000
Contributions - non-employer contributing entities										487,541
Net investment income										3,330,424
Benefit payments										(2,753,006)
Administrative expenses										(1,150)
Other charges										(41,035)
Net change in plan fiduciary net position										<u>3,563,809</u>
Plan fiduciary net position - beginning										45,741,273
Plan fiduciary net position - ending (b)										<u><u>\$ 49,305,082</u></u>
 County's net OPEB liability - ending (a) - (b)										\$ 31,667,048
Plan fiduciary net position as a percentage of the total OPEB liability										60.89%
 Covered employee payroll										\$ 23,537,007
County's net OPEB liability as a percentage of covered employee payroll										135%
 Expected Average Remaining Service Years of All Participants										7.12

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

WORCESTER COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

SCHEDULE OF INVESTMENT RETURNS

	<u>Fiscal Year</u>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2015</u>	<u>2017</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment										7.01%

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Pensions

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption change in the 2017 valuation:

- Inflation assumption changed from 2.90% to 2.65%
- Salary increase assumption changed from 3.40% - 10.65% to 3.15% - 9.15%, including inflation
- Investment rate of return changed from 7.55% to 7.50%

Methods and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2016 actuarial valuation: 25-year closed schedule ending June 30, 2039; 22 years remaining. In the 2017 actuarial valuation: 25-year closed schedule ending June 30, 2039; 21 years remaining.
Asset Valuation Method	Five-year smoothed market (max. 120% and min 80% of the market value)
Inflation	In the 2016 actuarial valuation, 2.90% general, 3.20% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2016 actuarial valuation, 3.20% to 9.20% including inflation. In the 2017 actuarial valuation, 3.15% to 9.15% including inflation.
Investment Rate of Return	In the 2016 actuarial valuation, 7.55%. In the 2017 actuarial valuation, 7.50%.
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to the 2015 Experience Study of the period July 1, 2010 to June 30, 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014 2-dimensional mortality improvement scale.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 2. Other Post Employment Benefits

Methods and assumptions used to determine contribution rates:

Valuation date	July 1, 2017
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed period
Amortization period	6.69 years
Inflation	3.00 %
Healthcare cost trend rates	6.00 % for fiscal year 2018, decreasing .11 % per year to an ultimate rate of 5.00 % for fiscal year 2028 and later years
Salary increases	4.00 %, average, including inflation
Investment rate of return	7.00 %
Mortality	RP-2014 Combined Annuitant Mortality Table for males and females

Retirement rates

<u>Age</u>	<u>County</u>
55 - 59	0 %
60 - 61	5 %
62 -64	30 %
65	15 %
66 - 69	35 %
70 +	100 %

Withdrawal rates

Table T-4 from the Pension Actuary's Handbook

<u>Age</u>	<u>County</u>
20	5.48 %
25	5.34 %
30	5.11 %
35	4.75 %
40	4.29 %
45	3.78 %
50	2.90 %
55	1.82 %
60	1.72 %

Retiree contributions

	<u>Pre-Medicare</u>		<u>Medicare Eligible</u>	
	<u>Retiree</u>	<u>Spouse</u>	<u>Retiree</u>	<u>Spouse</u>
Pre 7/1/15 hires (10 %/10 %)	\$ 807	\$ 1,393	\$ 719	\$ 719
7/1/15 & Subsequent hires (20 %/100 %)	1,613	13,934	1,438	7,190

OTHER SUPPLEMENTARY INFORMATION

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
REVENUES:				
Taxes:				
Real and personal property:				
Real property:				
Full-year levy	\$ 126,606,231	\$ 126,606,231	\$ 126,551,507	\$ (54,724)
Semi-year levy	271,375	271,375	181,860	(89,515)
Personal property	333,361	333,361	332,516	(845)
Corporations and utilities	7,109,045	7,109,045	7,046,822	(62,223)
Net additions and abatements	(358,200)	(358,200)	(305,268)	52,932
	133,961,812	133,961,812	133,807,437	(154,375)
Interest on delinquent taxes	700,000	700,000	674,704	(25,296)
Discounts allowed on taxes	(415,000)	(415,000)	(445,698)	(30,698)
Tax credits for assessment increase	(1,306,668)	(1,306,668)	(1,294,103)	12,565
Total real and personal property	132,940,144	132,940,144	132,742,340	(197,804)
Local income tax	22,500,000	22,500,000	22,260,250	(239,750)
Other local taxes:				
Room tax	14,615,419	14,615,419	16,877,349	2,261,930
Admission and amusement	500,000	500,000	648,691	148,691
Recordation	5,750,000	5,750,000	7,018,586	1,268,586
Trailer park excise tax	100,000	100,000	108,618	8,618
Transfer tax	3,500,000	3,500,000	4,400,977	900,977
Food tax	1,157,895	1,157,895	1,501,166	343,271
Total taxes	181,063,458	181,063,458	185,557,977	4,494,519
Licenses and permits:				
Business:				
Liquor licenses	780,000	780,000	827,475	47,475
Vending machine licenses	86,000	86,000	99,815	13,815
Traders' licenses	90,000	90,000	103,740	13,740
Occupational licenses	35,000	35,000	33,040	(1,960)
Bingo permits	16,500	16,500	18,499	1,999
Tourist and trailer park permits	8,000	8,000	11,385	3,385

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Licenses and permits, continued:				
Other:				
Building permits	\$ 215,000	\$ 215,000	\$ 337,530	\$ 122,530
Electrical permits	16,000	16,000	17,685	1,685
Marriage licenses	24,000	24,000	23,710	(290)
Civil ceremony licenses	1,500	1,500	1,180	(320)
Shoreline construction permits	13,000	13,000	12,075	(925)
Timber harvest permits	2,500	2,500	3,300	800
Sediment erosion control/SWM/permits	16,000	16,000	26,493	10,493
Environmental permits	54,825	54,825	49,575	(5,250)
EDU transfer fee	600	600	4,600	4,000
Health permits	385,576	385,576	399,706	14,130
Raffle permits	1,800	1,800	1,725	(75)
Plumbing permits	40,000	40,000	86,585	46,585
Gas permits	18,000	18,000	19,695	1,695
Planning and zoning permits	36,000	36,000	54,161	18,161
Total licenses and permits	1,840,301	1,840,301	2,131,974	291,673
Intergovernmental:				
Federal grants:				
Payments in lieu of taxes	20,501	20,501	19,866	(635)
CDBG housing rehab grant	150,000	150,000	51,790	(98,210)
Homeland security grant	154,890	154,890	74,604	(80,286)
Bulletproof vest program	4,000	4,000	-	(4,000)
Emergency shelter grant	110,985	110,985	110,985	-
MDE beach monitoring grant	3,100	3,100	3,261	161
Traffic safety - State Highway Administration	720	720	1,464	744
Library federal grant	-	-	287,942	287,942
Child support enforcement	7,000	7,000	9,806	2,806
US Fish and Wildlife Service	-	-	6,544	6,544
State grants:				
Highway user revenue	513,474	513,474	516,694	3,220
911 State fees	450,000	450,000	435,048	(14,952)
MD AOC Security grant	120,000	120,000	20,387	(99,613)
Maryland State Police grants	-	-	725	725
Police protection	152,297	152,297	173,251	20,954
State park revenues	399,442	399,442	531,993	132,551
Open space program - parks	17,100	17,100	16,546	(554)
Department of Environmental Training - LEPC	-	-	-	-
Library aid	154,620	154,620	154,620	-
Other housing rehab income	2,500	2,500	4,400	1,900
Share of State forest land	75,000	75,000	74,913	(87)
Eastern Shore library grant	75,000	75,000	75,000	-
Other grants	260,121	260,121	276,721	16,600

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Intergovernmental, continued:				
State grants, continued:				
Family support services MACRO grant	\$ 13,800	\$ 13,800	\$ -	\$ (13,800)
Homeless women grant	24,557	24,557	24,557	-
Sheriff - sex offender grant	9,444	9,444	26,510	17,066
Sheriff - health tobacco enforcement	-	-	11,305	11,305
Sheriff - health underage drinking	2,000	2,000	16,000	14,000
Heroin coordinator	65,433	65,433	50,615	(14,818)
Senator Amoss grant	383,381	383,381	381,886	(1,495)
Tourism	109,443	109,443	106,539	(2,904)
State aid for bridges	-	-	324,225	324,225
Critical area grant	13,000	13,000	13,000	-
MALPF administrative fees	5,000	5,000	5,138	138
DHCD housing administration fees	7,000	7,000	4,040	(2,960)
Conservation easement admin fee	20,000	20,000	-	(20,000)
Conservation easement reimbursements	60,000	60,000	43,044	(16,956)
Rental assistance program	40,000	40,000	10,000	(30,000)
Water system monitoring	17,560	17,560	21,013	3,453
Trial jury reimbursement	54,000	54,000	44,715	(9,285)
Family support grant	184,820	184,820	223,099	38,279
Drug court coordinator	218,109	218,109	223,727	5,618
Waterway improvement grants	50,000	50,000	31,021	(18,979)
Septic system BRF grants	240,000	240,000	105,738	(134,262)
CREP Program	-	-	2,380	2,380
Intern Program grant	10,000	10,000	10,000	-
Bay Restoration operations and maintenance	50,000	50,000	(38,917)	(88,917)
MD Department of Aging grant	25,000	25,000	-	(25,000)
911 systems grant	218,274	218,274	150,063	(68,211)
Total intergovernmental	4,491,571	4,491,571	4,636,258	144,687
Service charges and fees:				
Liquor advertising fees	2,500	2,500	1,620	(880)
Donation sponsorship program	6,200	6,200	450	(5,750)
Dental program reimbursement	22,220	22,220	19,803	(2,417)
Commercial plumbing plan review	2,500	2,500	3,690	1,190
Sheriff fees	81,500	81,500	65,860	(15,640)
Sales of publications and copies	3,000	3,000	2,715	(285)
Library use charges	36,000	36,000	29,701	(6,299)
Library Erate reimbursements	30,250	30,250	25,759	(4,491)
Mosquito control charges	50,000	50,000	44,577	(5,423)
Casino security	15,000	15,000	8,250	(6,750)
Seacrets security	97,696	97,696	89,830	(7,866)
Purnell Properties security	-	-	24,576	24,576
Sunset Marina security	-	-	2,700	2,700

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Service charges and fees, continued:				
Vehicle tag fees	\$ 4,500	\$ 4,500	\$ 3,231	\$ (1,269)
Salary reimbursement	500	500	219	(281)
Election filing fee	500	500	-	(500)
Critical area review fees	25,000	25,000	35,099	10,099
Tourism programs and events	-	-	9,606	9,606
Forestry conservation review fees	3,000	3,000	8,676	5,676
Shared facility fees	500	500	-	(500)
Stormwater management review fees	45,000	45,000	74,181	29,181
Tourism co-op advertising	-	-	2,000	2,000
Economic development program and events	4,000	4,000	-	(4,000)
Roads department fees	35,000	35,000	61,923	26,923
Bay restoration administration fees	21,000	21,000	22,801	1,801
Shoreline Commission application fees	12,000	12,000	11,625	(375)
Park fees	34,640	34,640	40,739	6,099
Concession stand fees	50,000	50,000	47,560	(2,440)
Environmental fees	18,300	18,300	15,295	(3,005)
Recreation fees	148,000	148,000	194,409	46,409
Solar renewable energy credits	10,000	10,000	325	(9,675)
Water and sewer plan amendment fees	2,000	2,000	-	(2,000)
Circuit Court bar library	5,000	5,000	1,596	(3,404)
Firearms training center fees	3,000	3,000	1,173	(1,827)
Payments for jail use	5,325,000	5,325,000	5,462,702	137,702
Fire inspection fees	115,000	115,000	148,030	33,030
Family services legal fees	1,500	1,500	1,600	100
Community service fees	65,000	65,000	76,190	11,190
Public Works	10,000	10,000	32,463	22,463
Franchise fees	22,500	22,500	51,426	28,926
Special Events fees	14,000	14,000	1,440	(12,560)
Tournament fees	40,000	40,000	10,858	(29,142)
Motor coach fees	28,000	28,000	13,273	(14,727)
Total service charges and fees	6,389,806	6,389,806	6,647,971	258,165
Miscellaneous:				
Court fines	50,000	50,000	65,722	15,722
Civil infraction fines	2,500	2,500	2,275	(225)
Retiree drug subsidy	226,000	226,000	208,509	(17,491)
Interest on investments	300,000	300,000	1,014,636	714,636
Rent revenue	119,185	119,185	125,768	6,583
Sale of capital assets	25,000	25,000	49,320	24,320
Miscellaneous	60,000	60,000	127,618	67,618
MSRS library on-behalf payments	-	-	229,868	229,868
Total miscellaneous	782,685	782,685	1,823,716	1,041,031
Total revenues	194,567,821	194,567,821	200,797,896	6,230,075

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES:				
General government:				
County Commissioners' office:				
Salaries	\$ 896,287	\$ 896,287	\$ 900,055	\$ (3,768)
Benefits	478,064	477,824	489,466	(11,642)
Administrative	14,788	13,311	12,214	1,097
Other supplies and equipment	6,400	7,774	7,773	1
Equipment maintenance	13,600	13,703	13,702	1
Legal	10,146	10,146	264	9,882
Vehicle operating expense	3,500	3,500	3,110	390
Building site	1,344	1,344	1,319	25
Advertising	14,000	14,000	10,120	3,880
Training and travel	47,154	47,154	36,813	10,341
Enterprise fund credits	(89,526)	(89,526)	(92,277)	2,751
	1,395,757	1,395,517	1,382,559	12,958
Circuit Court:				
Salaries	903,400	903,400	902,085	1,315
Benefits	481,858	481,616	490,570	(8,954)
Administrative	26,472	26,472	23,350	3,122
Other supplies and equipment	9,900	9,900	8,407	1,493
Equipment maintenance	18,270	18,270	16,954	1,316
Grant services	250,967	250,967	173,983	76,984
Legal	107,000	107,000	87,524	19,476
Building site	10,300	10,300	6,157	4,143
Other maintenance and services	1,800	1,800	-	1,800
Training and travel	10,625	10,625	4,410	6,215
	1,820,592	1,820,350	1,713,440	106,910
Orphans' Court:				
Salaries	21,000	21,000	21,000	-
Benefits	11,201	11,195	11,420	(225)
Training and travel	7,294	7,294	4,922	2,372
	39,495	39,489	37,342	2,147

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
General government, continued:				
State's Attorney's office:				
Salaries	\$ 1,248,972	\$ 1,248,972	\$ 1,162,643	\$ 86,329
Overtime pay	-	-	-	-
Benefits	666,180	665,845	632,266	33,579
Administrative	30,400	30,400	26,005	4,395
Other supplies and equipment	16,444	16,444	6,446	9,998
Equipment maintenance	9,906	9,906	10,214	(308)
Uniforms and personal equipment	1,000	1,000	-	1,000
Legal	6,800	6,800	8,278	(1,478)
Vehicle operating expense	11,500	11,500	6,838	4,662
Building site	11,500	11,500	10,563	937
Advertising	500	500	442	58
Training and travel	30,500	30,500	14,252	16,248
	2,033,702	2,033,367	1,877,947	155,420
Treasurer's office:				
Salaries	1,218,981	1,218,981	1,183,835	35,146
Benefits	650,183	649,857	643,791	6,066
Administrative	45,600	45,600	37,903	7,697
Other supplies and equipment	11,477	11,477	10,458	1,019
Equipment maintenance	74,126	74,126	73,016	1,110
Legal	1,900	1,900	1,209	691
Consulting services	1,200	1,200	750	450
Building site	3,200	3,200	1,955	1,245
Training and travel	5,900	5,900	4,808	1,092
Enterprise fund credits	(254,098)	(254,098)	(263,497)	9,399
Capital equipment	-	-	10,179	(10,179)
	1,758,469	1,758,143	1,704,407	53,736
Elections office:				
State employees' salaries and benefits	398,362	413,887	413,887	-
Benefits	8,001	7,997	8,157	(160)
Administrative	11,315	11,315	9,617	1,698
Other supplies and equipment	113,656	101,922	96,753	5,169
Voting machines and poll expenses	166,768	143,261	148,316	(5,055)
Equipment maintenance	7,187	7,187	4,760	2,427
Other maintenance and services	-	11,734	4,764	6,970
Consulting services	14,400	15,681	15,680	1
Building site	25,934	31,624	31,555	69
Training and travel	10,609	11,620	9,740	1,880
Uniforms and personal equipment	-	-	375	(375)
	756,232	756,228	743,604	12,624

