

DORCHESTER COUNTY, MARYLAND

**Financial Statements and Supplemental Schedules
Together with Report of Independent Public Accountants**

For the Year Ended June 30, 2016

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JUNE 30, 2016

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Dorchester County, 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 Dorchester County, Maryland (the County) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The County's 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.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the basic financial statements of the Board of Education of Dorchester County and the Dorchester County Sanitary Districts (the Component Units). Those basic financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Component Units, is based solely on the report of the other auditors. 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 basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic 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 basic 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 basic financial statements.



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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, based on our audit and the report of the other auditors, the basic 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 the County, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required supplementary information, and budget and actual schedules, as listed in the table of contents, 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 management discussion and analysis, required supplementary information, and budget and actual schedules as listed in the table of contents, 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.



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Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual fund statements and Local Management Board – schedule of revenue and expenditure, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2017 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Hunt Valley, Maryland
January 24, 2017

A handwritten signature in black ink that reads "S.B. & Company, LLC". The signature is written in a cursive, flowing style.

Dorchester County Government's (the "County") discussion and analysis is designed to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the County's financial activity, (c) identify changes in the County's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts please read it in conjunction with the County's financial statements presented herein.

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 three 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 the County's entire assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.
- The *statement of activities* presents information showing how the government's net 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, education, social services, natural resources, recreation/parks, and economic development.
- The *business-type activities* of the County include airport and solid waste operations.

The government-wide financial statements include not only the County (known as the primary government), but also include the Dorchester County Board of Education and the Dorchester County Sanitary Districts as legally separate component units that are reported separately from financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 12-14 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 categories: *governmental*, *proprietary*, or *fiduciary*.

- ***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 six 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, Special Revenue Grants, Capital, Building Excise Tax, Transfer Tax, and Commissary.

The County adopts an annual appropriated budget for all of its governmental and proprietary fund budgets.

The basic governmental fund financial statements can be found on pages 15-18 of this report.

- **Proprietary Funds.** When the County charges customers for a service it provides, whether to outside customers or to other units of government, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. Proprietary funds are comprised of two types: 1) *Enterprise funds* and 2) *Internal service funds*. The County uses enterprise funds to account for its airport and landfill operations. Internal service funds are used to report an activity that provides 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 financial statements can be found on pages 19-21 of this report.

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

The basic fiduciary fund financial statements can be found on pages 22-23 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 24-54 of this report.

4) ***Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the County's progress in funding its obligation to provide pension benefits to its employees and includes budgetary comparison schedules for the general fund.

In addition to this MD&A, required supplementary information can be found on pages 57-74 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. In the case of the County, assets exceeded liabilities by \$37.7 million as of the close of the most recent fiscal year.

Dorchester County, Maryland
Net Position
(Government-Wide)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Total Percent Change</i>
	2016	2015	2016	2015	2016	2015	
<i>Current and other assets</i>	\$ 19,047,225	\$ 19,419,752	\$ 11,710,025	\$ 15,414,866	\$ 30,757,250	\$ 34,834,618	-12%
<i>Capital assets</i>	50,714,014	48,853,281	15,731,670	15,887,103	66,445,684	64,740,384	3%
<i>Total Assets</i>	69,761,239	68,273,033	27,441,695	31,301,969	97,202,934	99,575,002	-2%
<i>Deferred Outflow of Resources</i>	2,217,508	1,296,376	-	-	2,217,508	1,296,376	100%
<i>Current and other liabilities</i>	5,133,124	5,137,462	459,956	363,904	5,593,080	5,501,366	2%
<i>Long-term liabilities</i>	48,730,548	42,578,192	7,121,614	11,498,210	55,852,162	54,076,402	3%
<i>Total Liabilities</i>	53,863,672	47,715,654	7,581,570	11,862,114	61,445,242	59,577,768	3%
<i>Deferred Inflow of Resources</i>	273,418	973,376	-	-	273,418	973,376	100%
<i>Net Investment in Capital Assets</i>	40,446,859	40,446,859	15,483,670	15,608,103	55,930,529	56,054,962	0%
<i>Restricted Net Position</i>	342,679	342,678	-	-	342,679	342,678	0%
<i>Unrestricted Net Position</i>	(22,947,881)	(19,909,158)	4,376,455	3,831,752	(18,571,426)	(16,077,406)	16%
<i>Total Net Position</i>	\$ 17,841,657	\$ 20,880,379	\$ 19,860,125	\$ 19,439,855	\$ 37,701,782	\$ 40,320,234	-6%

The largest portion of the County's net position reflects its investments in capital assets (e.g., land, roads, and bridges); less related outstanding debt used to acquire those assets in the amount of \$55.9 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$0.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net deficit of (\$18.6) million.

Unrestricted net position in governmental activities have been reduced by \$19.0 million in long-term debt, resulting in unrestricted net deficit of (\$22.9) million. This long-term debt was incurred by the County's general fund for the purpose of capital asset acquisition for the Board of Education of \$17.3 million and Chesapeake Community College of \$1.7 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

Dorchester County, Maryland
Change in Net Position
(Government-Wide)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2016	2015	2016	2015	2016	2015
Program Revenues:						
<i>Charges for Services</i>	\$ 2,738,348	\$ 2,018,203	\$ 3,345,093	\$ 3,021,717	\$ 6,083,441	\$ 5,039,920
<i>Operating Grants and Contributions</i>	6,911,198	7,488,643	-	82,320	6,911,198	7,570,963
<i>Capital Grants and Contributions</i>	1,694,574	-	411,084	-	2,105,658	-
General Revenues:						
<i>Property taxes</i>	30,860,400	30,493,959	-	-	30,860,400	30,493,959
<i>Income taxes</i>	14,242,779	13,700,639	-	-	14,242,779	13,700,639
<i>Other</i>	677,428	827,303	16,985	56,100	694,413	883,403
Total Revenues	57,124,727	54,528,747	3,773,162	3,160,137	60,897,889	57,688,884
Program Expenses:						
<i>General government</i>	16,424,856	11,480,327	-	-	16,424,856	11,480,327
<i>Public safety</i>	13,578,853	12,130,672	-	-	13,578,853	12,130,672
<i>Social services</i>	2,170,895	2,608,307	-	-	2,170,895	2,608,307
<i>Recreation and parks</i>	634,344	511,973	-	-	634,344	511,973
<i>Natural resources</i>	365,985	513,156	-	-	365,985	513,156
<i>Economic development</i>	2,537,393	924,578	-	-	2,537,393	924,578
<i>Education</i>	21,315,283	21,171,268	-	-	21,315,283	21,171,268
<i>Public works</i>	2,026,621	3,634,026	-	-	2,026,621	3,634,026
<i>Interest on long-term debt</i>	774,807	772,573	-	-	774,807	772,573
Business-type Activities:						
<i>Airport</i>	-	-	930,836	1,049,783	930,836	1,049,783
<i>Landfill</i>	-	-	2,756,468	1,860,714	2,756,468	1,860,714
Total Expenses	59,829,037	53,746,880	3,687,304	2,910,497	63,516,341	56,657,377
Change in Net Position before transfers	(2,704,310)	781,867	85,858	249,640	(2,618,452)	1,031,507
Transfers	(334,412)	(206,482)	334,412	206,482	-	-
Change in Net Position	(3,038,722)	575,385	420,270	456,122	(2,618,452)	1,031,507
Net Position – beginning of year	20,880,379	20,304,994	19,439,855	18,983,733	40,320,234	39,288,727
Net Position – End of year	\$ 17,841,657	\$ 20,880,379	\$ 19,860,125	\$ 19,439,855	\$ 37,701,782	\$ 40,320,234

The County's total net position decreased by \$2.6 million during fiscal year 2016; total net position as of June 30, 2016 was \$37.7 million, representing a 6.5% decrease.

Governmental Activities (government-wide) – Change in Net Position:

Net position in governmental activities decreased by \$3.0 million.

Business-type Activities (government-wide) – Change in Net Position:

Business-type activities increased the County's net position by \$0.4 million.

Governmental Funds:

The focus of the County's governmental funds is to provide information on near term inflows, outflow, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$10.6 million, a decrease of \$0.3 million. Approximately \$0.3 million is restricted and \$2.9 million is committed.

Original Budget vs. Final Budget:

The final budget was virtually unchanged from the original budget.

Final Budget vs. Actual Results:

Revenues were under budget by \$1.4 million and expenditures were over budget by \$2.0 million yielding a \$3.4 million net deficiency.

Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2016, amounts to \$66.4 million (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.



Dorchester County, Maryland
Net Capital Assets
(Government Fund Basis)

Description	Governmental Activities		Business-type Activities		Total		% Change
	2016	2015	2016	2015	2016	2015	
<i>Land</i>	\$ 18,364,261	\$ 18,364,261	\$ 3,418,807	\$ 3,418,807	\$ 21,783,068	\$ 21,783,068	0%
<i>Construction in progress</i>	775,316	1,416,664	1,459,565	1,606,170	2,234,881	3,022,834	-26%
<i>Building and improvements</i>	26,212,108	23,633,873	14,142,167	14,142,167	40,354,275	37,776,040	7%
<i>Furniture and equipment</i>	29,640,799	27,452,952	5,308,534	4,326,361	34,949,333	31,779,313	10%
<i>Leasehold improvements</i>	286,572	286,572	-	-	286,572	286,572	0%
<i>Infrastructure assets</i>	45,612,240	45,612,240	-	-	45,612,240	45,612,240	0%
<i>Beulah landfill- cells</i>	-	-	8,511,474	8,511,474	8,511,474	8,511,474	0%
<i>Less: accumulated depreciation</i>	(70,177,282)	(67,913,281)	(17,108,877)	(16,117,876)	(87,286,159)	(84,031,157)	4%
Total	\$ 50,714,014	\$ 48,853,281	\$ 15,731,670	\$ 15,887,103	\$ 66,445,684	\$ 64,740,384	3%

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

\$1.8 million for Technology Park incubator building in progress; \$0.6 million for VOIP telephone system in progress; and \$0.9 million for landfill equipment.

Additional information on the County's capital assets can be found in note 3 on pages 36-39 of this report.

Debt Administration

At the end of the current fiscal year, the County had total outstanding long-term liabilities of \$55.8 million. This amount was comprised of debt backed by the full faith and credit of the County. The debt increased by a net of \$1.7 million; primarily a result of \$3.7 million in new debt issued for economic development projects, \$4.2 million increase in employee benefit program liabilities and \$6.2 million in scheduled debt payments.

Dorchester County, Maryland
Outstanding Debt
(Government – Wide)

Description	Governmental Activities		Business-type Activities		Total		% Change
	2016	2015	2016	2015	2016	2015	
Bonds and notes payable	\$ 23,675,006	\$ 21,811,690	\$ 248,000	\$ 279,000	\$ 23,923,006	\$ 22,090,690	8%
Compensated absences	912,630	888,351	46,458	43,222	959,088	931,573	3%
Net pension liability	11,524,858	8,892,812	-	-	11,524,858	8,892,812	30%
Pension liability	729,138	719,956	-	-	729,138	719,956	1%
Landfill closure and postclosure care costs	-	-	6,827,156	11,175,988	6,827,156	11,175,988	-39%
Other post employment benefits obligation	11,888,916	10,265,383	-	-	11,888,916	10,265,383	16%
Total	\$ 48,730,548	\$ 42,578,192	\$ 7,121,614	\$ 11,498,210	\$ 55,852,162	\$ 54,076,402	3%

The County's credit ratings for fiscal year 2016 are as follows: 1) Standard and Poor's rated A+, and 2) Moody's Investors Service rated Aa3.

Additional Information on the County's long-term debt can be found in note 4 on pages 40-43 of this report.

Economic Factors and Fiscal Year 2015

The adopted FY 2017 total budget equals \$68.3 million, a decrease of \$5.3 million or 7.2% compared to the prior year adopted budget. The majority of this decrease (\$6.4 million) occurred in the capital budget, primarily related to the capping of a landfill cell. The primary goals of the FY 2017 adopted budget were (1.) to maintain essential services, (2.) to maintain or lower the current property tax rates, and (3.) to begin judiciously addressing deferred capital projects. The adopted operating budget met all of the above goals.

Adopted property tax rates were equal to or below both the current rate and the constant yield tax rate.

Requests for Information

This financial report is designed to provide a general overview of the 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 Dorchester County Government, Department of Finance, 501 Court Lane, Cambridge, Maryland 21613 or sent by email to mspears@docogonet.com.

DORCHESTER COUNTY, MARYLAND

Statement of Net Position For the Year Ended June 30, 2016

	Primary Government			Component Unit		
	Governmental activities	Business-type activities	Total	Board of Education	Sanitary Districts	Total
ASSETS						
Cash and short-term investments	\$ 12,341,400	\$ 9,484,002	\$ 21,825,402	\$ 4,434,354	\$ 2,377,669	\$ 28,637,425
Receivables, net						
State and local property taxes	3,777,991	-	3,777,991	-	-	3,777,991
Federal government	162,579	279,961	442,540	1,153,875	-	1,596,415
State of Maryland	1,309,690	89,530	1,399,220	447,526	-	1,846,746
Local	1,196,481	-	1,196,481	-	-	1,196,481
Other	1,349,700	136,778	1,486,478	926,444	12,126	2,425,048
Internal balances	(1,656,106)	1,656,106	-	-	-	-
Other assets	565,490	63,648	629,138	7,471	130,283	766,892
Nondepreciable capital assets	19,139,577	4,878,372	24,017,949	1,818,812	216,071	26,052,832
Depreciable capital assets, net	31,574,437	10,853,298	42,427,735	77,965,462	10,895,420	131,288,617
TOTAL ASSETS	69,761,239	27,441,695	97,202,934	86,753,944	13,631,569	197,588,447
DEFERRED OUTFLOWS OF RESOURCES						
Net pension activity	2,217,508	-	2,217,508	844,128	3,080	3,064,716
LIABILITIES						
Accounts payable and accrued expenses	2,927,994	459,956	3,387,950	3,166,898	148,329	6,703,177
Due to State of Maryland	321,295	-	321,295	-	-	321,295
Due to delinquent taxpayers	562,401	-	562,401	-	-	562,401
Unearned revenue	928,117	-	928,117	835,695	161,111	1,924,923
Other	393,317	-	393,317	833,816	-	1,227,133
Long term liabilities, due within one year:						
Compensated absences	326,892	46,458	373,350	64,078	-	437,428
Bonds and notes payable	1,709,109	31,000	1,740,109	-	34,433	1,774,542
Long term liabilities, due in more than one year:						
Compensated absences	585,738	-	585,738	1,017,095	-	1,602,833
Bonds and notes payable	21,965,897	217,000	22,182,897	-	1,842,225	24,025,122
Landfill closure and postclosure care costs	-	6,827,156	6,827,156	-	-	6,827,156
Pension liability	729,138	-	729,138	-	-	729,138
Net pension liability	11,524,858	-	11,524,858	3,532,417	-	15,057,275
Other post-employment benefits obligation	11,888,916	-	11,888,916	22,820,986	-	34,709,902
TOTAL LIABILITIES	53,863,672	7,581,570	61,445,242	32,270,985	2,186,098	95,902,325
DEFERRED INFLOWS OF RESOURCES						
Net pension activity	273,418	-	273,418	295,664	-	569,082
NET POSITION						
Net investment in capital assets	40,446,859	15,483,670	55,930,529	79,784,274	9,252,672	144,967,475
Restricted	342,679	-	342,679	363,642	-	706,321
Unrestricted	(22,947,881)	4,376,455	(18,571,426)	(25,116,493)	2,195,879	(41,492,040)
TOTAL NET POSITION	\$ 17,841,657	\$ 19,860,125	\$ 37,701,782	\$ 55,031,423	\$ 11,448,551	\$ 104,181,756