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(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	\$ 351,888	\$ 351,888	\$ 353,134	\$ (1,246)
Benefits	187,691	187,597	192,041	(4,444)
Administrative	11,453	11,453	11,331	122
Other supplies and equipment	3,702	3,702	2,684	1,018
Equipment maintenance	3,500	3,500	2,140	1,360
Program expense	3,500	3,500	3,471	29
Legal	1,000	1,000	552	448
Consulting services	14,000	13,935	5,971	7,964
Vehicle operating expense	4,750	4,750	3,944	806
Building site	400	400	332	68
Advertising	200	265	265	-
Training and travel	4,255	4,255	3,127	1,128
Enterprise fund credits	(66,859)	(66,859)	(66,999)	140
Capital equipment	28,000	28,000	25,561	2,439
	547,480	547,386	537,554	9,832
Development review and permitting:				
Salaries	1,324,167	1,324,167	1,272,572	51,595
Benefits	706,288	705,933	692,048	13,885
Administrative	12,446	16,122	8,958	7,164
Other supplies and equipment	10,420	10,420	16,214	(5,794)
Equipment maintenance	6,493	6,493	5,733	760
Program expense	22,000	22,000	21,360	640
Housing rehabilitation program	214,900	214,900	87,105	127,795
Legal	28,250	31,957	31,956	1
Vehicle operating expense	15,000	15,369	15,368	1
Building site	1,995	2,075	2,054	21
Other maintenance and services	375	375	-	375
Advertising	10,000	10,000	13,339	(3,339)
Training and travel	19,631	17,799	15,765	2,034
Enterprise fund credits	(74,270)	(74,270)	(74,269)	(1)
Capital equipment	23,000	17,000	16,979	21
	2,320,695	2,320,340	2,125,182	195,158

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(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:				
Environmental programs:				
Salaries	\$ 957,979	\$ 957,979	\$ 931,597	\$ 26,382
Benefits	510,969	510,713	506,619	4,094
Administrative	5,910	5,910	4,541	1,369
Other supplies and equipment	19,580	19,580	15,978	3,602
Equipment maintenance	2,400	2,400	1,966	434
Grant programs	240,000	240,000	121,379	118,621
Legal	2,750	2,750	1,120	1,630
Consulting services	42,750	42,750	70,472	(27,722)
Vehicle operating expense	17,843	17,843	16,624	1,219
Building site	1,045	1,274	1,274	-
Other maintenance and services	500	271	-	271
Advertising	3,200	3,200	749	2,451
Training and travel	5,297	5,297	1,820	3,477
Interfund	(24,547)	(24,547)	(24,547)	-
	1,785,676	1,785,420	1,649,592	135,828
Other general government:				
Administrative	170,505	170,505	149,324	21,181
Other supplies and equipment	47,695	47,695	78,001	(30,306)
Equipment maintenance	508,005	508,005	481,615	26,390
Systems maintenance	4,500	4,500	464	4,036
Consulting services	45,000	45,000	45,500	(500)
Energy	15,000	15,000	-	15,000
Building site	759,704	759,704	726,810	32,894
Other maintenance and services	3,000	3,000	2,649	351
Training and travel	26,000	26,000	28,737	(2,737)
Tri-County Council	374,103	374,103	374,103	-
Other non-matching expenses - SDAT	648,852	648,852	670,947	(22,095)
Property-liability insurance	404,954	404,954	423,371	(18,417)
Other expenses	63,796	63,799	54,578	9,221
Capital equipment	205,140	205,140	403,539	(198,399)
Interest expense	-	-	32,837	(32,837)
	3,276,254	3,276,257	3,472,475	(196,218)
Total general government	15,734,352	15,732,497	15,244,102	488,395

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Public safety:				
Sheriff's office:				
Salaries	\$ 5,382,816	\$ 5,382,816	\$ 5,131,626	\$ 251,190
Overtime pay	471,197	484,497	735,629	(251,132)
Benefits	3,122,429	3,127,950	3,190,719	(62,769)
Administrative	33,359	33,359	32,360	999
Other supplies and equipment	272,733	195,433	186,966	8,467
Equipment maintenance	226,578	226,578	217,617	8,961
Uniforms and personal equipment	185,212	197,212	196,906	306
Grant programs	5,720	5,720	-	5,720
Legal	7,750	7,750	537	7,213
Consulting services	21,743	21,743	12,005	9,738
Vehicle operating expense	382,535	434,535	433,729	806
Building site	51,499	51,499	40,848	10,651
Training and travel	91,989	91,989	89,707	2,282
Capital equipment	289,915	289,915	247,437	42,478
	10,545,475	10,550,996	10,516,086	34,910
Emergency services:				
Salaries	1,228,132	1,228,132	1,212,363	15,769
Overtime pay	20,000	20,000	59,570	(39,570)
Benefits	665,732	665,397	691,700	(26,303)
Administrative	5,335	5,335	3,294	2,041
Other supplies and equipment	123,595	123,595	164,349	(40,754)
Equipment maintenance	429,689	429,689	407,438	22,251
Uniforms and personal equipment	4,000	4,000	1,775	2,225
Grant programs	327,164	327,164	171,814	155,350
Legal	1,500	1,500	1,627	(127)
Consulting services	2,001	2,001	792	1,209
Vehicle operating expense	10,700	10,700	8,008	2,692
Building site	209,040	209,040	194,795	14,245
Advertising	-	-	310	(310)
Training and travel	8,500	8,500	4,246	4,254
Capital equipment	-	-	23,900	(23,900)
Information technology operations	746,695	746,561	697,498	49,063
	3,782,083	3,781,614	3,643,479	138,135

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Public safety, continued:				
Jail:				
Salaries	\$ 5,787,688	\$ 5,787,688	\$ 5,645,940	\$ 141,748
Overtime pay	20,556	20,556	19,423	1,133
Benefits	3,098,017	3,096,460	3,080,926	15,534
Administrative	6,875	6,875	4,688	2,187
Other supplies and equipment	12,357	12,357	17,962	(5,605)
Equipment maintenance	28,345	28,345	26,234	2,111
Uniforms and personal equipment	44,750	44,750	42,006	2,744
Inmate supplies and services	2,303,419	2,303,419	2,090,034	213,385
Legal	250	250	836	(586)
Consulting services	4,000	4,000	6,873	(2,873)
Vehicle operating expense	13,000	13,000	9,389	3,611
Building site	857,675	857,675	783,510	74,165
Other maintenance and services	9,650	9,650	11,777	(2,127)
Training and travel	12,856	12,856	9,576	3,280
Capital equipment	92,000	92,000	84,311	7,689
	12,291,438	12,289,881	11,833,485	456,396
Fire Marshal:				
Salaries	354,613	354,613	354,445	168
Overtime pay	10,000	10,000	12,196	(2,196)
Benefits	194,478	194,380	199,386	(5,006)
Administrative	5,290	4,548	4,069	479
Supplies and equipment	26,092	26,834	26,832	2
Equipment maintenance	5,081	5,081	4,660	421
Uniforms and personal equipment	7,083	7,083	4,527	2,556
Legal	200	200	179	21
Vehicle operating expense	24,355	32,267	32,267	-
Building site	360	360	214	146
Training and travel	24,015	16,103	2,876	13,227
Capital equipment	31,500	31,500	30,579	921
	683,067	682,969	672,230	10,739

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(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:				
Volunteer fire departments:				
County grant to fire companies	\$ 2,500,000	\$ 2,500,000	\$ 2,500,000	\$ -
Fireman's Training Center	44,657	44,657	72,213	(27,556)
State grant for fire companies	383,381	383,381	381,886	1,495
County grant to ambulance companies	3,854,915	3,854,915	3,864,913	(9,998)
Training and travel - transportation expense	3,000	3,000	1,476	1,524
Volunteer fireman worker's compensation	262,474	262,474	226,016	36,458
LOSAP appropriation	112,000	112,000	94,350	17,650
	7,160,427	7,160,427	7,140,854	19,573
Total public safety	34,462,490	34,465,887	33,806,134	659,753
Public works:				
Maintenance:				
Salaries	770,844	770,844	713,846	56,998
Overtime pay	6,500	6,500	5,406	1,094
Benefits	414,622	414,413	391,142	23,271
Administrative	1,000	1,260	1,237	23
Other supplies and equipment	47,299	52,908	43,259	9,649
Equipment maintenance	7,023	7,023	7,023	-
Uniforms and personal equipment	6,650	6,345	5,510	835
Consulting services	-	45	45	-
Custodial services	5,000	5,000	(3,075)	8,075
Vehicle operating expense	45,300	37,191	43,763	(6,572)
Building site	23,204	25,704	25,405	299
Advertising	500	500	146	354
Training and travel	5,225	5,225	6,946	(1,721)
Capital equipment	111,888	111,888	104,499	7,389
	1,445,055	1,444,846	1,345,152	99,694
Roads department:				
Salaries	1,322,789	1,322,789	1,294,024	28,765
Overtime pay	12,000	12,000	21,182	(9,182)
Benefits	711,954	711,595	715,233	(3,638)
Administrative	1,800	1,800	1,258	542
Other supplies and equipment	90,845	90,845	85,247	5,598
Equipment maintenance	2,000	2,000	1,728	272
Road maintenance materials	1,089,000	1,089,000	1,077,466	11,534
Uniforms and personal equipment	12,250	12,250	10,002	2,248
Grant services	239,621	239,621	231,853	7,768
Consulting services	1,000	1,000	677	323
Vehicle operating expense	292,300	292,300	277,227	15,073

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Public works, continued:				
Roads department, continued:				
Building site	\$ 31,850	\$ 31,850	\$ 31,311	\$ 539
Road maintenance	178,056	306,903	576,050	(269,147)
Advertising	1,600	1,600	1,270	330
Training and travel	1,740	1,740	1,155	585
Capital equipment	569,771	440,924	440,923	1
	4,558,576	4,558,217	4,766,606	(208,389)
Public works administration:				
Salaries	547,089	547,089	552,443	(5,354)
Overtime	-	-	53	(53)
Benefits	291,808	291,661	300,457	(8,796)
Administrative	2,965	2,965	1,765	1,200
Other supplies and equipment	9,860	9,738	8,445	1,293
Equipment maintenance	6,150	6,150	4,983	1,167
Uniforms and personal equipment	1,050	1,172	1,172	-
Program expense	225	225	-	225
Legal	2,700	2,700	30	2,670
Consulting services	80,300	80,300	35,210	45,090
Vehicle operating expense	9,500	9,500	5,520	3,980
Building site	46,520	46,520	17,056	29,464
Other maintenance and services	1,700	1,700	1,067	633
Fleet services	(82,124)	(82,124)	(52,977)	(29,147)
Central fuel facility	-	-	2,639	(2,639)
Advertising	300	300	275	25
Training and travel	2,535	2,535	1,230	1,305
Enterprise fund credits	(156,956)	(156,956)	(156,956)	-
Capital equipment	-	-	33,927	(33,927)
	763,622	763,475	756,339	7,136
Total public works	6,767,253	6,766,538	6,868,097	(101,559)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Health and hospitals:				
Health department:				
Administrative	\$ 3,000	\$ 3,000	\$ 875	\$ 2,125
Health clinic's building expenses	416,152	416,152	376,503	39,649
Other non-matching expenses	242,063	242,063	239,674	2,389
Matching appropriation	4,814,241	4,814,241	4,834,185	(19,944)
Capital equipment	28,368	28,368	27,372	996
	5,503,824	5,503,824	5,478,609	25,215
Mosquito control:				
Salaries	41,746	41,746	44,014	(2,268)
Benefits	22,267	22,255	23,936	(1,681)
Administrative	600	600	207	393
Other supplies and equipment	500	1,183	1,034	149
Equipment maintenance	550	559	558	1
Uniforms and personal equipment	350	350	216	134
Vehicle operating expense	13,000	13,000	12,584	416
Building site	3,650	2,944	2,535	409
Other maintenance and services	-	14	14	-
Appropriation for spraying	90,000	90,000	62,217	27,783
Capital equipment	69,162	69,162	66,792	2,370
	241,825	241,813	214,107	27,706
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	175,000	175,000	175,000	-
	405,747	405,747	405,747	-
Total health and hospitals	6,151,396	6,151,384	6,098,463	52,921
Social services:				
Commission on Aging:				
Administrative	1,100	1,100	1,100	-
Other supplies and equipment	1,000	1,000	1,000	-
Grant services	25,000	25,000	-	25,000
Consulting services	600	600	600	-
Senior transportation	2,500	2,500	2,500	-
Senior center building expenses	213,750	213,750	211,569	2,181
Training and travel	6,400	6,400	6,400	-
Appropriation for Commission on Aging	860,700	860,700	860,700	-
	1,111,050	1,111,050	1,083,869	27,181

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(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:				
State pass-through grant Diakonia	\$ 107,391	\$ 107,391	\$ 107,391	\$ -
State pass-through grant Samaritan Shelter	28,151	28,151	28,151	-
State pass-through grant Social Services	40,000	40,000	10,000	30,000
Big Brothers / Big Sisters	1,000	1,000	1,000	-
BRAVE program	3,500	3,500	3,500	-
Coastal Hospice at the Ocean	10,000	10,000	10,000	-
The Cricket Center	10,000	10,000	10,000	-
Diakonia	45,000	45,000	45,000	-
Drug and alcohol council	9,000	9,000	8,998	2
Jesse Klump Memorial Fund, Inc.	1,000	1,000	1,000	-
Life Crisis Center	8,500	8,500	8,500	-
Maryland Food Bank	1,500	1,500	1,500	-
Oasis Ministries	9,000	9,000	9,000	-
Salvation Army Lower Eastern Shore	2,000	2,000	2,000	-
Samaritan Shelter	20,000	20,000	20,000	-
Save the Youth program	18,000	18,000	18,000	-
Social Services Pharmacy grant	15,000	15,000	15,000	-
Worcester County GOLD	9,000	9,000	9,000	-
Youth & Family Counseling	91,710	91,710	91,710	-
Matching appropriation - DHMH - WCDC	28,871	28,871	28,871	-
	458,623	458,623	428,621	30,002
Total social services	1,569,673	1,569,673	1,512,490	57,183
Education:				
Board of Education:				
Retirement	476,551	476,551	482,366	(5,815)
Post-retirement benefits	2,000,000	2,000,000	2,500,000	(500,000)
School building improvements	100,000	100,000	100,000	-
Operating appropriations	83,570,125	83,570,125	83,570,125	-
Technology program	200,000	200,000	200,000	-
Restricted programs	-	-	23,281	(23,281)
School construction	566,100	566,100	565,168	932
	86,912,776	86,912,776	87,440,940	(528,164)
Wor-Wic Community College:				
Operating appropriation	2,145,342	2,145,342	2,145,342	-
	2,145,342	2,145,342	2,145,342	-
Total education	89,058,118	89,058,118	89,586,282	(528,164)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Libraries, recreation, parks and culture:				
Recreation department:				
Salaries	\$ 694,512	\$ 694,512	\$ 621,919	\$ 72,593
Benefits	370,441	370,255	338,211	32,044
Administrative	24,350	27,808	27,806	2
Other supplies and equipment	35,140	35,605	35,604	1
Equipment maintenance	16,260	16,260	16,164	96
Uniforms and personal equipment	2,000	2,334	2,334	-
Recreation programs	143,010	139,933	97,287	42,646
Legal services	-	269	269	-
Consulting services	1,000	1,023	1,022	1
Vehicle and equipment operating expense	5,500	5,231	3,631	1,600
Building site	152,418	152,418	149,450	2,968
Other maintenance and services	50	50	-	50
Advertising	6,000	9,005	9,005	-
Training and travel	10,980	6,772	6,404	368
	1,461,661	1,461,475	1,309,106	152,369
Parks department:				
Salaries	316,248	316,248	308,648	7,600
Benefits	168,681	168,596	167,848	748
Administrative	966	915	848	67
Supplies and equipment	15,356	17,196	17,038	158
Equipment maintenance	-	530	529	1
Uniforms and personal equipment	2,080	2,116	2,116	-
Grant programs	19,000	19,000	18,384	616
Other supplies and materials	29,646	27,996	27,975	21
Legal services	-	15	15	-
Consulting services	-	-	2,380	(2,380)
Vehicle and equipment operating expense	24,000	24,000	27,897	(3,897)
Park expenses	57,369	57,369	57,141	228
Other maintenance and services	1,750	1,450	1,082	368
Advertising	200	200	-	200
Training and travel	490	600	600	-
Capital equipment	13,000	12,470	12,331	139
	648,786	648,701	644,832	3,869
Boat landings:				
Grant programs	50,000	50,000	26,417	23,583
Landing expenses	21,115	21,115	16,533	4,582
Advertising	400	400	-	400
Capital equipment	-	-	-	-
	71,515	71,515	42,950	28,565