The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, MARYLAND

**Statement of Activities
For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 16,424,856	\$ 684,696	\$ 3,040,092	\$ 673,419
Public safety	13,578,853	1,722,441	857,865	849,741
Social services	2,170,895	-	2,034,947	-
Recreation and parks	634,344	51,190	-	112,299
Natural resources	365,985	-	44,076	-
Economic development	2,537,393	786	351,145	59,115
Education	21,315,283	-	5,468	-
Public works	2,026,621	279,235	577,605	-
Interest on long-term debt	774,807	-	-	-
Total governmental activities	<u>59,829,037</u>	<u>2,738,348</u>	<u>6,911,198</u>	<u>1,694,574</u>
Business-type activities				
Airport	930,836	407,008	-	411,084
Landfill	2,756,468	2,938,085	-	-
Total business-type activities	<u>3,687,304</u>	<u>3,345,093</u>	<u>-</u>	<u>411,084</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 63,516,341</u>	<u>\$ 6,083,441</u>	<u>\$ 6,911,198</u>	<u>\$ 2,105,658</u>
Component unit:				
Board of Education	\$ 81,589,711	\$ 61,704,296	\$ 9,680,370	\$ 2,365,331
Sanitary Districts	1,261,625	1,145,124	127,058	-
Total Component Units	<u>\$ 82,851,336</u>	<u>\$ 62,849,420</u>	<u>\$ 9,807,428</u>	<u>\$ 2,365,331</u>
Property taxes				
Local taxes				
Miscellaneous				
Transfers				
TOTAL GENERAL REVENUE				
CHANGE IN NET POSITION				
NET POSITION - BEGINNING OF YEAR				
NET POSITION - END OF YEAR				

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit		
Governmental Activities	Business-Type Activities	Total	Board of Education	Sanitary Districts	Total
\$ (12,026,649)	\$ -	\$ (12,026,649)	\$ -	\$ -	\$ (12,026,649)
(10,148,806)	-	(10,148,806)	-	-	(10,148,806)
(135,948)	-	(135,948)	-	-	(135,948)
(470,855)	-	(470,855)	-	-	(470,855)
(321,909)	-	(321,909)	-	-	(321,909)
(2,126,347)	-	(2,126,347)	-	-	(2,126,347)
(21,309,815)	-	(21,309,815)	-	-	(21,309,815)
(1,169,781)	-	(1,169,781)	-	-	(1,169,781)
(774,807)	-	(774,807)	-	-	(774,807)
<u>(48,484,917)</u>	<u>-</u>	<u>(48,484,917)</u>	<u>-</u>	<u>-</u>	<u>(48,484,917)</u>
-	(112,744)	(112,744)	-	-	(112,744)
-	181,617	181,617	-	-	181,617
-	68,873	68,873	-	-	68,873
<u>(48,484,917)</u>	<u>68,873</u>	<u>(48,416,044)</u>	<u>-</u>	<u>-</u>	<u>(48,416,044)</u>
-	-	-	(7,839,714)	-	(7,839,714)
-	-	-	-	10,557	10,557
-	-	-	<u>(7,839,714)</u>	<u>10,557</u>	<u>(7,829,157)</u>
30,860,400	-	30,860,400	-	-	30,860,400
14,242,779	-	14,242,779	-	-	14,242,779
677,428	16,985	694,413	584,042	2,752	1,278,455
(334,412)	334,412	-	-	-	-
<u>45,446,195</u>	<u>351,397</u>	<u>45,797,592</u>	<u>584,042</u>	<u>2,752</u>	<u>46,381,634</u>
(3,038,722)	420,270	(2,618,452)	(7,255,672)	13,309	(9,860,815)
20,880,379	19,439,855	40,320,234	62,287,095	11,435,242	114,042,571
<u>\$ 17,841,657</u>	<u>\$ 19,860,125</u>	<u>\$ 37,701,782</u>	<u>\$ 55,031,423</u>	<u>\$ 11,448,551</u>	<u>\$ 104,181,756</u>

The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, MARYLAND

**Balance Sheet – Governmental Funds
As of June 30, 2016**

	General Fund	Special Revenue Grants Fund	Non-major Funds	Total Governmental Funds
ASSETS				
Cash	\$ 9,767,008	\$ -	\$ 2,574,392	\$ 12,341,400
Receivables:				
State and local property taxes	3,777,991	-	-	3,777,991
Federal government	4,480	158,099	-	162,579
State of Maryland	-	1,309,690	-	1,309,690
Local	1,196,481	-	-	1,196,481
Other	805,486	1,107	113,232	919,825
Interfund	5,325,390	-	4,089,582	9,414,972
Other assets	565,490	-	-	565,490
TOTAL ASSETS	\$ 21,442,326	\$ 1,468,896	\$ 6,777,206	\$ 29,688,428
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 2,413,570	\$ 507,258	\$ 334,058	\$ 3,254,886
Due to State of Maryland	321,295	-	-	321,295
Due to delinquent taxpayers	562,401	-	-	562,401
Interfund payables	6,063,223	274,635	4,303,345	10,641,203
Unearned revenue	528,301	344,324	55,492	928,117
Other	393,317	-	-	393,317
TOTAL LIABILITIES	10,282,107	1,126,217	4,692,895	16,101,219
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	2,946,792	-	-	2,946,792
FUND BALANCES				
Nonspendable	22,997	-	-	22,997
Restricted- grants	-	342,679	-	342,679
Committed for:				
Schools and courthouse	-	-	2,731,037	2,731,037
Public safety communication system	-	-	154,623	154,623
Sheriff	-	-	53,409	53,409
Assigned for future budget	2,306,420	-	15,536	2,321,956
Unassigned	5,884,010	-	(870,294)	5,013,716
TOTAL FUND BALANCES	8,213,427	342,679	2,084,311	10,640,417
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 21,442,326	\$ 1,468,896	\$ 6,777,206	\$ 29,688,428

The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, MARYLAND

**Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position
As of June 30, 2016**

Fund balance of governmental funds	\$ 10,640,417
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, therefore, are not reported in the funds:	
Capital assets, net	50,714,014
Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the fund financial statements	
	2,946,792
Deferred outflow and inflow of resources related net deferred pension activity are not financial resources and therefore are not reported in the funds	
	1,944,090
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(585,738)
Bonds and notes payable	(23,675,006)
Pension liability	(729,138)
Net pension liability	(11,524,858)
Other post-employment benefits obligation	<u>(11,888,916)</u>
Net position of governmental activities	<u>\$ 17,841,657</u>