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Libraries, recreation, parks and culture, continued:				
Library:				
Salaries	\$ 1,636,807	\$ 1,636,807	\$ 1,547,805	\$ 89,002
Overtime pay	2,000	2,000	134	1,866
Benefits	874,112	873,672	841,797	31,875
Administrative	43,600	43,600	21,963	21,637
Other supplies and equipment	292,806	297,566	296,903	663
Equipment maintenance	64,400	57,555	36,472	21,083
Grant services	75,000	75,000	101,469	(26,469)
Legal	500	500	119	381
Vehicle operating expenses	-	2,085	2,085	-
Building site	331,947	331,947	311,132	20,815
Training and travel	10,500	10,500	5,630	4,870
Benefits and insurance	-	-	195	(195)
Capital equipment	50,885	50,885	31,856	19,029
MSRS library on-behalf payments	-	-	229,868	(229,868)
	3,382,557	3,382,117	3,427,428	(45,311)
Other recreation and culture:				
Marva Theatre	15,000	15,000	15,000	-
Furnace Town	30,000	30,000	30,000	-
Discovery Center	40,500	40,500	40,500	-
Art League of Ocean City	20,000	20,000	20,000	-
	105,500	105,500	105,500	-
Total libraries, recreation, parks and culture	5,670,019	5,669,308	5,529,816	139,492
Conservation of natural resources:				
Extension service:				
Administrative	9,373	9,373	8,514	859
Other supplies and equipment	9,420	9,420	9,360	60
Equipment maintenance	6,500	6,500	6,394	106
Building site	2,000	2,000	1,876	124
Operating appropriation	148,877	148,877	148,877	-
	176,170	176,170	175,021	1,149
Other natural resources:				
Gypsy moth control	1,700	1,700	1,575	125
Soil Conservation District	48,554	48,554	48,554	-
Maryland agricultural land preservation fund	3,242	3,242	-	3,242
Matching appropriation beach maintenance	450,000	450,000	447,521	2,479
Conservation easements	-	-	19,000	(19,000)
	503,496	503,496	516,650	(13,154)
Total conservation of natural resources	679,666	679,666	691,671	(12,005)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
Economic development:				
Economic development department:				
Salaries	\$ 168,942	\$ 168,942	\$ 133,928	\$ 35,014
Benefits	90,111	90,065	72,832	17,233
Administrative	17,550	20,393	19,662	731
Other supplies and equipment	3,710	3,528	2,460	1,068
Equipment maintenance	1,200	1,200	1,075	125
Program expense	87,000	87,000	93,176	(6,176)
Legal services	-	60	60	-
Consulting services	29,500	24,955	7,568	17,387
Vehicle operating expense	1,500	1,500	1,069	431
Building site	2,300	2,482	2,481	1
Other maintenance and services	25,000	25,000	25,000	-
Advertising	20,000	21,642	21,641	1
Training and travel	15,575	15,575	12,353	3,222
	462,388	462,342	393,305	69,037
Tourism:				
Salaries	215,541	215,541	220,305	(4,764)
Benefits	114,966	114,908	119,806	(4,898)
Administrative	4,016	3,236	3,166	70
Other supplies and equipment	89,900	90,613	91,160	(547)
Equipment maintenance	1,055	1,055	975	80
Uniforms and personal equipment	250	358	358	-
Grant programs	109,443	109,443	114,679	(5,236)
Legal	300	300	-	300
Consulting services	25,000	25,000	24,726	274
Vehicle operating expense	1,500	2,409	2,407	2
Building site	17,480	17,280	15,305	1,975
Advertising	663,500	662,950	662,949	1
Training and travel	4,250	4,050	3,448	602
Capital equipment	-	-	-	-
	1,247,201	1,247,143	1,259,284	(12,141)
Total economic development	1,709,589	1,709,485	1,652,589	56,896

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2018
(CONTINUED)

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Intergovernmental:				
Towns' share county room tax	\$ 13,900,000	\$ 13,900,000	\$ 15,762,922	\$ (1,862,922)
Towns' share county bingo fees	3,100	3,100	3,215	(115)
Towns' share county income tax	2,000,000	2,000,000	1,699,760	300,240
Towns' share county food tax	1,100,000	1,100,000	1,426,025	(326,025)
Towns' share liquor license fees	331,970	331,970	360,281	(28,311)
Grants to towns - conditional grants	20,000	20,000	20,000	-
Grants to towns for police	464,500	464,500	464,500	-
Grants to towns for fire	486,000	486,000	486,000	-
Grants to towns for tourism	50,000	50,000	50,000	-
Other grants to towns	4,789,956	4,789,956	4,789,956	-
Total intergovernmental	23,145,526	23,145,526	25,062,659	(1,917,133)
Total expenditures	184,948,082	184,948,082	186,052,303	(1,104,221)
Excess of revenues over expenditures	9,619,739	9,619,739	14,745,593	5,125,854
OTHER FINANCING (SOURCES) USES:				
Transfer to Debt Service Fund	12,318,270	12,318,270	12,323,377	(5,107)
Transfer from Capital Projects Fund	(208,125)	(208,125)	(208,125)	-
Transfer to Capital Projects Fund	-	-	7,418,589	(7,418,589)
Transfer from Casino Fund	(2,490,406)	(2,490,406)	(2,490,406)	-
Transfer to Department of Solid Waste	1,666,323	1,666,323	1,666,323	-
Budget stabilization	(1,666,323)	(1,666,323)	-	(1,666,323)
Total other financing uses	9,619,739	9,619,739	18,709,758	(9,090,019)
Net change in fund balance	\$ -	\$ -	(3,964,165)	\$ (3,964,165)
Fund balance, beginning			<u>57,929,588</u>	
Fund balance, ending			<u>\$ 53,965,423</u>	



WORCESTER COUNTY, MARYLAND
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018

	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	\$ 114,533	\$ 237,785	\$ 1,023,871	\$ -	\$ 1,376,189
Accounts receivable	-	40,269	-	-	40,269
Due from other funds	-	-	3,423	411,685	415,108
Total assets	\$ 114,533	\$ 278,054	\$ 1,027,294	\$ 411,685	\$ 1,831,566
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ 203,119	\$ -	\$ -	\$ 203,119
Total liabilities	-	203,119	-	-	203,119
Fund balances:					
Assigned	114,533	74,935	1,027,294	411,685	1,628,447
Total fund balances	114,533	74,935	1,027,294	411,685	1,628,447
Total liabilities and fund balances	\$ 114,533	\$ 278,054	\$ 1,027,294	\$ 411,685	\$ 1,831,566

WORCESTER COUNTY, MARYLAND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	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	\$ 87,756	\$ 752,976	\$ 2,485,810	\$ -	\$ 3,326,542
Interest income	-	4	12,710	-	12,714
Total revenues	87,756	752,980	2,498,520	-	3,339,256
EXPENDITURES:					
Social services	93,582	566,087	-	-	659,669
Administrative expenses	-	118,812	-	20,334	139,146
Total expenditures	93,582	684,899	-	20,334	798,815
Excess (deficiency) of revenues over expenditures	(5,826)	68,081	2,498,520	(20,334)	2,540,441
OTHER FINANCING USES:					
Transfers out	-	-	(2,490,406)	-	(2,490,406)
Excess (deficiency) of revenues and other financing uses over expenditures	(5,826)	68,081	8,114	(20,334)	50,035
Fund balances, beginning	120,359	6,854	1,019,180	432,019	1,578,412
Fund balances, ending	\$ 114,533	\$ 74,935	\$ 1,027,294	\$ 411,685	\$ 1,628,447

WORCESTER COUNTY, MARYLAND
BALANCE SHEET
LOCAL MANAGEMENT BOARD - NONMAJOR GOVERNMENTAL FUND
June 30, 2018

ASSETS

Cash	\$ 225,545
Cash - earned reinvestment	12,240
Accounts receivable	40,269
Total assets	278,054

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	203,119
Total liabilities	203,119
Fund balance	74,935
Total liabilities and fund balance	\$ 278,054

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
LOCAL MANAGEMENT BOARD - NONMAJOR GOVERNMENTAL FUND
Year Ended June 30, 2018

REVENUES:

Community partnership grant	\$ 566,087
Administrative receipts	185,889
Direct program receipts	1,000
<hr/>	
Total revenues	752,976

EXPENDITURES:

Administrative:	
Salaries	74,957
Benefits	34,710
Advertising	1,166
Communications	1,120
Consultants	-
Equipment	1,313
Indirect administrative expenses	-
Postage	194
Printing	149
Supplies	716
Conferences/conventions	3,348
Travel	1,139
Community partnership grant:	
Building Bridges	165,971
Children's Resource - Cricket Center	30,000
Community Connection	110,876
Community Service Centers	112,956
Comprehensive Parenting Program Initiative	52,000
WE3	60,284
Youth as One	34,000
Non-Community Partnership - Children's Cabinet interagency:	
Resource Development	-
<hr/>	
Total expenditures	684,899

Change in fund balance before other financing sources	68,077
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OTHER FINANCING SOURCES:

Interest income	4
<hr/>	
Change in fund balance	68,081
<hr/>	
Fund balance, beginning	6,854
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Fund balance, ending	\$ 74,935



WORCESTER COUNTY, MARYLAND

COMBINING SCHEDULE OF FUND NET POSITION - OPERATING FUNDS

DEPARTMENT OF WATER AND WASTEWATER SERVICES

June 30, 2018

	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	\$1,561,183	\$ (838,521)	\$(153,670)	\$ 18,903	\$29,527	\$(41,254)
Accounts receivable - usage billings	396,942	1,580,689	35,154	2,747	-	55,698
Total current assets	1,958,125	742,168	(118,516)	21,650	29,527	14,444
Capital assets:						
Land and land rights	47,037	63,319	4,527	-	-	-
Water and sewer systems	10,704,089	47,729,198	1,480,788	341,349	-	94,806
Machinery and equipment	-	3,054,255	-	-	-	81,156
Construction-in-progress	141,411	-	88,637	-	-	-
	10,892,537	50,846,772	1,573,952	341,349	-	175,962
Less: accumulated depreciation	(8,525,252)	(22,992,360)	(736,404)	(249,490)	-	(132,243)
	2,367,285	27,854,412	837,548	91,859	-	43,719
Total assets	4,325,410	28,596,580	719,032	113,509	29,527	58,163
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	14,713	346,862	6,095	3,579	441	15,693
Interfund payable	-	1,507,286	(10,986)	-	-	-
Total current liabilities	14,713	1,854,148	(4,892)	3,579	441	15,693
Other liabilities:						
Compensated absences	7,165	132,270	2,602	710	-	1,592
Due to other funds	36,904	1,186,466	17,826	2,744	-	8,783
Total other liabilities	44,069	1,318,736	20,428	3,454	-	10,375
Total liabilities	58,782	3,172,883	15,536	7,033	441	26,068
NET POSITION						
Unrestricted net position	\$4,266,628	\$25,423,697	\$ 703,496	\$ 106,476	\$29,086	\$ 32,095

Assateague Pointe <u>S.A.</u>	River Run <u>S.A.</u>	Mystic Harbour <u>S.A.</u>	Lighthouse Sound <u>S.A.</u>	Riddle Farm <u>S.A.</u>	The Landings <u>S.A.</u>	Support Groups	<u>Total</u>
\$ 389,809	\$ 368,961	\$ 23,112	\$ 164,391	\$ (405,978)	\$ (131,140)	\$ 215,905	\$ 1,201,228
55,385	28,491	296,962	23,984	813,547	71,472	-	3,361,071
445,194	397,452	320,074	188,375	407,569	(59,668)	215,905	4,562,299
-	-	-	-	-	-	-	114,883
1,159,451	-	16,055,125	-	20,676,063	9,130,084	-	107,370,953
-	128,233	493,873	-	-	-	1,151,223	4,908,740
-	-	-	-	-	-	-	230,048
1,159,451	128,233	16,548,998	-	20,676,063	9,130,084	1,151,223	112,624,624
(849,197)	(125,215)	(2,468,393)	-	(5,717,158)	(2,552,670)	(850,214)	(45,198,596)
310,254	3,018	14,080,605	-	14,958,905	6,577,414	301,009	67,426,028
755,448	400,470	14,400,679	188,375	15,366,474	6,517,746	516,914	71,988,327
10,570	2,886	79,664	3,005	37,057	15,292	2,812	538,668
43,733	-	(741,834)	-	-	-	-	798,199
54,303	2,886	(662,170)	3,005	37,057	15,292	2,812	1,336,867
2,589	1,013	10,740	1,116	3,458	2,082	-	165,336
16,722	14,169	100,575	11,266	683,506	231,587	213,038	2,523,586
19,311	15,182	111,315	12,382	686,964	233,669	213,038	2,688,922
73,614	18,068	(550,855)	15,387	724,021	248,961	215,850	4,025,789
\$ 681,834	\$ 382,402	\$14,951,534	\$ 172,988	\$14,642,453	\$ 6,268,785	\$ 301,064	\$67,962,538

WORCESTER COUNTY, MARYLAND

COMBINING SCHEDULE OF FUND NET POSITION - CAPITAL PROJECTS FUNDS

DEPARTMENT OF WATER AND WASTEWATER SERVICES

June 30, 2018

	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	\$ 43,244	\$ 2,432,208	\$ 21,824	\$ 5,063
Accounts receivable - EDU	-	1,326,142	81,848	26,304
Interfund receivable	-	1,507,286	38,290	-
Total current assets	43,244	5,265,636	141,962	31,367
Other assets:				
Long-term EDU receivable	-	6,302,865	98,745	202,124
Construction-in-progress	-	-	-	-
Total other assets	-	6,302,865	98,745	202,124
Total assets	43,244	11,568,501	240,707	233,491
LIABILITIES				
Current liabilities:				
Interfund payable	-	-	-	10,987
Due to other funds	-	-	69,091	-
Bonds payable - current portion	-	896,112	-	19,023
Accrued bond interest payable	-	101,716	-	1,216
Bond (costs) premium deferred	(230)	41,423	-	-
Total current liabilities	(230)	1,039,251	69,091	31,226
Other liabilities:				
Unearned revenue	-	7,198,977	167,836	221,146
Due to General Fund	-	-	102,101	-
Bonds payable	-	6,302,863	-	202,124
Bond (costs) premium deferred	(691)	437,061	-	-
Total other liabilities	(691)	13,938,901	269,937	423,270
Total liabilities	(921)	14,978,152	339,028	454,496
NET POSITION				
Unrestricted net position (deficit)	\$ 44,165	\$ (3,409,651)	\$ (98,321)	\$ (221,005)

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>
\$ -	\$ -	\$ 1,273,993	\$ -	\$ 3,776,332
-	-	256,340	41,218	1,731,852
-	-	-	43,733	1,589,309
-	-	1,530,333	84,951	7,097,493
-	-	9,665,642	215,782	16,485,158
-	-	2,671,599	-	2,671,599
-	-	12,337,241	215,782	19,156,757
-	-	13,867,574	300,733	26,254,250
349	101	779,673	-	791,110
-	-	-	-	69,091
-	-	249,059	31,379	1,195,573
-	-	19,495	2,159	124,586
-	-	6,595	-	47,788
349	101	1,054,822	33,538	2,228,148
-	-	9,844,703	247,162	17,679,824
-	-	-	-	102,101
-	-	10,750,643	215,783	17,471,413
-	-	72,547	-	508,917
-	-	20,667,893	462,945	35,762,255
349	101	21,722,715	496,483	37,990,403
\$ (349)	\$ (101)	\$ (7,855,141)	\$ (195,750)	\$ (11,736,153)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - OPERATING FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2018

	<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	\$1,385,000	\$1,436,896	\$ 51,896	\$6,397,220	\$ 6,527,806	\$ 130,586
Interest and penalties	18,000	18,873	873	80,000	82,504	2,504
Other revenue	-	4,012	4,012	143,000	556,905	413,905
Total operating revenues	1,403,000	1,459,781	56,781	6,620,220	7,167,215	546,995
OPERATING EXPENSES:						
Personnel services	174,809	136,734	38,075	3,449,443	3,406,554	42,889
Supplies and materials	36,017	25,019	10,998	466,009	437,534	28,475
Maintenance and services	873,366	895,048	(21,682)	1,812,493	1,832,417	(19,924)
Other charges	17,672	15,818	1,854	92,948	90,070	2,878
Interfund charges	106,423	106,866	(443)	444,479	444,031	448
Total operating expenses	1,208,287	1,179,485	28,802	6,265,372	6,210,606	54,766
Operating income (loss) before depreciation	194,713	280,296	85,583	354,848	956,609	601,761
Depreciation	-	354,857	(354,857)	-	1,515,547	(1,515,547)
Net operating income (loss)	194,713	(74,561)	(269,274)	354,848	(558,938)	(913,786)
NONOPERATING REVENUES (EXPENSES):						
Transfer from (to) reserves	(105,713)	-	105,713	(73,848)	-	73,848
Sale of capital assets	-	-	-	-	-	-
Operating grants	-	-	-	-	-	-
Interest income	1,000	9,820	8,820	-	43	43
Net nonoperating revenues (expenses)	(104,713)	9,820	114,533	(73,848)	43	73,891
Net income (loss)	\$ 90,000	\$ (64,741)	\$(154,741)	\$ 281,000	\$ (558,895)	\$ (839,895)
OTHER BUDGETED EXPENDITURES:						
Capital outlay	\$ (90,000)			\$ (281,000)		
Total other budgeted expenditures	(90,000)			(281,000)		
Budgeted net income (loss)	\$ -			\$ -		

Newark Service Area			Bridgetown 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
\$ 131,150	\$ 136,332	\$ 5,182	\$ 13,700	\$ 11,212	\$ (2,488)	\$213,000	\$ 212,477	\$ (523)
2,500	2,481	(19)	1,000	498	(502)	1,500	2,004	504
-	305	305	-	123	123	850	874	24
133,650	139,118	5,468	14,700	11,833	(2,867)	215,350	215,355	5
66,680	61,824	4,856	9,617	8,991	626	35,699	35,750	(51)
16,051	9,298	6,753	965	905	60	4,112	2,608	1,504
41,249	32,591	8,658	29,500	29,443	57	158,722	163,496	(4,774)
1,408	1,174	234	349	186	163	2,075	1,807	268
5,628	5,624	4	1,346	1,384	(38)	11,147	11,175	(28)
131,016	110,511	20,505	41,777	40,909	868	211,755	214,836	(3,081)
2,634	28,607	25,973	(27,077)	(29,076)	(1,999)	3,595	519	(3,076)
-	28,716	(28,716)	-	11,317	(11,317)	-	4,370	(4,370)
2,634	(109)	(2,743)	(27,077)	(40,393)	(13,316)	3,595	(3,851)	(7,446)
(2,634)	-	2,634	1,077	-	(1,077)	(3,595)	-	3,595
-	-	-	-	-	-	-	-	-
-	-	-	26,000	26,000	-	-	-	-
-	-	-	-	-	-	-	-	-
(2,634)	-	2,634	27,077	26,000	(1,077)	(3,595)	-	3,595
\$ -	\$ (109)	\$ (109)	\$ -	\$ (14,393)	\$ (14,393)	\$ -	\$ (3,851)	\$ (3,851)
\$ -			\$ -			\$ -		
-			-			-		
\$ -			\$ -			\$ -		

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - OPERATING FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2018
(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	\$ 218,800	\$ 223,262	\$ 4,462	\$ 158,300	\$ 179,321	\$ 21,021
Interest and penalties	4,000	3,637	(363)	500	513	13
Other revenue	-	8,097	8,097	-	605	605
Total operating revenues	222,800	234,996	12,196	158,800	180,439	21,639
OPERATING EXPENSES:						
Personnel services	80,938	84,732	(3,794)	43,088	49,768	(6,680)
Supplies and materials	29,909	23,831	6,078	16,151	13,567	2,584
Maintenance and services	85,645	88,158	(2,513)	85,305	80,507	4,798
Other charges	5,357	4,726	631	1,449	1,293	156
Interfund charges	29,526	29,571	(45)	8,630	8,642	(12)
Total operating expenses	231,375	231,018	357	154,623	153,777	846
Operating income (loss) before depreciation	(8,575)	3,978	12,553	4,177	26,662	22,485
Depreciation	-	84,230	(84,230)	-	2,013	(2,013)
Net operating income (loss)	(8,575)	(80,252)	(71,677)	4,177	24,649	20,472
NONOPERATING REVENUES (EXPENSES):						
Transfer from (to) reserves	8,575	-	(8,575)	(4,177)	-	4,177
Sale of capital assets	-	-	-	-	-	-
Operating grants	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Net nonoperating revenues (expenses)	8,575	-	(8,575)	(4,177)	-	4,177
Net income (loss)	\$ -	\$ (80,252)	\$ (80,252)	\$ -	\$ 24,649	\$ 24,649
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
\$ 1,110,200	\$ 1,236,791	\$ 126,591	\$ 95,800	\$ 96,200	\$ 400	\$499,200	\$ 549,990	\$ 50,790
14,000	14,793	793	700	637	(63)	4,000	4,830	830
-	644,191	644,191	-	310	310	-	1,280,078	1,280,078
1,124,200	1,895,775	771,575	96,500	97,147	647	503,200	1,834,898	1,331,698
432,142	405,440	26,702	47,131	38,296	8,835	210,524	243,568	(33,044)
191,410	221,052	(29,642)	12,106	11,337	769	57,932	69,332	(11,400)
531,582	601,882	(70,300)	29,572	20,937	8,635	199,521	225,947	(26,426)
17,100	24,242	(7,142)	1,217	577	640	5,043	11,282	(6,239)
80,968	80,797	171	3,269	3,357	(88)	21,154	21,142	12
1,253,202	1,333,413	(80,211)	93,295	74,504	18,791	494,174	571,271	(77,097)
(129,002)	562,362	691,364	3,205	22,643	19,438	9,026	1,263,627	1,254,601
-	509,408	(509,408)	-	-	-	-	550,228	(550,228)
(129,002)	52,954	181,956	3,205	22,643	19,438	9,026	713,399	704,373
129,002	-	(129,002)	(3,205)	-	3,205	(9,026)	-	9,026
-	-	-	-	-	-	-	(11,909)	(11,909)
-	-	-	-	-	-	-	-	-
-	1,407	1,407	-	-	-	-	55	55
129,002	1,407	(127,595)	(3,205)	-	3,205	(9,026)	(11,854)	(2,828)
\$ -	\$ 54,361	\$ 54,361	\$ -	\$ 22,643	\$ 22,643	\$ -	\$ 701,545	\$ 701,545
\$ -			\$ -			\$ -		
-			-			-		
\$ -			\$ -			\$ -		

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL - OPERATING FUNDS
DEPARTMENT OF WATER AND WASTEWATER SERVICES
Year Ended June 30, 2018
(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	\$ 286,900	\$ 289,264	\$ 2,364	\$ -	\$ -	\$ -
Interest and penalties	4,500	4,291	(209)	-	-	-
Other revenue	-	30,552	30,552	-	34,056	34,056
Total operating revenues	291,400	324,107	32,707	-	34,056	34,056
OPERATING EXPENSES:						
Personnel services	162,683	169,410	(6,727)	-	8,133	(8,133)
Supplies and materials	58,005	60,428	(2,423)	-	-	-
Maintenance and services	124,925	127,380	(2,455)	-	1,926	(1,926)
Other charges	2,826	2,111	715	-	-	-
Interfund charges	7,622	7,604	18	-	-	-
Total operating expenses	356,061	366,933	(10,872)	-	10,059	(10,059)
Operating income (loss) before depreciation	(64,661)	(42,826)	21,835	-	23,997	23,997
Depreciation	-	239,245	(239,245)	-	93,187	(93,187)
Net operating income (loss)	(64,661)	(282,071)	(217,410)	-	(69,190)	(69,190)
NONOPERATING REVENUES (EXPENSES):						
Transfer from (to) reserves	64,661	-	(64,661)	-	-	-
Sale of capital assets	-	-	-	-	-	-
Operating grants	-	-	-	-	-	-
Interest income	-	-	-	-	-	-
Net nonoperating revenues (expenses)	64,661	-	(64,661)	-	-	-
Net income (loss)	\$ -	\$ (282,071)	\$ (282,071)	\$ -	\$ (69,190)	\$ (69,190)
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>
\$ -	\$ -	\$ -	\$ 10,509,270	\$10,899,551	\$ 390,281
-	-	-	130,700	135,061	4,361
-	13,864	13,864	143,850	2,573,972	2,430,122
-	13,864	13,864	10,783,820	13,608,584	2,824,764
-	8,975	(8,975)	4,712,754	4,658,175	54,579
-	860	(860)	888,667	875,771	12,896
-	10,952	(10,952)	3,971,880	4,110,684	(138,804)
-	-	-	147,444	153,286	(5,842)
-	-	-	720,192	720,193	(1)
-	20,787	(20,787)	10,440,937	10,518,109	(77,172)
-	(6,923)	(6,923)	342,883	3,090,475	2,747,592
-	-	-	-	3,393,118	(3,393,118)
-	(6,923)	(6,923)	342,883	(302,643)	(645,526)
-	-	-	1,117	-	(1,117)
-	-	-	-	(11,909)	(11,909)
-	-	-	26,000	26,000	-
-	-	-	1,000	11,325	10,325
-	-	-	28,117	25,416	(2,701)
\$ -	\$ (6,923)	\$ (6,923)	\$ 371,000	\$ (277,227)	\$ (648,227)
\$ -			\$ (371,000)		
-			(371,000)		
\$ -			\$ -		

WORCESTER COUNTY, MARYLAND
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES
 IN FUND NET POSITION - CAPITAL PROJECTS FUNDS
 DEPARTMENT OF WATER AND WASTEWATER SERVICES
 Year Ended June 30, 2018

	West Ocean City <u>S.A.</u>	Ocean Pines <u>S.A.</u>	Oyster Harbor <u>S.A.</u>	Newark Service <u>Area</u>
Revenues:				
Debt service revenue	\$ (89,311)	\$ 1,104,786	\$ 51,408	\$ 22,356
Other revenues	-	47,716	-	-
Total revenues	(89,311)	1,152,502	51,408	22,356
Operating income (loss)	(89,311)	1,152,502	51,408	22,356
Nonoperating income (expense):				
Interest on investments	636	33,948	271	4
Bond interest expense	(447)	(301,480)	(7,156)	(2,564)
Transfers from (to) other funds	-	-	-	-
Total nonoperating income (expense)	189	(267,532)	(6,885)	(2,560)
Change in net position	(89,122)	884,970	44,523	19,796
Net position (deficit), beginning	133,287	(4,294,621)	(142,844)	(240,801)
Net position (deficit), ending	\$ 44,165	\$ (3,409,651)	\$ (98,321)	\$ (221,005)

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>
\$ -	\$ -	\$ 301,922	\$ 34,450	\$ 1,425,611
-	-	322,925	1,800	372,441
-	-	624,847	36,250	1,798,052
-	-	624,847	36,250	1,798,052
-	-	4,715	-	39,574
(15)	(43)	(228,650)	(2,716)	(543,071)
-	-	-	-	-
(15)	(43)	(223,935)	(2,716)	(503,497)
(15)	(43)	400,912	33,534	1,294,555
(334)	(58)	(8,256,053)	(229,284)	(13,030,708)
\$ (349)	\$ (101)	\$ (7,855,141)	\$ (195,750)	\$ (11,736,153)

WORCESTER COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN FUND
NET POSITION BY OPERATING FUND - BUDGET AND ACTUAL
DEPARTMENT OF SOLID WASTE
Year Ended June 30, 2018

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Operating revenues:			
Licenses and permits	\$ 375,000	\$ 331,910	\$ (43,090)
Recycling charges	173,500	232,303	58,803
Stump, yard waste, and mulch revenue	30,000	37,488	7,488
Interest and penalties on overdue accounts	2,000	1,157	(843)
Other revenue	230,000	12,100	(217,900)
Tipping fees	3,450,000	3,390,337	(59,663)
Total operating revenues	4,260,500	4,005,295	(255,205)
Total operating expenses	4,500,399	3,410,147	1,090,252
Operating income (loss) before depreciation	(239,899)	595,148	835,047
Depreciation	600,000	576,190	23,810
Operating income (loss)	(839,899)	18,958	858,857
Nonoperating income (expense):			
Interest on investments	5,000	116,995	111,995
Sale of capital assets	-	2,800	2,800
Transfer from other funds	1,637,899	1,666,323	28,424
Interest expense	(803,000)	(109,430)	693,570
Total nonoperating income (expense)	839,899	1,676,688	836,789
Change in net position	\$ -	1,695,646	\$ 1,695,646
Net deficit, beginning		(105,993)	
Net position, ending		\$ 1,589,653	

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2018

(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Expenses:			
Department: Administration			
Salaries	\$ 107,745	\$ 108,380	\$ (635)
Benefits	80,149	61,259	18,890
Salaries and benefits - Treasurer's support	90,617	90,617	-
Salaries and benefits - Public Works and administrative support	190,755	190,755	-
Administrative expenses	17,575	15,167	2,408
Audit services	8,500	10,430	(1,930)
Insurance	12,250	11,220	1,030
Solid waste committee	1,200	700	500
Uniforms	700	645	55
	509,491	489,173	20,318
Department: Solid Waste			
Salaries	849,319	840,128	9,191
Benefits	637,364	602,509	34,855
Buildings and grounds	130,000	113,099	16,901
Capital equipment	258,000	-	258,000
Closure and post-closure costs	400,000	-	400,000
Consulting services	200,000	95,312	104,688
Fuel	200,000	161,504	38,496
Leachate expense	180,000	179,228	772
Safety expense	500	903	(403)
Supplies and equipment	18,290	24,338	(6,048)
Telephone	8,000	3,585	4,415
Training	800	668	132
Uniforms	7,500	8,494	(994)
Utilities	20,000	22,812	(2,812)
Vehicle and heavy equipment maintenance	170,000	156,030	13,970
	3,079,773	2,208,610	871,163