The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, MARYLAND

**Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2016**

	<u>General Fund</u>	<u>Special Revenue Grants Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
REVENUE				
Taxes	\$ 44,172,192	\$ -	\$ 922,853	\$ 45,095,045
Licenses and permits	418,247	-	-	418,247
Federal revenue	35,895	1,342,468	-	1,378,363
State revenue	3,302,127	3,257,522	660,068	7,219,717
Service charges and fees	2,320,101	-	-	2,320,101
Miscellaneous revenues	700,955	-	100,263	801,218
Total Revenue	<u>50,949,517</u>	<u>4,599,990</u>	<u>1,683,184</u>	<u>57,232,691</u>
EXPENDITURES				
Current				
General government	10,731,358	695,553	688,541	12,115,452
Public safety	11,277,867	1,271,103	-	12,548,970
Social services	122,145	2,048,449	-	2,170,594
Recreation and parks	447,016	112,298	-	559,314
Natural resources	265,826	31,076	-	296,902
Economic development	1,989,371	442,759	-	2,432,130
Education	21,308,318	6,965	-	21,315,283
Public works	1,632,495	-	-	1,632,495
Debt service				
Principal	1,839,859	-	-	1,839,859
Interest	774,807	-	-	774,807
Capital outlay	-	112,299	5,126,582	5,238,881
Total Expenditures	<u>50,389,062</u>	<u>4,720,502</u>	<u>5,815,123</u>	<u>60,924,687</u>
Excess (Deficiency) Of Revenue Over Expenditures	<u>560,455</u>	<u>(120,512)</u>	<u>(4,131,939)</u>	<u>(3,691,996)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	120,513	2,424,284	2,544,797
Transfers out	(2,879,209)	-	-	(2,879,209)
Note proceeds	1,461,514	-	2,241,661	3,703,175
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,417,695)</u>	<u>120,513</u>	<u>4,665,945</u>	<u>3,368,763</u>
NET CHANGES IN FUND BALANCE	<u>(857,240)</u>	<u>1</u>	<u>534,006</u>	<u>(323,233)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>9,070,667</u>	<u>342,678</u>	<u>1,550,305</u>	<u>10,963,650</u>
FUND BALANCES - END OF YEAR	<u>\$ 8,213,427</u>	<u>\$ 342,679</u>	<u>\$ 2,084,311</u>	<u>\$ 10,640,417</u>

The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, MARYLAND

Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2016

Net changes in fund balances in governmental funds \$ (323,233)

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay capitalized	\$ 4,766,082	
Depreciation and loss on disposal	(2,905,349)	1,860,733
	<hr/>	
Debt and lease proceeds	\$ (3,703,175)	
Net pension liability and related deferred outflows and inflows	(1,011,685)	
Compensated absences and pension liability	(24,279)	
OPEB liability	(1,623,533)	
Payments of debt principal	1,839,859	(4,522,813)
	<hr/>	

Revenue and expenditures are reported in the statement of activities on the accrual basis and in the governmental funds when they provide or use current financial resources. This is the net difference of revenues and expenditures recognized between the governmental funds and statement of activities.

15,826

Change in net position of governmental activities \$ (3,038,722)

DORCHESTER COUNTY, MARYLAND

**Statement of Net Position - Proprietary Funds
For the Year Ended June 30, 2016**

	Business-Type Activities		
	Landfill	Airport	Total
ASSETS			
Current Assets			
Cash	\$ 9,483,677	\$ 325	\$ 9,484,002
Receivables:			
Accounts, net of \$25,000 allowance (landfill) and \$38,000 allowance (airport)	118,150	18,628	136,778
Federal government	-	279,961	279,961
State of Maryland	-	89,530	89,530
Interfund	-	1,973,641	1,973,641
Inventories	-	54,008	54,008
Other assets	-	9,640	9,640
	<u>9,601,827</u>	<u>2,425,733</u>	<u>12,027,560</u>
Noncurrent Assets			
Capital assets, net	<u>2,668,758</u>	<u>13,062,912</u>	<u>15,731,670</u>
	<u>\$ 12,270,585</u>	<u>\$ 15,488,645</u>	<u>\$ 27,759,230</u>
LIABILITIES AND NET POSITION			
LIABILITIES:			
Current Liabilities			
Accounts payable and accrued expenses	388,363	71,593	459,956
Accrued vacation	36,283	10,175	46,458
Unearned revenue	-	-	-
Interfund payables	317,535	-	317,535
Current maturities of long term debt	-	31,000	31,000
	<u>742,181</u>	<u>112,768</u>	<u>854,949</u>
Noncurrent Liabilities			
Landfill- closure and postclosure	6,827,156	-	6,827,156
Longterm debt, less current maturities	<u>-</u>	<u>217,000</u>	<u>217,000</u>
	<u>6,827,156</u>	<u>217,000</u>	<u>7,044,156</u>
Total Liabilities	<u>7,569,337</u>	<u>329,768</u>	<u>7,899,105</u>
NET POSITION			
Net investment in capital assets	2,668,758	12,814,912	15,483,670
Unrestricted	<u>2,032,490</u>	<u>2,343,965</u>	<u>4,376,455</u>
	<u>\$ 4,701,248</u>	<u>\$ 15,158,877</u>	<u>\$ 19,860,125</u>

The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, MARYLAND

**Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds
For the Year Ended June 30, 2016**

	Business-Type Activities		
	Landfill	Airport	Totals
OPERATING REVENUE			
Tipping fees	\$ 2,806,270	\$ -	\$ 2,806,270
Permits	131,815	-	131,815
Fuel sales	-	207,297	207,297
Hanger and tie-down rentals	-	199,711	199,711
Miscellaneous	1,554	5,604	7,158
TOTAL OPERATING REVENUE	2,939,639	412,612	3,352,251
OPERATING EXPENSES			
Salaries and related taxes	772,810	177,950	950,760
Repairs and maintenance	125,451	43,706	169,157
Rental of land, buildings and equipment	31,026	12,111	43,137
Fuel	90,964	140,403	231,367
Closure and postclosure costs accrual	882,294	-	882,294
Utilities	15,412	86,019	101,431
Depreciation	633,001	358,000	991,001
Other	205,510	101,773	307,283
TOTAL OPERATING EXPENSES	2,756,468	919,962	3,676,430
OPERATING INCOME (LOSS)	183,171	(507,350)	(324,179)
OTHER INCOME (EXPENSE)			
Grants- Federal government	-	320,184	320,184
Grants- state government	-	90,900	90,900
Interest expense	-	(10,874)	(10,874)
Interest income	9,827	-	9,827
TOTAL OTHER INCOME (EXPENSE)	9,827	400,210	410,037
GAIN (LOSS) BEFORE OPERATING TRANSFERS	192,998	(107,140)	85,858
OPERATING TRANSFERS	-	334,412	334,412
NET CHANGES IN NET POSITION	192,998	227,272	420,270
NET POSITION - BEGINNING OF YEAR	4,508,250	14,931,605	19,439,855
NET POSITION - END OF YEAR	\$ 4,701,248	\$ 15,158,877	\$ 19,860,125