WORCESTER COUNTY, MARYLAND

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

Year Ended June 30, 2018

(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Department: Recycling			
Salaries	\$ 309,621	\$ 312,433	\$ (2,812)
Benefits	226,224	227,827	(1,603)
Buildings and grounds	20,000	26,917	(6,917)
Capital equipment	135,000	-	135,000
Fuel	50,000	30,919	19,081
Removal expenses	38,000	15,675	22,325
Safety expense	1,500	2,510	(1,010)
Special events	47,000	19,883	27,117
Supplies and equipment	12,290	4,960	7,330
Telephone	3,500	1,761	1,739
Training	1,800	999	801
Uniforms	2,700	3,143	(443)
Utilities	30,000	31,114	(1,114)
Vehicle and heavy equipment maintenance	33,500	34,223	(723)
	911,135	712,364	198,771
Total operating expenses	\$ 4,500,399	\$ 3,410,147	\$ 1,090,252

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, 2018

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Sales:			
Pocomoke City	\$ 1,015,000	\$ 772,157	\$ (242,843)
Total sales	1,015,000	772,157	(242,843)
Miscellaneous revenues	-	92,261	92,261
Total operating revenues	1,015,000	864,418	(150,582)
Cost of goods sold	791,700	576,378	215,322
Gross profit	223,300	288,040	64,740
Total operating expenses	184,250	350,913	(166,663)
Operating income (loss) before general expenses	39,050	(62,873)	(101,923)
General expenses	20,150	103,530	(83,380)
Operating income (loss)	18,900	(166,403)	(185,303)
Nonoperating income (expenses):			
Interest expense	-	(1,447)	(1,447)
Total nonoperating income (expenses)	-	(1,447)	(1,447)
Change in net position before distributions	18,900	(167,850)	(186,750)
Distributions to municipalities	(18,900)	-	18,900
Change in net position after distributions	\$ -	(167,850)	\$ (167,850)
Net deficit, beginning		(482,312)	
Net deficit, ending		\$ (650,162)	

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, 2018

(CONTINUED)

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
Expenses:			
Store: Pocomoke City			
Salaries	\$ 83,000	\$ 92,882	\$ (9,882)
Payroll taxes and benefits	50,000	59,013	(9,013)
Bank fees	15,000	13,627	1,373
Outsourced labor	15,000	68,822	(53,822)
Repairs and maintenance	4,000	5,070	(1,070)
Security	250	1,337	(1,087)
Supplies	2,000	2,192	(192)
Telephone	4,000	3,186	814
Truck expense	-	127	(127)
Utilities	11,000	10,986	14
	184,250	257,242	(72,992)
Store: 16th Street - Ocean City			
Rent	-	93,671	(93,671)
	-	93,671	(93,671)
Total expenses	\$ 184,250	\$ 350,913	\$ (166,663)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF GENERAL EXPENSES - BUDGET AND ACTUAL
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2018

	Original/ Final <u>Budget</u>	<u>Actual</u>	Variance with Final <u>Budget</u>
General and administrative expenses:			
Salaries and benefits - Treasurer's support	\$ 10,000	\$ 10,000	\$ -
Salaries and benefits - Public works and administrative support	2,750	2,750	-
Group insurance	1,000	1,767	(767)
Advertising	-	2,438	(2,438)
Depreciation	-	15,958	(15,958)
Dues	-	24	(24)
Office expense	900	437	463
Professional fees	5,000	69,462	(64,462)
Travel	500	400	100
Uniforms	-	294	(294)
Total general and administrative expenses	\$ 20,150	\$ 103,530	\$ (83,380)

WORCESTER COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES BY STORE
DEPARTMENT OF LIQUOR CONTROL
Year Ended June 30, 2018

	2018 Total	Percentage	Total Retail	Pocomoke City	16th Street
Sales:					
Retail, less discounts	\$ 772,157		\$ 772,157	\$ 772,157	\$ -
Net sales	772,157		772,157	772,157	-
Miscellaneous revenues	92,261		92,261	-	92,261
Net revenues	864,418	100.00%	864,418	772,157	92,261
Cost of sales	576,378	66.68%	576,378	576,378	-
Gross profit	288,040	33.32%	288,040	195,779	92,261
Store expenses:					
Salaries	92,882	10.75%	92,882	92,882	-
Credit card and bank fees	13,627	1.58%	13,627	13,627	-
Utilities	10,986	1.27%	10,986	10,986	-
Payroll taxes and benefits	59,013	6.83%	59,013	59,013	-
Outsourced labor	68,822	7.96%	68,822	68,822	-
Rent	93,671	10.84%	93,671	-	93,671
Repairs and maintenance	5,070	0.59%	5,070	5,070	-
Security	1,337	0.15%	1,337	1,337	-
Supplies	2,192	0.25%	2,192	2,192	-
Truck expense	127	0.01%	127	127	-
Telephone	3,186	0.37%	3,186	3,186	-
	350,913	40.60%	350,913	257,242	93,671
Loss after store expenses	(62,873)	-7.27%	(62,873)	(61,463)	(1,410)
General expenses	103,530	11.98%	103,530	103,530	-
Loss from operations	(166,403)	-19.25%	(166,403)	(164,993)	(1,410)
Other income (expenses):					
Financial expense, net	(1,447)	-0.17%	(1,447)	(1,447)	-
	(1,447)	-0.17%	(1,447)	(1,447)	-
Net income (loss)	\$ (167,850)	-19.42%	\$ (167,850)	\$ (166,440)	\$ (1,410)



WORCESTER COUNTY, MARYLAND
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 AGENCY FUNDS
 June 30, 2018

	State of Maryland Property Taxes	Maryland Department of Motor Vehicles - License Fees	Tax Sale Fund	Development Taxes	Performance Bonds	Personal Property Tax Liability	Forest Conservation
ASSETS							
Cash and short-term investments	\$ -	\$ 12,041	\$753,942	\$ 111,963	\$1,255,491	\$ 149,869	\$ 115,464
Taxes receivable	397,451	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Total assets	397,451	12,041	753,942	111,963	1,255,491	149,869	115,464
LIABILITIES							
Due to other governmental units	397,451	12,041	-	5,138	-	-	-
Due to other funds	-	-	52,101	-	-	-	-
Other liabilities	-	-	701,841	106,825	1,255,491	149,869	115,464
Total liabilities	397,451	12,041	753,942	111,963	1,255,491	149,869	115,464
NET POSITION							
Restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

<u>Bay Restoration</u>	<u>Snow Hill Property Tax</u>	<u>Berlin Property Tax</u>	<u>Pocomoke Property Tax</u>	<u>Ocean City Property Tax</u>	<u>Special Loans</u>	<u>Critical Areas</u>	<u>Seized Funds Pending Forfeiture</u>	<u>Total</u>
\$ 93,696	\$ -	\$ -	\$ -	\$ -	\$ 56,806	\$ 75,962	\$ 343,355	\$2,968,589
101,192	38,434	87,568	176,380	804,356	-	-	-	1,605,381
-	-	-	-	-	-	-	-	-
194,888	38,434	87,568	176,380	804,356	56,806	75,962	343,355	4,573,970
194,888	38,434	87,568	176,380	804,356	-	-	-	1,716,256
-	-	-	-	-	-	-	-	52,101
-	-	-	-	-	56,806	75,962	343,355	2,805,613
194,888	38,434	87,568	176,380	804,356	56,806	75,962	343,355	4,573,970
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

WORCESTER COUNTY, MARYLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

Year Ended June 30, 2018

	Cash	Taxes Receivable	Due from	Total Assets
STATE OF MARYLAND				
PROPERTY TAXES				
Balance 7/1/2017	\$ -	\$ 412,979	\$ 87,261	\$ 500,240
Additions	-	16,983,067	16,443,459	33,426,526
Deductions	-	(16,998,595)	(16,530,720)	(33,529,315)
Balance 6/30/2018	<u>\$ -</u>	<u>\$ 397,451</u>	<u>\$ -</u>	<u>\$ 397,451</u>
MARYLAND DEPT. OF MOTOR VEHICLES - LICENSE FEES				
Balance 7/1/2017	\$ 18,060	\$ -	\$ -	\$ 18,060
Additions	318,279	-	-	318,279
Deductions	(324,298)	-	-	(324,298)
Balance 6/30/2018	<u>\$ 12,041</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,041</u>
TAX SALE FUND				
Balance 7/1/2017	\$ 776,216	\$ -	\$ -	\$ 776,216
Additions	87,697	-	-	87,697
Deductions	(109,971)	-	-	(109,971)
Balance 6/30/2018	<u>\$ 753,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 753,942</u>
DEVELOPMENT TAXES				
Balance 7/1/2017	\$ 106,742	\$ -	\$ -	\$ 106,742
Additions	8,629	-	-	8,629
Deductions	(3,408)	-	-	(3,408)
Balance 6/30/2018	<u>\$ 111,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,963</u>
PERFORMANCE BONDS				
Balance 7/1/2017	\$ 991,156	\$ -	\$ -	\$ 991,156
Additions	521,513	-	-	521,513
Deductions	(257,178)	-	-	(257,178)
Balance 6/30/2018	<u>\$ 1,255,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,255,491</u>

<u>Due to Other Funds</u>	<u>Due to Other Governments</u>	<u>Other Liabilities</u>	<u>Total Liabilities</u>
\$ -	\$ 500,240	\$ -	\$ 500,240
-	16,530,720	-	16,530,720
-	(16,633,509)	-	(16,633,509)
<u>\$ -</u>	<u>\$ 397,451</u>	<u>\$ -</u>	<u>\$ 397,451</u>
\$ -	\$ 18,060	\$ -	\$ 18,060
-	312,260	-	312,260
-	(318,279)	-	(318,279)
<u>\$ -</u>	<u>\$ 12,041</u>	<u>\$ -</u>	<u>\$ 12,041</u>
\$ (2,894)	\$ -	\$ 779,110	\$ 776,216
(645,657)	-	277,242	(368,415)
700,652	-	(354,511)	346,141
<u>\$ 52,101</u>	<u>\$ -</u>	<u>\$ 701,841</u>	<u>\$ 753,942</u>
\$ -	\$ -	\$ 106,742	\$ 106,742
-	5,138	8,629	13,767
-	-	(8,546)	(8,546)
<u>\$ -</u>	<u>\$ 5,138</u>	<u>\$ 106,825</u>	<u>\$ 111,963</u>
\$ -	\$ -	\$ 991,156	\$ 991,156
-	-	519,257	519,257
-	-	(254,922)	(254,922)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,255,491</u>	<u>\$ 1,255,491</u>

WORCESTER COUNTY, MARYLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS

Year Ended June 30, 2018

(CONTINUED)

	Cash	Taxes Receivable	Due from	Total Assets
PERSONAL PROPERTY TAX LIABILITY				
Balance 7/1/2017	\$ 153,191	\$ -	\$ -	\$ 153,191
Additions	38,537	-	-	38,537
Deductions	<u>(41,859)</u>	<u>-</u>	<u>-</u>	<u>(41,859)</u>
Balance 6/30/2018	<u>\$ 149,869</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,869</u>
FOREST CONSERVATION				
Balance 7/1/2017	\$ 115,349	\$ -	\$ -	\$ 115,349
Additions	115	-	-	115
Deductions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance 6/30/2018	<u>\$ 115,464</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,464</u>
BAY RESTORATION				
Balance 7/1/2017	\$ 85,972	\$ 95,704	\$ -	\$ 181,676
Additions	467,483	712,593	-	1,180,076
Deductions	<u>(459,759)</u>	<u>(707,105)</u>	<u>-</u>	<u>(1,166,864)</u>
Balance 6/30/2018	<u>\$ 93,696</u>	<u>\$ 101,192</u>	<u>\$ -</u>	<u>\$ 194,888</u>
SNOW HILL PROPERTY TAX				
Balance 7/1/2017	\$ -	\$ 35,771	\$ 6,269	\$ 42,040
Additions	-	890,896	898,764	1,789,660
Deductions	<u>-</u>	<u>(888,233)</u>	<u>(905,033)</u>	<u>(1,793,266)</u>
Balance 6/30/2018	<u>\$ -</u>	<u>\$ 38,434</u>	<u>\$ -</u>	<u>\$ 38,434</u>
BERLIN PROPERTY TAX				
Balance 7/1/2017	\$ -	\$ 82,744	\$ 30,861	\$ 113,605
Additions	-	2,687,798	2,749,538	5,437,336
Deductions	<u>-</u>	<u>(2,682,974)</u>	<u>(2,780,399)</u>	<u>(5,463,373)</u>
Balance 6/30/2018	<u>\$ -</u>	<u>\$ 87,568</u>	<u>\$ -</u>	<u>\$ 87,568</u>

Due to Other Funds	Due to Other Governments	Other Liabilities	Total Liabilities
\$ -	\$ -	\$ 153,191	\$ 153,191
-	-	36,646	36,646
-	-	(39,968)	(39,968)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 149,869</u>	<u>\$ 149,869</u>
\$ -	\$ -	\$ 115,349	\$ 115,349
-	-	115	115
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 115,464</u>	<u>\$ 115,464</u>
\$ -	\$ 181,676	\$ -	\$ 181,676
-	715,755	-	715,755
-	(702,543)	-	(702,543)
<u>\$ -</u>	<u>\$ 194,888</u>	<u>\$ -</u>	<u>\$ 194,888</u>
\$ -	\$ 42,040	\$ -	\$ 42,040
-	891,218	-	891,218
-	(894,824)	-	(894,824)
<u>\$ -</u>	<u>\$ 38,434</u>	<u>\$ -</u>	<u>\$ 38,434</u>
\$ -	\$ 113,605	\$ -	\$ 113,605
-	2,668,366	-	2,668,366
-	(2,694,403)	-	(2,694,403)
<u>\$ -</u>	<u>\$ 87,568</u>	<u>\$ -</u>	<u>\$ 87,568</u>

WORCESTER COUNTY, MARYLAND

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUNDS

Year Ended June 30, 2018

(CONTINUED)

	Cash	Taxes Receivable	Due from	Total Assets
POCOMOKE PROPERTY TAX				
Balance 7/1/2017	\$ -	\$ 193,067	\$ 22,149	\$ 215,216
Additions	-	2,481,821	2,547,846	5,029,667
Deductions	-	(2,498,508)	(2,569,995)	(5,068,503)
Balance 6/30/2018	<u>\$ -</u>	<u>\$ 176,380</u>	<u>\$ -</u>	<u>\$ 176,380</u>
OCEAN CITY PROPERTY TAX				
Balance 7/1/2017	\$ -	\$ 763,319	\$ 181,028	\$ 944,347
Additions	-	40,715,761	41,008,578	81,724,339
Deductions	-	(40,674,724)	(41,189,606)	(81,864,330)
Balance 6/30/2018	<u>\$ -</u>	<u>\$ 804,356</u>	<u>\$ -</u>	<u>\$ 804,356</u>
SPECIAL LOANS				
Balance 7/1/2017	\$ 5,807	\$ -	\$ -	\$ 5,807
Additions	143,131	-	-	143,131
Deductions	(92,132)	-	-	(92,132)
Balance 6/30/2018	<u>\$ 56,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,806</u>
CRITICAL AREAS				
Balance 7/1/2017	\$ 80,075	\$ -	\$ -	\$ 80,075
Additions	78	-	-	78
Deductions	(4,191)	-	-	(4,191)
Balance 6/30/2018	<u>\$ 75,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,962</u>
SEIZED FUNDS PENDING FORFEITURE				
Balance 7/1/2017	\$ 43,520	\$ -	\$ -	\$ 43,520
Additions	403,654	-	-	403,654
Deductions	(103,819)	-	-	(103,819)
Balance 6/30/2018	<u>\$ 343,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,355</u>
TOTALS				
Balance 7/1/2017	\$ 2,376,088	\$ 1,583,584	\$ 327,568	\$ 4,287,240
Additions	1,989,116	64,471,936	63,648,185	130,109,237
Deductions	(1,396,615)	(64,450,139)	(63,975,753)	(129,822,507)
Balance 6/30/2018	<u>\$ 2,968,589</u>	<u>\$ 1,605,381</u>	<u>\$ -</u>	<u>\$ 4,573,970</u>