The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, MARYLAND

**Statement of Cash Flows – Proprietary Funds
For Year Ended June 30, 2016**

	Business-Type Activities		
	Landfill	Airport	Totals
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,976,317	\$ 416,495	\$ 3,392,812
Payments to suppliers	(5,086,578)	(373,533)	(5,460,111)
Payments to employees	(769,882)	(177,642)	(947,524)
Net Cash from Operating Activities	(2,880,143)	(134,680)	(3,014,823)
Cash Flows from Noncapital Financing Activities			
Operating contributions	-	330,580	330,580
Transfers	-	334,412	334,412
Increase (decrease) in due to/from other funds	673,370	(55,560)	617,810
Net Cash from Noncapital Financing Activities	673,370	609,432	1,282,802
Cash Flows from Capital and Related Financing Activities			
Interest paid on notes and bond payable	-	(10,874)	(10,874)
Principal paid on long term debt	-	(31,000)	(31,000)
Acquisition and construction of capital assets	(940,467)	(432,878)	(1,373,345)
Net Cash from Capital and Related Financing Activities	(940,467)	(474,752)	(1,415,219)
Cash Flows from Investing Activities			
Interest on investments	9,827	-	9,827
Net change in cash	(3,137,413)	-	(3,137,413)
Cash, Beginning of Year	12,621,090	325	12,621,415
Cash, End of Year	\$ 9,483,677	\$ 325	\$ 9,484,002
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating income (loss)	\$ 183,171	\$ (507,350)	\$ (324,179)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	633,001	358,000	991,001
Loss on disposal of assets	537,777	-	537,777
Changes in assets and liabilities:			
Accounts receivable	36,678	3,883	40,561
Inventories and other assets	-	(10,439)	(10,439)
Accounts payable and accrued expenses	75,134	20,918	96,052
Accrued vacation	2,928	308	3,236
Landfill postclosure costs	(4,348,832)	-	(4,348,832)
Net Cash from Operating Activities	\$ (2,880,143)	\$ (134,680)	\$ (3,014,823)

The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, MARYLAND

**Statement of Net Position – Fiduciary Funds
As of June 30, 2016**

	<u>OPEB Trust</u>
ASSETS	
Cash	\$ 1,062,417
LIABILITIES	
Due to other funds	<u>429,875</u>
NET POSITION	
Held in trust for pension and OPEB	<u><u>\$ 632,542</u></u>

The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, MARYLAND

**Statement of Changes in Net Position - Fiduciary Funds
For Year Ended June 30, 2016**

	<u>OPEB Trust</u>
ADDITIONS	
Interest	\$ 48,271
DEDUCTIONS	
Benefits	459,496
Administrative expenses	<u>18,650</u>
TOTAL DEDUCTIONS	<u>478,146</u>
CHANGES IN NET POSITION	(429,875)
NET POSITION - BEGINNING OF YEAR	<u>1,062,417</u>
NET POSITION - END OF YEAR	<u><u>\$ 632,542</u></u>

The accompanying notes are an integral part of this financial statement.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The primary government is Dorchester County, Maryland, referred to herein as the County or Dorchester County. The County is a political subdivision of the State of Maryland established in 1669 and subsequently incorporated under Article 25 of the Annotated Code of the State of Maryland and is governed by an elected five-member County Council. The County government directly provides all basic local governmental services.

The accompanying financial statements are presented as of June 30, 2016 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the *GASB's Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification).

Financial Reporting Entity

The accompanying financial statements comply with the provisions of the GASB Standards in that the financial statements include all organizations, activities, functions and component units for which the County (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the County's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the County.

Based on the foregoing, the County's financial reporting entity includes all funds, agencies, boards and commissions that are part of the primary government, and the component units discussed below.

Discretely Presented Component Unit - The component unit columns in the government-wide financial statements include the financial data of the County's two discretely presented component units, the Board of Education of Dorchester County (the Board) and the Dorchester County Sanitary Districts (the Sanitary Districts). They are reported in separate columns to emphasize that they are legally separate from the County. Although these organizations are legally separate entities, they are included in the financial statements of the County because the County is financially accountable for each organization. Copies of the financial statements for the component units can be obtained from the County Council's office in Cambridge, Dorchester County, Maryland.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Reporting Entity (continued)

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

The *Dorchester County Sanitary Districts* is a separate political and corporate body created by the Commissioners of Dorchester County, Maryland, and comprised of a sewer operation, two water districts and a shared facility with the County.

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 and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenue of the County's governmental activities and business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment, and 3) interest earned on grants that are required to be used to support a particular program. Taxes and other items not properly included among program revenue are reported 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.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter is excluded from the government-wide financial statements, to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at a more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Revenue is recognized as soon as they are both measurable and available. Revenue is considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: charges for services, fines and forfeitures, state-levied locally shared taxes, interest, grants, fees, and rentals.

The County's other post-employment benefit plan's financial statements are prepared using the accrual basis of accounting. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

The government reports the following major governmental funds:

The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Special Revenue Grants Fund, which includes Local Management Board (LMB) grant activity, the Tax Funds (see more detail below), and the Commissary fund are all special revenue funds of the County.

The Capital Projects Fund is used to account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities in the governmental funds, including educational facilities, roads, and similar governmental capital assets (other than those financed by the proprietary funds).

The Building Excise Tax fund is a special revenue fund for building excise tax revenue. Revenues in this fund are derived from an excise tax on new residential or commercial developments and are dedicated for capital expenditures towards school construction, public safety communications, and the Sheriff's Office. The Transfer Tax fund is a special revenue fund for transfer tax revenue. The transfer tax is imposed on transfers of property at a rate of 0.75%, with the first \$30,000 of consideration exempt for residential transfers. These revenues are dedicated for courthouse debt service, maintenance and security, as well as public school facilities.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The County's enterprise funds may be used to account for any business-type activities for which a fee is charged to external users for goods or services. The following are the County's major enterprise funds:

The Landfill Fund is used to account for the fees collected at the County landfills for the dumping of waste.

The Airport Fund is used to account for the financial resources to be used for the operation or construction of airport facilities.

Additionally, the government reports the following fiduciary funds to account for assets held by the County in a trustee capacity:

The Other Postemployment Benefits Trust Fund (OPEB) is used to account for assets that are required to be held in a trust for members and beneficiaries of the postemployment benefit plan.

In addition to assets, the statement of financial 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(s) and so will not be recognized as an outflow of resources until that time. The County has deferred outflows of resources related to pensions.

In addition to liabilities, the statement of financial 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has two types of this item, one which arises only under a modified accrual basis of accounting that qualified for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second type referred to deferred inflows of resources related to pensions.

Amounts reported as program revenue include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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

Proprietary funds, like the government-wide financial statements, are accounted for using a flow of economic resources measurement focus. Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from producing and delivering goods and providing services and use of properties in connection with a proprietary fund's principal ongoing operations. For the County, the principal operating revenue of the enterprise funds are charges for services for sanitary landfill, airport fuel sales and airport rental fees. For the Board, these revenues are sales of food service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The budget is prepared on the budgetary basis of accounting. The budget establishes a limit on the amounts that the County may appropriate and sets annual limits as to the amounts of expenditures at a level of control selected by the County. The legal level of control has been established by the County at the category level within each fund.

The budget may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original budget was adopted. The amounts reported in the final budgeted amounts reflect amendments approved by the County during the year.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the County to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or greater for all funds. All assets are recorded at historical cost or estimated historical cost, except for donated capital assets which are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or do not materially extend the life of the asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, equipment and infrastructure assets, except land and construction in progress, of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	10 – 40 years	20 – 40 years
Furniture and Equipment	3 – 40 years	3 -15 years
Vehicles	1 – 10 years	3 – 8 years
Infrastructure	10 – 50 years	5 – 23 years

Investments

Investments are stated at fair value based on quoted market values. Under the terms of repurchase agreements the excess cash from checking accounts is invested in short-term investments. All deposits are insured by FDIC or a surety bond. Short-term investments in U.S. Treasury and agency obligations that have remaining maturities of 90 days or less, provided that the fair value of those investments is not significantly affected by impairment, are reported at amortized cost, which approximates market value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Receivables and Payables

On the 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 business-type activities. These amounts are reflected as Internal Balances.

Inventories

Inventories of the government-wide financial statements and the fund financial statements of proprietary funds consist of expendable supplies held for consumption and items held for sale. These items are presented at the lower of cost or market on a first-in, first-out method and are expensed when used.

Compensated Absences

Vacation and Sick Leave

Vacation benefits are earned by employees of the reporting entity based on time in service, and the rights to such benefits are vested. Sick leave is also accumulated by employees based on time in service. However, accumulated sick leave benefits do not vest and are not paid unless sickness causes employees to be absent.

Upon retirement, employees of the Board of Education (a component unit) (the Board) receive severance pay for unused sick leave accumulated for service while employed at the Board. This estimated liability is computed on the accumulated sick leave of Board employees who have 20 years of service with the Board at the rate of \$30 per day. In addition, employees are granted vacation benefits in varying amounts depending on tenure. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees, which are included in other accrued expenses.

Accrued Liabilities and Long-Term Obligations

In the government-wide financial statements and proprietary funds financial statements, all payables, accrued liabilities and long-term debt obligations are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund statements of net position.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accrued Liabilities and Long-Term Obligations (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital leases are recognized as a liability on the fund financial statements when due.

Real Estate and Personal Property Taxes

The County's property tax is levied each July 1st, at rates enacted by the Board of County Commissioners based on the total assessed value as determined by the Maryland State Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings. A reassessment of all property is required to be completed every three years.

Property taxes are levied as of July 1st. Taxpayers also have the options of paying in full without interest by September 30th, or paying their tax bills semi-annually. Taxpayers electing the semi-annual method can pay the first installment without interest by September 30th. Beginning October 1st, interest is charged. The second semi-annual payment, including a service charge, is due by December 31st. Interest accrues at one percent monthly for delinquent property taxes.

Maryland law provides that unpaid real estate property taxes shall be a lien on the real property on October 1 for non-owner occupied properties and January 1 for owner occupied properties. If real estate property taxes remain unpaid, the collector shall sell the real properties at tax sale no later than two years from the date taxes are in arrears. The County bills and collects its own taxes. County property tax revenue is recognized when collected.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the proprietary funds have defined cash equivalents as all highly liquid deposits and other investment instruments that have a maturity of three months or less.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position and Fund Equity

The difference between fund assets and liabilities is “Net Position” on the government-wide and fiduciary fund statements and “Fund Balance” on governmental fund statements. Net Position is classified as “Net Investment in Capital Assets,” legally “Restricted” for a specific purpose or “Unrestricted” and available for appropriation for general purposes.

Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. In the governmental fund financial statements, non-spendable and restricted fund balances represent amounts that are legally restricted for use for a specific purpose because of the County charter or code, state or federal laws, or externally imposed conditions by grantors or creditors, or are otherwise not available for appropriation because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. Committed fund balance represents amounts that are reserved for a particular purpose by the County Council of Dorchester County and would require formal action to release the fund balance from its commitment. Assigned fund balance represents tentative management plans that are subject to change. Unassigned are amounts not included in other spendable classifications.

When both restricted and unrestricted resources are available for use, it is the government’s policy to use restricted resources first, and then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Interfund Transactions

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

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

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of New Accounting Principles

The GASB has issued Statement No. 72, entitled *Fair Value Measurement and Application*; Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*. The County has implemented these statements with no material effect to the financial statements.

The GASB has issued GASB Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 77; entitled, *Tax Abatement Disclosures, which will require adoption in the future, if applicable*. This statement may have a material effect on the County's financial statements once implemented.

The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

2. CASH AND SHORT-TERM INVESTMENTS

County

The County is authorized to invest unexpended revenues from taxation, bond sales, lawful distributions to it of funds from other governmental agencies, or any other funds properly received by it, until it determines the funds are needed for proper public purpose. The County can invest such funds in federally insured banking institutions which pledge United States Treasury bills, notes, or other obligations to secure such deposits, or in U.S. Treasury and agency obligations, repurchase agreements, collateralized certificates of deposit, bankers' acceptance, or money market mutual funds.

Deposits

As of June 30, 2016, the carrying amount of the County's deposits was \$21,825,402 and the bank balances were \$23,498,761. As required by law, each depository is to pledge securities in addition to FDIC insurance at least equal to the amount on deposit at all times. The depository banks pledge collateral for specific accounts which are held in the County's name at several banks. As of June 30, 2016, the bank deposits were fully insured or collateralized.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2016

2. CASH AND SHORT-TERM INVESTMENTS (continued)

Board of Education of Dorchester County

As of June 30, 2016, the Board had bank deposits with various commercial banks totaling \$3,258,327 (carrying value \$1,976,016). As required by law, each depository is to pledge securities at least equal to the amount on deposit at all times in addition to insurance provided by the FDIC. The depository banks pledge collateral for specific accounts which are held in the Board's name at the Bank of New York Mellon. As of June 30, 2016, the bank deposits were fully insured or collateralized.

Investments consist of \$2,458,338 of U.S. Government securities made through the State of Maryland Local Government Investment Pool (MLGIP) which provide local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAAM by Standard and Poors. The fair value of the pool is the net asset value of the pool shares investments are recorded at cost, which approximates market value. Statutes authorize the Board to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal securities and repurchase agreements, collateralized certificates of deposit, banker's acceptance or money market funds. There are no redemption requirements nor funding commitments.

The Board's exposure to investment rate and credit risk is minimal, as all investments are in cash and MLGIP and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities. Cash is invested pursuant to the Annotated Code of Maryland and County Code.

Dorchester County Sanitary Districts

As of June 30, 2016, the Dorchester County Sanitary Districts had bank deposits with various commercial banks totaling \$2,384,964 (carrying value \$2,377,669). Of the bank balance, \$762,264 was covered by federal depository insurance, and \$1,318,881 was covered by collateral segregated on the books of local banks, but not in the Sanitary District's name.