Due to Other Funds	Due to Other Governments	Other Liabilities	Total Liabilities
\$ -	\$ 215,216	\$ -	\$ 215,216
-	2,490,236	-	2,490,236
-	(2,529,072)	-	(2,529,072)
<u>\$ -</u>	<u>\$ 176,380</u>	<u>\$ -</u>	<u>\$ 176,380</u>
\$ -	\$ 944,347	\$ -	\$ 944,347
-	40,707,700	-	40,707,700
-	(40,847,691)	-	(40,847,691)
<u>\$ -</u>	<u>\$ 804,356</u>	<u>\$ -</u>	<u>\$ 804,356</u>
\$ -	\$ -	\$ 5,807	\$ 5,807
-	-	143,131	143,131
-	-	(92,132)	(92,132)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,806</u>	<u>\$ 56,806</u>
\$ -	\$ -	\$ 80,075	\$ 80,075
-	-	78	78
-	-	(4,191)	(4,191)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 75,962</u>	<u>\$ 75,962</u>
\$ -	\$ -	\$ 43,520	\$ 43,520
-	-	403,654	403,654
-	-	(103,819)	(103,819)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 343,355</u>	<u>\$ 343,355</u>
\$ (2,894)	\$ 2,015,184	\$ 2,274,950	\$ 4,287,240
(645,657)	64,321,393	1,388,752	65,064,488
700,652	(64,620,321)	(858,089)	(64,777,758)
<u>\$ 52,101</u>	<u>\$ 1,716,256</u>	<u>\$ 2,805,613</u>	<u>\$ 4,573,970</u>

WORCESTER COUNTY, MARYLAND

SCHEDULE OF ASSESSABLE BASE

GENERAL FUND

Year Ended June 30, 2018

	<u>Full-Year Assessment</u>	<u>Half-Year Assessment</u>	<u>Total</u>
Real property	\$ 15,164,388,742	\$ 43,559,300	\$ 15,207,948,042
Personal property - individuals and firms - all districts	15,928,910	-	15,928,910
Railroads and public utilities	143,352,000	-	143,352,000
Railroads and public utilities - reduced rate	411,810	-	411,810
Ordinary business corporations	194,055,590	-	194,055,590
Total	\$ 15,518,137,052	\$ 43,559,300	\$ 15,561,696,352

Computation of Taxes for County Purposes

\$15,164,388,742 assessable base at \$0.835 per \$100 base (full-year)	\$ 126,622,646
\$353,336,500 assessable base at \$2.0875 per \$100 base (full-year)	7,375,899
\$411,810 assessable base at \$0.835 per \$100 base (full-year)	3,439
\$43,559,300 assessable base at \$0.4175 per \$100 base (half-year)	181,860
	134,183,844
Adjustment for deferred property taxes receivable	(71,139)
Net additions and abatements	(305,268)
Total County taxes for the year ended June 30, 2018	\$ 133,807,437

WORCESTER COUNTY, MARYLAND
SCHEDULE OF ASSESSABLE BASES AND TAX LEVIES
GENERAL FUND
Fiscal Years Ended June 30, 2018

<u>Fiscal Year</u>	<u>Assessable Base at June 30</u>	<u>Percentage Change From Prior Year</u>	<u>Tax Rate</u>	<u>Taxes</u>	<u>Percentage Change From Prior Year</u>
1992 - 1993	\$ 2,150,811,675	5.14%	1.62	\$ 34,752,125	7.14%
1993 - 1994	2,250,431,661	4.63%	1.68	37,729,271	8.57%
1994 - 1995	2,288,466,700	1.69%	1.68	38,367,332	1.69%
1995 - 1996	2,309,492,502	0.92%	1.68	38,687,619	0.83%
1996 - 1997	2,380,191,243	3.06%	1.68	39,864,643	3.04%
1997 - 1998	2,426,505,995	1.95%	1.72	41,606,010	4.37%
1998 - 1999	2,491,029,177	2.66%	1.72	42,705,429	2.64%
1999 - 2000	2,586,502,181	3.83%	1.74	44,830,570	4.98%
2000 - 2001	2,712,238,607	4.86%	1.74	46,883,527	4.58%
2001 - 2002	6,748,561,217 *	(0.47)%	.73 - 1.825	52,068,932	11.06%
2002 - 2003	7,264,345,677	7.64%	.73 - 1.825	56,057,444	7.66%
2003 - 2004	8,441,544,002	16.21%	.73 - 1.825	64,473,123	15.01%
2004 - 2005	10,074,216,702	19.34%	.73 - 1.825	76,196,731	18.18%
2005 - 2006	11,906,248,133	18.19%	.73 - 1.825	89,397,911	17.33%
2006 - 2007	14,580,162,820	22.46%	.70 - 1.750	104,613,265	17.02%
2007 - 2008	17,371,368,530	19.14%	.70 - 1.750	124,489,545	19.00%
2008 - 2009	20,247,338,533	16.56%	.70 - 1.750	144,925,736	16.42%
2009 - 2010	19,301,510,253	(4.67)%	.70 - 1.750	138,391,588	(4.51)%
2010 - 2011	18,130,187,255	(6.07)%	.70 - 1.750	130,012,598	(6.05)%
2011 - 2012	17,522,393,962	(3.35)%	.70 - 1.750	125,901,362	(3.16)%
2012 - 2013	15,775,515,175	(9.97)%	.77 - 1.925	125,175,667	(0.58)%
2013 - 2014	15,069,853,304	(4.47)%	.77 - 1.925	119,266,630	(4.72)%
2014 - 2015	14,888,348,699	(1.20)%	.77 - 1.925	119,042,321	(0.19)%
2015 - 2016	14,885,658,093	(0.02)%	.835 - 2.0875	128,059,010	7.57%
2016 - 2017	15,193,940,789	2.07%	.835 - 2.0875	131,175,473	2.43%
2017 - 2018	15,561,696,352	2.42%	.835 - 2.0875	133,807,437	2.01%

* 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, 2018

Levies of years ended June 30:

2018	\$ 3,021,894
2017	167,630
2016	106,083
2015	66,261
2014 and prior	237,750
Total	\$ 3,599,618

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:

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

Note 2. Actual Expenditures over Budget

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

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									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities										
Net investment in capital assets	\$ 104,308,508	\$ 104,803,212	\$ 100,290,019	\$ 99,870,348	\$ 90,110,170	\$ 86,424,881	\$ 86,671,386	\$ 77,759,097	\$ 82,846,858	\$ 86,692,388
Restricted	1,500,000	-	-	-	-	-	-	-	-	-
Unrestricted	<u>5,485,842</u>	<u>3,776,962</u>	<u>4,029,977</u>	<u>11,260,873</u>	<u>21,389,838</u>	<u>(5,573,996)</u>	<u>(28,314,942)</u>	<u>(22,728,680)</u>	<u>(25,490,273)</u>	<u>(66,318,716)</u>
Total governmental activities net position	<u>111,294,350</u>	<u>108,580,174</u>	<u>104,319,996</u>	<u>111,131,221</u>	<u>111,500,008</u>	<u>80,850,885</u>	<u>58,356,444</u>	<u>55,030,417</u>	<u>57,356,585</u>	<u>20,373,672</u>
Business-type activities										
Net investment in capital assets	57,477,462	56,312,951	55,935,777	54,334,765	59,302,023	53,642,591	55,184,962	53,420,609	58,358,305	61,943,999
Unrestricted	<u>8,382,036</u>	<u>4,250,752</u>	<u>1,158,971</u>	<u>1,912,977</u>	<u>27,420</u>	<u>4,651,348</u>	<u>571,926</u>	<u>30,886</u>	<u>(3,737,553)</u>	<u>(4,778,123)</u>
Total business-type activities net position	<u>65,859,498</u>	<u>60,563,703</u>	<u>57,094,748</u>	<u>56,247,742</u>	<u>59,329,443</u>	<u>58,293,939</u>	<u>55,756,888</u>	<u>53,451,495</u>	<u>54,620,752</u>	<u>57,165,876</u>
Primary government										
Net investment in capital assets	161,785,970	161,116,163	156,225,796	154,205,113	149,412,193	140,067,472	141,856,348	131,179,706	141,205,163	148,636,387
Restricted	1,500,000	-	-	-	-	-	-	-	-	-
Unrestricted	<u>13,867,878</u>	<u>8,027,714</u>	<u>5,188,948</u>	<u>13,173,850</u>	<u>21,417,258</u>	<u>(922,648)</u>	<u>(27,743,016)</u>	<u>(22,697,794)</u>	<u>(29,227,826)</u>	<u>(71,096,839)</u>
Total primary government net position	<u>\$ 177,153,848</u>	<u>\$ 169,143,877</u>	<u>\$ 161,414,744</u>	<u>\$ 167,378,963</u>	<u>\$ 170,829,451</u>	<u>\$ 139,144,824</u>	<u>\$ 114,113,332</u>	<u>\$ 108,481,912</u>	<u>\$ 111,977,337</u>	<u>\$ 77,539,548</u>

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

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

Fiscal years prior 2018 have not been restated for the effects of implementing GASB Statement No. 75

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

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses										
Governmental activities:										
General government	\$ 47,083,442	\$ 35,859,173	\$ 37,627,186	\$ 38,001,439	\$ 38,915,371	\$ 41,815,245	\$ 38,635,684	\$ 44,076,570	\$ 44,311,285	\$ 38,378,190
Public safety	36,283,485	28,381,381	28,164,200	29,409,797	33,952,043	31,088,753	31,973,300	31,539,249	33,626,987	36,229,150
Public works	15,599,323	9,985,598	10,211,713	6,579,810	6,582,195	6,843,212	5,217,371	5,567,728	4,850,672	8,808,385
Health and hospitals	6,012,215	5,889,198	4,841,634	5,414,163	5,379,303	6,003,573	6,551,417	6,377,497	6,657,023	6,597,319
Social services	3,448,378	2,606,989	2,138,165	1,861,337	1,799,550	1,879,944	1,946,138	2,075,471	2,035,417	2,290,971
Education	127,128,498	91,515,958	85,169,388	75,683,870	77,254,710	84,004,053	100,313,254	93,437,468	94,649,729	92,556,477
Libraries, recreation and culture	9,031,660	6,141,887	5,479,418	5,301,793	5,322,151	5,438,515	6,092,227	5,258,231	5,905,393	6,049,573
Conservation of natural resources	858,559	233,393	587,200	661,679	226,121	241,883	375,697	497,939	425,671	712,005
Economic development	1,978,375	1,409,693	1,755,183	2,094,400	1,947,815	1,667,636	1,932,046	1,631,443	1,686,229	1,711,548
Interest on long-term debt	3,049,378	3,693,496	3,411,269	3,092,624	2,601,958	2,428,386	4,891,421	3,874,043	4,076,145	3,704,618
Total governmental activities expenses	<u>250,473,313</u>	<u>185,716,766</u>	<u>179,385,356</u>	<u>168,100,912</u>	<u>173,981,217</u>	<u>181,411,200</u>	<u>197,928,555</u>	<u>194,335,639</u>	<u>198,224,551</u>	<u>197,038,236</u>
Business-type activities:										
Department of Solid Waste	6,760,109	6,910,451	5,460,265	5,307,959	5,424,173	5,513,619	5,638,012	4,183,293	4,367,047	4,092,967
Department of Water and Wastewater	12,009,174	11,849,234	11,925,133	11,671,743	11,502,025	12,351,756	13,409,381	14,035,346	13,691,072	14,466,207
Department of Liquor Control	-	-	-	15,213,363	15,102,811	15,518,122	10,477,998	7,929,512	6,076,646	1,032,268
Total business-type activities expenses	<u>18,769,283</u>	<u>18,759,685</u>	<u>17,385,398</u>	<u>32,193,065</u>	<u>32,029,009</u>	<u>33,383,497</u>	<u>29,525,391</u>	<u>26,148,151</u>	<u>24,134,765</u>	<u>19,591,442</u>
Total primary government expenses	<u>\$ 269,242,596</u>	<u>\$ 204,476,451</u>	<u>\$ 196,770,754</u>	<u>\$ 200,293,977</u>	<u>\$ 206,010,226</u>	<u>\$ 214,794,697</u>	<u>\$ 227,453,946</u>	<u>\$ 220,483,790</u>	<u>\$ 222,359,316</u>	<u>\$ 216,629,678</u>
Program revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,693,885	\$ 1,697,109	\$ 1,758,641	\$ 1,873,888	\$ 1,932,275	\$ 2,010,031	\$ 2,081,072	\$ 2,053,695	\$ 2,087,794	\$ 2,276,106
Public safety	2,268,650	2,817,223	4,955,974	6,025,129	6,182,160	5,616,912	5,143,953	5,513,482	6,030,900	5,803,127
Public works	31,372	131,126	85,384	79,893	75,543	79,207	87,884	75,713	88,721	98,986
Health and hospitals	486,954	429,184	418,806	457,086	434,917	435,267	431,421	431,643	430,894	444,284
Libraries, recreation and culture	328,879	252,138	191,097	182,130	196,705	236,546	312,460	349,348	361,834	364,513
Economic development	7,377	31,886	25,935	49,840	17,833	22,230	38,184	8,747	17,615	20,046
Operating grants and contributions	31,044,359	10,138,302	5,243,439	4,257,505	4,181,653	4,154,275	5,132,554	5,244,177	5,559,621	7,131,615
Capital grants and contributions	11,157,620	4,613,990	4,446,811	2,078,722	1,546,506	1,220,927	1,861,970	1,936,382	1,984,522	2,932,654
Total governmental activities program revenues	<u>47,019,096</u>	<u>20,110,958</u>	<u>17,126,087</u>	<u>15,004,193</u>	<u>14,567,592</u>	<u>13,775,395</u>	<u>15,089,498</u>	<u>15,613,187</u>	<u>16,561,901</u>	<u>19,071,331</u>
Business-type activities:										
Charges for services:										
Department of Solid Waste	5,049,021	3,847,393	3,805,409	4,590,998	4,182,238	3,783,926	4,060,039	4,004,384	3,757,085	4,005,295
Department of Water and Wastewater	9,556,043	9,570,821	10,068,811	11,107,727	15,766,173	13,013,971	12,885,762	12,160,567	14,283,986	15,406,636
Department of Liquor Control	-	-	-	15,888,520	15,414,939	15,476,906	9,985,444	7,623,320	5,236,447	864,418
Operating grants and contributions	22,000	22,000	22,000	22,000	47,000	25,000	49,202	26,000	26,000	26,000
Total business-type activities program revenues	<u>14,627,064</u>	<u>13,440,214</u>	<u>13,896,220</u>	<u>31,609,245</u>	<u>35,410,350</u>	<u>32,299,803</u>	<u>26,980,447</u>	<u>23,814,271</u>	<u>23,303,518</u>	<u>20,302,349</u>
Total primary government program revenues	<u>\$ 61,646,160</u>	<u>\$ 33,551,172</u>	<u>\$ 31,022,307</u>	<u>\$ 46,613,438</u>	<u>\$ 49,977,942</u>	<u>\$ 46,075,198</u>	<u>\$ 42,069,945</u>	<u>\$ 39,427,458</u>	<u>\$ 39,865,419</u>	<u>\$ 39,373,680</u>
Net (expense)/revenue										
Governmental activities	\$ (203,454,217)	\$ (165,605,808)	\$ (162,259,269)	\$ (153,096,719)	\$ (159,413,625)	\$ (167,635,805)	\$ (182,839,057)	\$ (178,722,452)	\$ (181,662,650)	\$ (177,966,905)
Business-type activities	(4,142,219)	(5,319,471)	(3,489,178)	(583,820)	3,381,341	(1,083,694)	(2,544,944)	(2,333,880)	(831,247)	710,907
Total primary government net expense	<u>\$ (207,596,436)</u>	<u>\$ (170,925,279)</u>	<u>\$ (165,748,447)</u>	<u>\$ (153,680,539)</u>	<u>\$ (156,032,284)</u>	<u>\$ (168,719,499)</u>	<u>\$ (185,384,001)</u>	<u>\$ (181,056,332)</u>	<u>\$ (182,493,897)</u>	<u>\$ (177,255,998)</u>