DORCHESTER COUNTY, MARYLAND

**Notes to the Financial Statements
June 30, 2016**

3. CAPITAL ASSETS

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

Primary Government

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 18,364,261	\$ -	\$ -	\$ 18,364,261
Construction in progress	1,416,664	-	(641,348)	775,316
Total capital assets, not being depreciated	<u>19,780,925</u>	<u>-</u>	<u>(641,348)</u>	<u>19,139,577</u>
Capital assets, being depreciated				
Building and improvements	23,633,873	2,578,235	-	26,212,108
Furniture and equipment	27,452,952	2,187,847	-	29,640,799
Leasehold improvements	286,572	-	-	286,572
Infrastructure assets	45,612,240	-	-	45,612,240
Total capital assets, being depreciated	<u>96,985,637</u>	<u>4,766,082</u>	<u>-</u>	<u>101,751,719</u>
Less: accumulated depreciation	<u>(67,913,281)</u>	<u>(2,264,001)</u>	<u>-</u>	<u>(70,177,282)</u>
Net capital assets being depreciated	<u>29,072,356</u>	<u>2,502,081</u>	<u>-</u>	<u>31,574,437</u>
Governmental activities capital assets, net	<u>\$ 48,853,281</u>	<u>\$ 2,502,081</u>	<u>\$ (641,348)</u>	<u>\$ 50,714,014</u>

DORCHESTER COUNTY, MARYLAND

**Notes to the Financial Statements
June 30, 2016**

3. CAPITAL ASSETS (continued)

Business-type Activities

	Balance			Balance
	June 30, 2015	Additions	Retirements	June 30, 2016
Business-Type Activities				
Dorchester County Landfill				
Capital assets, not being depreciated				
Land	\$ 875,187	\$ -	\$ -	\$ 875,187
Construction in progress	630,717	-	(537,777)	92,940
Total capital assets, not being depreciated	<u>1,505,904</u>	<u>-</u>	<u>(537,777)</u>	<u>968,127</u>
Capital assets, being depreciated:				
Building and improvements	148,740	-	-	148,740
Machinery and equipment	3,993,951	940,467	-	4,934,418
Beulah landfill- cells	8,511,474	-	-	8,511,474
Total capital assets, being depreciated	<u>12,654,165</u>	<u>940,467</u>	<u>-</u>	<u>13,594,632</u>
Less: accumulated depreciation	<u>(11,261,000)</u>	<u>(633,001)</u>	<u>-</u>	<u>(11,894,001)</u>
Net capital assets being depreciated	<u>1,393,165</u>	<u>307,466</u>	<u>-</u>	<u>1,700,631</u>
Landfill capital assets, net	<u>2,899,069</u>	<u>307,466</u>	<u>(537,777)</u>	<u>2,668,758</u>
Dorchester County Airport				
Capital assets, not being depreciated				
Land	2,543,620	-	-	2,543,620
Construction in progress	975,453	391,172	-	1,366,625
Total capital assets, not being depreciated	<u>3,519,073</u>	<u>391,172</u>	<u>-</u>	<u>3,910,245</u>
Capital assets, being depreciated:				
Building and improvements	13,993,427	-	-	13,993,427
Machinery and equipment	332,410	41,706	-	374,116
Total capital assets, being depreciated	<u>14,325,837</u>	<u>41,706</u>	<u>-</u>	<u>14,367,543</u>
Less: accumulated depreciation	<u>(4,856,876)</u>	<u>(358,000)</u>	<u>-</u>	<u>(5,214,876)</u>
Net capital assets being depreciated	<u>9,468,961</u>	<u>(316,294)</u>	<u>-</u>	<u>9,152,667</u>
Airport capital assets, net	<u>12,988,034</u>	<u>74,878</u>	<u>-</u>	<u>13,062,912</u>
Business-type activities capital assets, net	<u>\$ 15,887,103</u>	<u>\$ 382,344</u>	<u>\$(537,777)</u>	<u>\$ 15,731,670</u>

DORCHESTER COUNTY, MARYLAND

**Notes to the Financial Statements
June 30, 2016**

3. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities

General government	\$ 590,315
Public safety	1,029,883
Social services	301
Recreation and parks	75,030
Natural resources	69,083
Economic development	105,263
Public works	<u>394,126</u>
 Total	 <u><u>\$ 2,264,001</u></u>

Board of Education (Discretely presented component unit)

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2016</u>
Board of Education of Dorchester County					
Governmental activities					
Capital assets, not being depreciated					
Construction in progress	\$ 78,955	\$ 2,340,498	\$ -	\$ (600,641)	\$ 1,818,812
Capital assets, being depreciated					
Building and improvements	134,274,677	-	-	600,641	134,875,318
Furniture and equipment	2,997,094	-	-	-	2,997,094
Vehicles	886,239	182,354	(65,277)	-	1,003,316
Total capital assets, being depreciated	<u>138,158,010</u>	<u>182,354</u>	<u>(65,277)</u>	<u>600,641</u>	<u>138,875,728</u>
Less: accumulated depreciation	<u>(56,214,409)</u>	<u>(4,766,089)</u>	<u>65,277</u>	<u>-</u>	<u>(60,915,221)</u>
Net capital assets being depreciated	<u>81,943,601</u>	<u>(4,583,735)</u>	<u>-</u>	<u>600,641</u>	<u>77,960,507</u>
 Governmental activities, capital assets, net	 <u>82,022,556</u>	 <u>(2,243,237)</u>	 <u>-</u>	 <u>-</u>	 <u>79,779,319</u>
 Business-type activities					
Capital assets, being depreciated					
Equipment	36,250	-	-	-	36,250
Less: accumulated depreciation	<u>(30,218)</u>	<u>(1,077)</u>	<u>-</u>	<u>-</u>	<u>(31,295)</u>
 Business-type activities capital assets, net	 <u>6,032</u>	 <u>(1,077)</u>	 <u>-</u>	 <u>-</u>	 <u>4,955</u>
 Board of education capital assets, net	 <u>\$ 82,028,588</u>	 <u>\$ (2,244,314)</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 79,784,274</u>

DORCHESTER COUNTY, MARYLAND

**Notes to the Financial Statements
June 30, 2016**

3. CAPITAL ASSETS (continued)

Sanitary Districts

	Balance			Balance
	June 30, 2015	Additions	Retirements	June 30, 2016
Dorchester County Sanitary Districted				
Capital assets, not being depreciated				
Construction in progress	\$ 86,368	\$ 127,058	\$ -	\$ 213,426
Land	2,645	-	-	2,645
Capital assets, being depreciated				
Intangible assets	1,044,000	-	-	1,044,000
Vehicles	93,688	-	-	93,688
Plant and equipment	14,851,310	-	-	14,851,310
Total capital assets, being depreciated	15,988,998	-	-	15,988,998
Less: accumulated depreciation	(4,721,714)	(371,864)	-	(5,093,578)
Net capital assets being depreciated	11,267,284	(371,864)	-	10,895,420
Sanitary districts capital assets, net	11,356,297	(244,806)	-	11,111,491
Total component units capital assets, net	<u>\$ 93,384,885</u>	<u>\$ (2,489,120)</u>	<u>\$ -</u>	<u>\$ 90,895,765</u>