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General revenues and other changes in net position										
Governmental activities:										
Property taxes	\$ 134,015,561	\$ 127,176,751	\$ 121,990,826	\$ 121,290,966	\$ 121,348,615	\$ 117,173,133	\$ 117,097,119	\$ 127,411,911	\$ 130,179,520	\$ 132,813,479
Local income tax	13,062,134	10,921,118	10,459,699	12,900,072	12,676,852	13,673,793	13,690,331	17,931,884	22,891,694	22,260,250
Other local taxes	23,221,489	23,115,287	23,513,666	23,111,431	25,047,347	24,324,762	25,418,688	28,239,135	30,136,897	30,555,387
State shared	4,809,446	724,582	804,689	687,960	904,365	891,106	931,712	942,464	936,535	-
Department of Liquor Control distribution	168,625	55,853	363,568	103,626	620,428	284,609	9,005	-	-	-
Gain (loss) on sale of capital assets	-	-	-	-	(1,665,007)	(250,000)	-	-	-	-
Transfers in (out)	(81,154)	635,708	649,917	-	-	-	-	-	(1,336,264)	(1,666,323)
Interest	2,597,658	262,333	216,726	283,728	193,101	194,221	180,030	207,071	476,064	1,059,323
Other	<u>796,257</u>	<u>-</u>	<u>-</u>	<u>1,530,161</u>	<u>656,711</u>	<u>690,527</u>	<u>3,017,731</u>	<u>663,960</u>	<u>704,372</u>	<u>618,739</u>
Total governmental activities	<u>178,590,016</u>	<u>162,891,632</u>	<u>157,999,091</u>	<u>159,907,944</u>	<u>159,782,412</u>	<u>156,982,151</u>	<u>160,344,616</u>	<u>175,396,425</u>	<u>183,988,818</u>	<u>185,640,855</u>
Business-type activities:										
Transfers in (out)	-	-	-	(675,340)	(321,854)	(10,984)	-	-	1,336,264	1,666,323
Other	-	-	-	-	-	-	-	-	588,168	-
Interest	<u>117,004</u>	<u>23,676</u>	<u>20,043</u>	<u>12,334</u>	<u>22,214</u>	<u>59,174</u>	<u>7,893</u>	<u>28,487</u>	<u>76,072</u>	<u>167,894</u>
Total business-type activities	<u>117,004</u>	<u>23,676</u>	<u>20,043</u>	<u>(663,006)</u>	<u>(299,640)</u>	<u>48,190</u>	<u>7,893</u>	<u>28,487</u>	<u>2,000,504</u>	<u>1,834,217</u>
Total primary government	<u>\$ 178,707,020</u>	<u>\$ 162,915,308</u>	<u>\$ 158,019,134</u>	<u>\$ 159,244,938</u>	<u>\$ 159,482,772</u>	<u>\$ 157,030,341</u>	<u>\$ 160,352,509</u>	<u>\$ 175,424,912</u>	<u>\$ 185,989,322</u>	<u>\$ 187,475,072</u>
Change in net position										
Governmental activities	\$ (24,864,201)	\$ (2,714,176)	\$ (4,260,178)	\$ 6,811,225	\$ 368,787	\$ (10,653,654)	\$ (22,494,441)	\$ (3,326,027)	\$ 2,326,168	\$ 7,673,950
Business-type activities	<u>(4,025,215)</u>	<u>(5,295,795)</u>	<u>(3,469,135)</u>	<u>(1,246,826)</u>	<u>3,081,701</u>	<u>(1,035,504)</u>	<u>(2,537,051)</u>	<u>(2,305,393)</u>	<u>1,169,257</u>	<u>2,545,124</u>
Total primary government	<u>\$ (28,889,416)</u>	<u>\$ (8,009,971)</u>	<u>\$ (7,729,313)</u>	<u>\$ 5,564,399</u>	<u>\$ 3,450,488</u>	<u>\$ (11,689,158)</u>	<u>\$ (25,031,492)</u>	<u>\$ (5,631,420)</u>	<u>\$ 3,495,425</u>	<u>\$ 10,219,074</u>

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

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

Fiscal years prior 2018 have not been restated for the effects of implementing GASB Statement No. 75

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	\$ 5,287,250	\$ 2,619,871	\$ 130,079	\$ 110,609	\$ 102,938	\$ 103,849	\$ 5,255	\$ 106,655	\$ 134,238	\$ 59,544
Restricted										
Assigned	17,946,506	14,201,916	14,963,906	10,821,409	15,735,019	9,662,128	8,679,957	16,315,297	23,486,890	18,735,587
Unassigned	<u>500,000</u>	<u>500,000</u>	<u>26,992,224</u>	<u>38,855,192</u>	<u>40,904,499</u>	<u>39,833,756</u>	<u>33,976,802</u>	<u>33,532,633</u>	<u>34,308,460</u>	<u>35,170,292</u>
Total General Fund	<u>23,733,756</u>	<u>17,321,787</u>	<u>42,086,209</u>	<u>49,787,210</u>	<u>56,742,456</u>	<u>49,599,733</u>	<u>42,662,014</u>	<u>49,954,585</u>	<u>57,929,588</u>	<u>53,965,423</u>
All other governmental funds										
Restricted	-	-	1,225,068	-	-	42,954,786	31,685,392	18,055,520	1,655,852	-
Assigned	43,039,161	35,852,877	5,801,380	2,372,247	3,670,839	3,054,848	2,249,959	1,876,454	1,578,412	1,628,447
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(599,589)</u>	<u>(1,247,996)</u>	<u>-</u>	<u>-</u>	<u>(13,457)</u>	<u>-</u>	<u>(554,039)</u>
Total all other governmental funds	<u>43,039,161</u>	<u>35,852,877</u>	<u>7,026,448</u>	<u>1,772,658</u>	<u>2,422,843</u>	<u>46,009,634</u>	<u>33,935,351</u>	<u>19,918,517</u>	<u>3,234,264</u>	<u>1,074,408</u>
Total governmental funds	<u>\$ 66,772,917</u>	<u>\$ 53,174,664</u>	<u>\$ 49,112,657</u>	<u>\$ 51,559,868</u>	<u>\$ 59,165,299</u>	<u>\$ 95,609,367</u>	<u>\$ 76,597,365</u>	<u>\$ 69,873,102</u>	<u>\$ 61,163,852</u>	<u>\$ 55,039,831</u>

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Property tax	\$ 133,037,649	\$ 127,048,961	\$ 122,233,623	\$ 121,243,588	\$ 121,570,804	\$ 117,311,193	\$ 117,963,356	\$ 127,061,276	\$ 130,270,802	\$ 132,742,340
Income tax	13,062,134	10,921,118	10,459,699	12,900,072	12,676,852	13,673,793	13,690,331	17,931,884	22,891,694	22,260,250
Room tax	11,589,393	11,808,110	12,449,817	13,262,770	13,632,599	14,127,887	14,707,093	15,564,805	16,398,656	16,877,349
Food tax	2,064,542	1,130,290	1,163,970	1,215,666	1,247,890	1,299,372	1,358,236	1,424,439	1,553,867	1,501,166
Transfer tax	2,843,502	3,254,790	3,194,074	2,595,376	2,912,623	3,165,274	3,278,524	4,158,215	4,271,320	4,400,977
Recordation tax	5,962,649	6,195,293	5,987,911	5,328,454	6,648,660	5,142,527	5,437,913	6,449,513	7,250,500	7,018,586
Other local taxes	761,403	726,804	717,894	709,165	605,575	589,702	636,922	642,163	662,554	757,309
Licenses and permits	1,668,670	1,712,306	1,735,427	1,739,111	1,756,502	1,854,757	1,917,527	1,896,140	1,964,838	2,131,974
* Intergovernmental	18,616,941	9,367,891	8,890,627	7,081,107	5,747,750	5,402,866	7,015,992	7,215,195	7,585,022	10,097,621
Service charges	3,145,711	3,490,909	6,002,590	6,833,192	8,417,639	7,521,417	6,915,882	7,265,304	7,778,109	6,647,971
Miscellaneous	2,058,850	863,649	817,611	1,673,075	830,237	869,043	741,127	894,974	946,352	857,191
Interest income	<u>1,505,668</u>	<u>194,455</u>	<u>214,732</u>	<u>283,183</u>	<u>190,069</u>	<u>187,775</u>	<u>180,035</u>	<u>155,069</u>	<u>404,551</u>	<u>1,014,636</u>
Total revenues	<u>196,317,112</u>	<u>176,714,576</u>	<u>173,867,975</u>	<u>174,864,759</u>	<u>176,237,200</u>	<u>171,145,606</u>	<u>173,842,938</u>	<u>190,658,977</u>	<u>201,978,265</u>	<u>206,307,370</u>
Expenditures										
General government	24,865,890	15,855,802	13,315,008	13,272,863	12,850,452	14,134,546	13,296,067	13,817,335	14,471,003	15,244,102
Public safety	34,370,015	27,534,380	25,877,097	26,513,127	31,157,171	28,621,374	29,173,284	30,032,349	31,692,896	33,806,134
Public works	10,026,907	5,246,775	5,569,252	4,273,829	4,641,049	4,726,992	5,104,405	5,533,978	6,593,857	6,868,097
Health and hospitals	5,588,851	5,494,946	4,937,219	4,900,545	5,060,999	5,472,143	6,083,778	5,972,819	6,136,576	6,352,671
Social services	3,448,378	2,606,989	2,138,165	1,861,337	1,799,550	1,879,944	1,946,138	2,075,471	2,035,417	2,036,763
Education	104,090,392	80,309,872	74,817,429	75,683,870	77,254,710	80,510,956	100,313,254	93,437,468	85,965,082	92,556,477
Libraries, recreation and culture	8,772,282	5,504,621	5,141,859	5,133,304	4,674,945	5,517,089	6,052,818	6,041,560	5,376,686	5,529,816
Conservation of natural resources	858,559	233,393	587,200	661,679	226,121	241,883	375,697	497,939	425,671	712,005
Economic development	1,613,375	1,081,193	1,426,683	1,762,761	1,897,159	1,610,180	1,874,591	1,590,410	1,624,752	1,652,589
Distributions to municipalities	19,570,744	18,770,287	19,357,791	20,317,357	20,450,152	21,871,051	22,572,176	23,471,593	24,828,030	25,062,659
Debt service interest	3,108,154	3,767,529	3,485,302	3,166,657	2,675,991	2,908,091	4,249,246	3,540,622	3,742,724	3,371,197
Debt service principal	5,219,231	7,271,910	7,522,974	7,824,044	7,393,498	7,628,103	9,487,482	7,940,134	8,197,986	8,952,180
Capital projects	<u>42,970,601</u>	<u>16,635,132</u>	<u>13,754,003</u>	<u>7,046,175</u>	<u>3,084,228</u>	<u>7,788,332</u>	<u>2,005,481</u>	<u>3,431,562</u>	<u>18,009,658</u>	<u>8,620,378</u>
Total expenditures	<u>264,503,379</u>	<u>190,312,829</u>	<u>177,929,982</u>	<u>172,417,548</u>	<u>173,166,025</u>	<u>182,910,684</u>	<u>202,534,417</u>	<u>197,383,240</u>	<u>209,100,338</u>	<u>210,765,068</u>
Excess of revenues over (under) expenditures	<u>(68,186,267)</u>	<u>(13,598,253)</u>	<u>(4,062,007)</u>	<u>2,447,211</u>	<u>3,071,175</u>	<u>(11,765,078)</u>	<u>(28,691,479)</u>	<u>(6,724,263)</u>	<u>(7,122,073)</u>	<u>(4,457,698)</u>
Other financing sources (uses)										
Issuance of long-term debt	35,610,301	-	-	-	14,212,936	48,209,146	37,437,354	-	-	-
Payment to bond refunding escrow agent	-	-	-	-	(9,678,680)	-	(27,757,877)	-	-	-
Transfers:										
Transfers in	20,289,317	20,328,314	20,328,314	11,214,335	11,467,814	14,458,054	19,908,436	17,469,180	17,469,746	22,440,497
Transfers out	<u>(20,370,471)</u>	<u>(20,328,314)</u>	<u>(20,328,314)</u>	<u>(11,214,335)</u>	<u>(11,467,814)</u>	<u>(14,458,054)</u>	<u>(19,908,436)</u>	<u>(17,469,180)</u>	<u>(19,056,923)</u>	<u>(24,106,820)</u>
Total other financing sources (uses)	<u>35,529,147</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,534,256</u>	<u>48,209,146</u>	<u>9,679,477</u>	<u>-</u>	<u>(1,587,177)</u>	<u>(1,666,323)</u>
Net change in fund balances	<u>\$ (32,657,120)</u>	<u>\$ (13,598,253)</u>	<u>\$ (4,062,007)</u>	<u>\$ 2,447,211</u>	<u>\$ 7,605,431</u>	<u>\$ 36,444,068</u>	<u>\$ (19,012,002)</u>	<u>\$ (6,724,263)</u>	<u>\$ (8,709,250)</u>	<u>\$ (6,124,021)</u>
Debt service as a percentage of noncapital expenditures	3.43%	6.03%	6.28%	6.52%	5.88%	5.84%	6.86%	5.97%	6.00%	6.10%

* Includes state shared taxes originally reported separately in years prior to 2018.

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
2018	\$ 15,207,948,042	\$ 15,928,910	\$ 337,819,400	\$ 15,561,696,352	\$ 0.835	\$ 0.112
2017	14,825,676,056	18,977,901	349,286,832	15,193,940,789	0.835	0.112
2016	14,534,558,652	17,437,771	333,661,670	14,885,658,093	0.835	0.112
2015	14,556,412,647	16,548,700	315,387,352	14,888,348,699	0.77	0.112
2014	14,755,590,502	17,112,844	297,149,958	15,069,853,304	0.77	0.112
2013	15,462,442,895	15,847,573	297,224,707	15,775,515,175	0.70	0.112
2012	17,207,677,633	16,321,783	298,394,546	17,522,393,962	0.70	0.112
2011	17,829,124,045	16,428,122	284,635,088	18,130,187,255	0.70	0.112
2010	18,981,906,096	17,203,174	302,400,983	19,301,510,253	0.70	0.112
2009	19,919,553,300	19,948,057	307,837,176	20,247,338,533	0.70	0.112

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
County Direct Rates										
General	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.70	\$ 0.77	\$ 0.77	\$ 0.77	\$ 0.835	\$ 0.835	\$ 0.835
Town Rates										
Berlin	0.73	0.73	0.73	0.73	0.68	0.68	0.68	0.68	0.68	0.68
Ocean City	0.38	0.395	0.395	0.395	0.4585	0.472	0.4704	0.478	0.4656	0.4656
Pocomoke	0.76	0.76	0.76	0.75	0.82	0.82	0.9285	0.9375	0.9375	0.9375
Snow Hill	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86	0.86

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

Taxpayer	Fiscal Year 2018			Fiscal Year 2009		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Delmarva Power	\$ 83,796,760	1	0.54%	\$ 43,302,430	3	0.21%
Harrison Inn Stardust	61,092,300	2	0.39%	57,450,000	2	0.28%
Americana Stowaway Motel Inc.	39,086,800	3	0.25%	30,068,700	5	0.15%
Sun TRS Frontier LLC	37,947,200	4	0.24%			
Sun TRS Castaways LLC	35,884,400	5	0.23%			
91st Street Joint Venture	33,704,600	6	0.22%	29,908,700	6	0.15%
Ocean Enterprise 589 LLC	33,403,667	7	0.21%			
Choptank Electric Cooperative	26,779,210	8	0.17%	17,192,170	10	0.08%
Individual	24,691,100	9	0.16%			
Individual	24,567,200	10	0.16%			
Gateway Grand				162,566,010	1	0.80%
Verizon Maryland				37,685,360	4	0.19%
Harrison Inn Ocean View				29,064,132	7	0.14%
Harrison Hi 18 LLC				22,844,166	9	0.11%
Harrison Inn 66				20,863,600	8	0.10%
Total	\$ 400,953,237		2.57%	\$ 450,945,268		2.21%

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
2018	\$ 132,889,741	\$ 129,867,847	97.73%	\$ 3,122,478	\$ 132,990,325	100.08%
2017	130,113,435	127,089,001	97.68%	3,093,229	130,182,230	100.05%
2016	127,310,134	124,150,927	97.52%	2,910,349	127,061,276	99.80%
2015	116,946,415	113,877,415	97.38%	2,913,774	116,791,189	99.87%
2014	117,232,826	113,637,017	96.93%	2,865,685	116,502,702	99.38%
2013	120,978,969	118,039,082	97.57%	2,668,186	120,707,268	99.78%
2012	120,824,876	117,865,015	97.55%	2,461,933	120,326,948	99.59%
2011	122,758,482	118,346,054	96.41%	2,936,982	121,283,036	98.80%
2010	127,501,001	123,185,310	96.62%	2,842,094	126,027,404	98.84%
2009	134,758,214	129,987,549	96.46%	2,216,085	132,203,634	98.10%

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	
2017	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.75%
2016	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.75%
2015	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2014	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2013	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2012	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%	1.25%
2011	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2010	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2009	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%
2008	2.00%	3.00%	4.00%	4.75%	4.75%	4.75%	4.75%	4.75%	1.25%

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
2016 *	21,224	\$ 1,520,968,799	\$ 1,215,306,788	\$ 53,513,972	\$ 20,527,947	\$ 74,041,919	1.75%
2015	20,882	1,545,094,426	1,249,149,607	56,496,462	15,064,794	71,561,256	1.25%
2014	20,851	1,365,308,664	1,072,579,791	47,357,771	13,075,365	60,433,136	1.25%
2013	20,617	1,286,708,049	990,978,118	43,499,534	12,128,750	55,628,284	1.25%
2012	20,440	1,290,129,238	994,950,253	43,469,925	12,174,791	55,644,716	1.25%
2011	20,024	1,217,864,067	914,819,943	38,544,724	11,193,861	49,738,585	1.25%
2010	20,005	1,210,435,351	902,488,197	38,732,378	11,049,389	49,693,809	1.25%
2009	19,568	1,134,122,027	830,593,787	35,899,902	10,154,650	46,054,552	1.25%
2008	20,223	1,227,188,627	910,200,259	39,699,296	11,184,183	50,883,479	1.25%
2007	21,233	1,334,945,488	1,026,855,196	43,562,023	12,604,859	56,166,882	1.25%

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 2017 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 2016 *					
	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	603	2.8%	\$ 380,339,360	31.3%	\$ 6,454,420	31.4%
\$100,000 - 249,999	2,839	13.4%	346,253,962	28.5%	5,955,835	29.0%
\$50,000 - 99,999	5,161	24.3%	274,404,088	22.6%	4,787,770	23.3%
\$25,000 - 49,999	6,470	30.5%	157,021,943	12.9%	2,521,865	12.3%
\$5,000 - 24,999	6,033	28.4%	57,090,557	4.7%	805,211	3.9%
Under \$5,000	118	0.6%	196,878	0.0%	2,846	0.0%
Totals	21,224	100.0%	\$ 1,215,306,788	100.0%	\$ 20,527,947	100.0%

	Tax Year 2007					
	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	701	3.3%	\$ 336,660,669	32.8%	\$ 4,208,260	33.4%
\$100,000 - 249,999	1,965	9.3%	207,532,318	20.2%	2,594,180	20.6%
\$50,000 - 99,999	5,014	23.6%	258,486,904	25.2%	3,231,114	25.6%
\$25,000 - 49,999	6,363	30.0%	155,135,611	15.1%	1,868,070	14.8%
\$5,000 - 24,999	7,009	33.0%	68,728,759	6.7%	699,764	5.6%
Under \$5,000	181	0.9%	310,935	0.0%	3,470	0.0%
Totals	21,233	100.0%	\$ 1,026,855,196	100.0%	\$ 12,604,858	100.0%

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

Note: * Data unavailable for the 2017 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	Note Outstanding	Deferred Bond Premiums	General Obligation Bonds	Capital Leases	Deferred Bond Premiums (Costs)			
2018	\$ 76,854,107	\$ 451,661	\$ 6,395,561	\$ 20,591,706	\$ 1,874,810	\$ 688,717	\$ 106,856,562	3.55%	2,067
2017	85,806,287	465,712	6,750,477	20,151,002	803,425	719,748	114,696,651	3.81%	2,219
2016	94,004,273		7,105,393	22,670,278	1,353,997	758,437	125,892,378	4.31%	2,447
2015	101,944,407		7,460,309	24,299,716	1,527,500	782,829	136,014,761	4.99%	2,639
2014	102,921,889		5,648,657	23,223,396	1,391,965	411,541	133,597,448	5.21%	2,585
2013	67,549,992		919,216	17,062,876	1,359,361	(173,920)	86,717,525	3.34%	1,680
2012	70,701,211		701,272	19,348,694	1,239,613	(211,545)	91,779,245	3.68%	1,779
2011	78,525,255		775,305	15,053,052	1,574,530	(249,170)	95,678,972	4.22%	1,857
2010	86,048,230		849,338	15,215,449	1,579,885	(286,795)	103,406,107	5.05%	2,105
2009	93,320,140		923,371	16,409,885	2,422,300	(324,420)	112,751,276	5.60%	2,288

Notes: 2018 percentage of personal income calculated using 2017 personal income data, which is the most recent available

2018 bond/lease debt per capita calculated using 2017 population data, which is the most recent available

See Schedule 16 for population and personal income data

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

Fiscal Year	General Obligation Bonds	Total Taxable Assessable Base	Percentage of Total Taxable Assessable Base	Population	Bond Debt Per Capita
2018	\$ 97,445,813	\$ 15,561,696,352	0.63%	*	\$ 1,894
2017	105,957,289	15,193,940,789	0.70%	51,443	2,060
2016	116,674,551	14,885,658,093	0.78%	51,444	2,268
2015	126,244,123	14,888,348,699	0.85%	51,540	2,449
2014	126,145,285	15,069,853,304	0.84%	51,675	2,441
2013	84,612,868	15,775,515,175	0.54%	51,620	1,639
2012	90,049,905	17,522,393,962	0.51%	51,578	1,746
2011	93,578,307	18,130,187,255	0.52%	51,514	1,817
2010	101,263,679	19,301,510,253	0.52%	49,122	2,061
2009	109,730,025	20,247,338,533	0.54%	49,274	2,227

Source: Worcester County Finance Office

Notes: * Information not yet available

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

Schedule 14
Worcester County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2018

	<u>Governmental Unit</u>	<u>Debt Outstanding</u>
Direct Debt		
	Worcester County - General Government	\$ 14,681,708
	Worcester County - School Debt	69,019,621
	Subtotal Direct Debt	<u>83,701,329 *</u>
Overlapping Debt		
	Berlin	3,797,906
	Ocean City	111,548,637
	Pocomoke	3,132,764
	Snow Hill	1,944,851
	Subtotal Overlapping Debt	<u>120,424,158 **</u>
Total Direct and Overlapping Debt		<u><u>\$ 204,125,487</u></u>

Source: Worcester County Finance Office

Note: * Net direct debt of the County includes Governmental Activities general obligation bonds and notes payable.
See Note 6

** Overlapping debt is the debt of other governmental entities located within the County that is payable in whole or in part by taxpayers of the County.
Unaudited information provided by municipalities

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Debt Outstanding Limit										
Taxable Assessable Base	\$ 20,247,339	\$ 19,301,510	\$ 18,130,187	\$ 17,522,394	\$ 15,775,515	\$ 15,069,853	\$ 14,888,349	\$ 14,885,658	\$ 15,193,941	\$ 15,561,696
Debt Limit, 1% of Assessable Base	202,473	193,015	181,302	175,224	157,755	150,699	148,883	148,857	151,939	155,617
Amount of Debt Applicable to Limit	93,320	86,048	78,525	70,701	67,550	102,922	101,944	94,004	85,806	76,854
Debt Margin	<u>\$ 109,153</u>	<u>\$ 106,967</u>	<u>\$ 102,777</u>	<u>\$ 104,523</u>	<u>\$ 90,205</u>	<u>\$ 47,777</u>	<u>\$ 46,939</u>	<u>\$ 54,852</u>	<u>\$ 66,133</u>	<u>\$ 78,763</u>
Total debt applicable to the limit as a percentage of debt limit	46.09%	44.58%	43.31%	40.35%	42.82%	68.30%	68.47%	63.15%	56.47%	49.39%
Total Debt Service Limit										
Total Governmental Fund Revenue	\$ 196,317	\$ 176,715	\$ 173,868	\$ 174,865	\$ 176,237	\$ 171,146	\$ 173,843	\$ 190,659	\$ 201,978	\$ 206,307
Debt Service Limit, 10% of Revenue	19,632	17,671	17,387	17,486	17,624	17,115	17,384	19,066	20,198	20,631
Debt Service Applicable to Limit	8,327	11,039	11,008	10,991	10,069	10,536	13,737	11,481	11,941	12,323
Debt Service Margin	<u>\$ 11,304</u>	<u>\$ 6,632</u>	<u>\$ 6,379</u>	<u>\$ 6,496</u>	<u>\$ 7,554</u>	<u>\$ 6,578</u>	<u>\$ 3,648</u>	<u>\$ 7,585</u>	<u>\$ 8,257</u>	<u>\$ 8,307</u>
Total debt service applicable to the limit as a percentage of debt service limit	42.42%	62.47%	63.31%	62.85%	57.14%	61.56%	79.02%	60.22%	59.12%	59.73%

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
2018	*	*	*	6,684	6.4%
2017	51,690	\$ 3,007,897	\$ 58,191	6,667	5.7%
2016	51,444	2,919,306	56,747	6,660	6.2%
2015	51,540	2,723,740	52,847	6,654	7.9%
2014	51,675	2,562,653	49,592	6,649	7.2%
2013	51,620	2,597,794	50,325	6,650	8.5%
2012	51,578	2,493,986	48,354	6,643	8.2%
2011	51,514	2,265,940	43,987	6,699	8.9%
2010	49,122	2,045,692	41,645	6,659	8.1%
2009	49,274	2,013,834	40,870	6,673	7.5%

Sources: ^a U.S. Census Bureau Population Factfinder

^b U.S. Department of Commerce Bureau of Economic Analysis, November 16, 2018

^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	2018	
	Employees	Percentage of Total County Employment
Town of Ocean City	1,366	6.23%
Harrison Group	1,261	5.20%
Worcester County Board of Education	1,138	4.69%
Atlantic General Hospital	761	3.14%
Worcester County Government	661	2.72%
Bayshore Development	535	2.20%
O.C. Seacrets, Inc.	517	2.13%
Wal-Mart Super Center	509	2.10%
Dough Roller	280	1.15%
Clarion Fountainebleu Hotel	222	0.91%
	7,250	30.47%
Total Worcester County Employees		24,272
Employer	2009	
	Employees	Percentage of Total County Employment
Town of Ocean City	1,421	2.58%
Worcester County Board of Education	1,190	5.12%
Harrison Group	1,000	4.30%
Atlantic General Hospital	593	2.55%
Worcester County Government	529	2.28%
Wal-Mart	370	1.59%
Super Fresh	214	0.92%
Candy Kitchen	200	0.86%
Clarion Fountainebleu Hotel	180	0.77%
Phillips Seafood Restaurant	150	0.65%
	4,426	19.04%
Total Worcester County Employees		23,250

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General government	153.4	137.1	127.4	125.0	124.3	122.0	121.4	122.0	120.6	121.6
Commissioners, judges, and boards	20.0	20.0	21.0	21.0	22.0	21.0	21.0	19.0	19.0	20.0
Public safety	180.3	191.5	203.3	207.1	212.1	222.3	225.2	228.7	231.7	237.0
Public works	70.6	64.8	61.9	59.7	57.7	56.9	59.1	57.2	59.8	60.0
Social services - LMB	3.5	3.0	1.0	-	-	-	-	-	-	-
Library and recreation	70.0	65.1	62.0	60.4	63.1	63.1	64.0	64.3	65.5	65.5
Natural resources	-	-	-	-	-	-	-	-	-	-
Water and wastewater	67.2	63.7	65.0	62.6	62.9	65.2	64.8	65.9	64.9	63.4
Solid waste	45.3	40.9	39.0	36.6	35.0	35.6	35.7	35.2	35.3	36.1
Liquor control	-	-	-	36.0	31.8	31.0	24.5	19.0	15.9	4.3
Total	<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>	<u>612.7</u>	<u>607.9</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

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Function/Program</u>										
General Government										
Building permits issued *	73	75	59	65	76	124	133	138	127	154
Value of new construction (in 000's)	17,063	17,524	13,317	14,437	20,344	31,150	26,806	29,865	29,559	31,415
Public Safety										
Detention Center										
Average daily population	196	267	334	375	376	335	338	344	345	351
Fire protection (all volunteer)										
Fire calls answered	1,425	1,370	1,490	1,539	1,612	2,164	2,673	2,436	2,181	2,179
Emergency Medical Services										
EMS calls answered	5,621	5,928	5,572	6,050	6,243	5,937	6,537	6,551	6,906	6,959
Education										
Students	6,673	6,659	6,699	6,643	6,650	6,649	6,654	6,660	6,667	6,684
Teachers	579	572	571	570	571	572	572	572	572	585
Public Works										
Centerline miles of road maintained	524	529	530	530	530	530	531	531	531	533
Wastewater treated (mgd)	2.3	2.3	2.3	2.3	2.3	2.4	2.4	2.4	2.1	1.9

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

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Function/Program</u>										
Public Safety										
Detention center capacity	300	507	507	507	507	507	507	507	507	507
Fire companies	9	9	9	9	9	9	9	9	9	9
Emergency medical services companies	7	7	7	7	7	7	7	7	7	7
Education										
Elementary schools	5	5	5	5	5	5	5	5	5	5
Intermediate schools	1	1	1	1	1	1	1	1	1	1
Middle schools	3	3	3	3	3	3	3	3	3	3
Special school	1	1	1	1	1	1	1	1	1	1
High schools	3	3	3	3	3	3	3	3	3	3
Technical high school	1	1	1	1	1	1	1	1	1	1
Public libraries	5	5	5	5	5	5	5	5	5	5
Recreation Facilities										
Recreation center	1	1	1	1	1	1	1	1	1	1
County parks	13	13	13	13	13	13	13	13	13	13
Park acreage	883	883	883	883	883	883	883	883	883	883
Public landings and wharves	9	9	9	9	9	9	9	9	9	9
Boat slips	8	8	8	8	8	8	8	8	8	8
Public Works										
Centerline miles of County roads	527	529	530	530	530	530	531	531	531	533
Public easements - Ocean Pines	64.16	64.12	64.12	64.12	64.12	64.12	64.12	64.12	64.12	64.12
Bridges	40	44	44	44	44	44	44	43	43	43
Wastewater treatment plants	8	8	8	8	8	8	8	8	8	8
Miles of sewer pipeline	187	187	187	187	187	190	191	191	192	193
Water well house facilities	5	5	5	5	5	5	5	5	5	5
Pump stations	53	53	54	54	54	54	55	55	55	56
Water tanks	6	6	6	6	6	6	6	6	6	6
Waterlines	149	150	150	150	151	151	151	154	156	157
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