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

4. LONG-TERM DEBT AND OBLIGATIONS

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. These bonds generally are issued as 20-year serial bonds with different amounts of principal maturing each year. General obligation bonds and capital lease obligations currently outstanding are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
<i>Public Facilities Bonds</i>					
Public School Capital Improvement Bonds for 2002 due in annual principal installments of \$320,000 to \$650,000 through August 1, 2017; interest payable semi-annually, from 3.5% to 4.5%	\$ 1,855,000	\$ -	\$ 585,000	\$ 1,270,000	\$ 585,000
General Improvements and Refunding Bonds of 2004, payable in annual payments from \$65,000 to \$1,050,000 through February 1, 2019 interest payable annually from 2% to 3.9%	245,000	-	60,000	185,000	60,000
Consolidated Public Improvement Bonds of 2010 due in annual principal installments of \$810,000 to \$1,435,000 through February 1, 2030; interest payable semi-annually, from 1% to 6%	<u>16,685,000</u>	<u>-</u>	<u>870,000</u>	<u>15,815,000</u>	<u>870,000</u>
Total public facilities bonds	<u>18,785,000</u>	<u>-</u>	<u>1,515,000</u>	<u>17,270,000</u>	<u>1,515,000</u>
<i>State of Maryland Department of Natural Resources Shore Erosion Control Loans (SEC)</i>					
SEC 3-92 - Hoopersville Road Boat Ramp; due in annual installments of \$4,780 through July 2019; no interest	19,112	-	4,779	14,333	4,779
SEC 7-92 - Middle Hoopers Island Causeway; due in annual installments of \$5,516 through July 2020; no interest	33,096	-	5,516	27,580	5,516
SEC 8-92 - McCready's Point Road; due in annual installments of \$1,683 through July 2019; no interest	8,421	-	1,683	6,738	1,683
SEC 9-92 Hoopersville Road; due in annual installments of \$2,718 through July 2020; no interest	13,593	-	2,718	10,875	2,718
SEC 03-03 Hoopersville Road; due in annual installments of \$19,245 through July 2033; no interest	365,655	-	19,245	346,410	19,245
SEC 04-02 Hoopers Island Road; due in annual installments of \$5,930 through July 2027; no interest	77,092	-	5,930	71,162	5,930
SEC 05-03 Taylors Island; due in annual installments of \$14,593 through July 2035; no interest	277,275	-	14,593	262,682	14,593
SEC 18-02 Punch Island Road; due in annual installments of \$12,958 through July 2035; no interest	<u>246,195</u>	<u>-</u>	<u>12,958</u>	<u>233,237</u>	<u>12,958</u>
Total SEC loans payable	<u>1,040,439</u>	<u>-</u>	<u>67,422</u>	<u>973,017</u>	<u>67,422</u>

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

4. LONG-TERM DEBT AND OBLIGATIONS (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable					
County Commissioners of Queen Anne's County loan due in annual principal installments of \$20,000 to \$50,000 through January 2020; interest payable annually at 5.173% to 5.25% (known as the Learning Resource Center)	\$ 220,000	\$ -	\$ 40,000	\$ 180,000	\$ 40,000
County Commissioners of Queen Anne's County loan due in annual principal installments of \$5,096 to \$12,314 through January 2023; interest payable annually at 4%	83,468	-	8,735	74,733	8,735
County Commissioners of Queen Anne's County loan due in annual principal installments of \$53,292 to \$107,262 through April 2034; interest payable annually at 2% to 4%	1,466,708	-	52,952	1,413,756	52,952
TEDCO loan, due in minimum annual installments of \$25,000 plus quarterly payments of 25% of net proceeds from sale of Tech Park lots, unpaid principle due 15th anniversary of settlement, no interest. (for construction of Eastern Shore innovation Center)	60,325	939,675	-	1,000,000	-
DBED loan, due in quarterly payments of 25% of net proceeds from sale of Tech Park lots, any unpaid principle to be forgiven November 2034, no interest. (for construction of Eastern Shore innovation Center)	-	1,263,500	-	1,263,500	25,000
MD Dpt of Commerce loan, due in monthly installments of \$6,324 including interest at 3%, through June 2026, unpaid principle of \$1,145,440 due at that time (re-loaned to local business under economic development initiative)	-	1,500,000	-	1,500,000	-
MDOT due in annual installments of \$200,000 through January 2015 with balance due January 2016; no interest	155,750	-	155,750	-	-
Total notes payable	1,986,251	3,703,175	257,437	5,431,989	126,687
Total governmental activities debt	21,811,690	3,703,175	1,839,859	23,675,006	1,709,109
Other long term liabilities					
Compensated absences	888,351	24,279	-	912,630	326,892
Net pension liability	8,892,812	2,632,046	-	11,524,858	-
Pension liability	719,956	9,182	-	729,138	-
Other post employment benefits obligation	10,265,383	1,623,533	-	11,888,916	-
Total other long term liabilities	20,766,502	4,289,040	-	25,055,542	326,892
Total governmental long term liabilities	\$ 42,578,192	\$ 7,992,215	\$ 1,839,859	\$ 48,730,548	\$ 2,036,001

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

4. LONG-TERM DEBT AND OBLIGATIONS (continued)

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Dorchester County Airport					
Airport Improvement Bonds of 2003 issued through BB&T Bank for 15 years with annual payments of \$31,000 through 2018 and a final payment of \$186,000 in 2019; interest payable quarterly at 4.19%	279,000	-	(31,000)	248,000	31,000
Total business-type activities debt	279,000	-	(31,000)	248,000	31,000
Other long term liabilities					
Landfill closure and postclosure care costs	11,175,988	119,766	(4,348,832)	6,827,156	-
Total business-type activities long term liabilities	\$ 11,454,988	\$ 119,766	\$ (4,379,832)	\$ 7,075,156	\$ 31,000

Component Units	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Board of Education					
Accrued leave	\$ 1,128,124	\$ 419,678	\$ 466,629	\$ 1,081,173	\$ 64,078
Net pension liability	2,720,396	1,170,287	358,266	3,532,417	-
Other post employment benefits	18,016,373	6,872,000	2,067,387	22,820,986	-
Total	\$ 21,864,893	\$ 8,461,965	\$ 2,892,282	\$ 27,434,576	\$ 64,078
Sanitary Districts					
Loan payable in the amount of \$1,754,000 and \$290,000 to USDA. Due in quarterly installments of \$17,383 and \$2,874 including interests of 2.5%, until March 2051.	\$ 1,910,243	\$ -	\$ 33,585	\$ 1,876,658	\$ 34,433

Summary of remaining debt service requirements for the years ended June 30, are as follows:

Year ending June 30	Governmental Activities		Business-type Activities		Combined Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 1,798,962	\$ 691,468	\$ 31,000	\$ 9,551	\$ 1,829,962	\$ 701,019
2018	1,866,584	635,482	31,000	8,234	1,897,584	643,716
2019	1,255,421	587,880	186,000	1,991	1,441,421	589,871
2020	1,224,516	552,561	-	-	1,224,516	552,561
2021	1,209,072	516,024	-	-	1,209,072	516,024
2022-2026	6,628,772	1,997,120	-	-	6,628,772	1,997,120
2027-2031	7,352,891	645,528	-	-	7,352,891	645,528
2032-2036	2,338,788	25,105	-	-	2,338,788	25,105
Total	\$ 23,675,006	\$ 5,651,168	\$ 248,000	\$ 19,776	\$ 23,923,006	\$ 5,670,944

DORCHESTER COUNTY, MARYLAND

**Notes to the Financial Statements
June 30, 2016**

4. LONG-TERM DEBT AND OBLIGATIONS (continued)

Payments on bonds, notes payable, and loans payable that pertain to the County's governmental activities are made by 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 liabilities that are attributable to the County's governmental activities are liquidated by the County's general fund. The compensated absences attributable to the County's business-type activities are liquidated by the fund in which the liability exists.

5. LONG-TERM OPERATING LEASES

County

The County has leases for property with separate terms. Approximate future minimum lease commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$205,044
2018	129,044
2019	46,147
2020	30,755

Expenses under these leases total approximately \$76,000 for the year ended June 30, 2016.

Board of Education

The Board leases computers, copy machines and internet access service for the majority of the educational system over three to five year terms.

Approximate future minimum lease commitments are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$421,000
2018	421,000
2019	22,000
2020	11,000
2021	1,000

Expenses under these leases total approximately \$416,000 for the year ended June 30, 2016.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

6. INTERFUND RECEIVABLES AND PAYABLES

Due to/from other fund balances as of June 30, 2016 are as follows:

<u>Primary Government</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Government activities	\$ 9,414,972	\$ 10,641,203
Fiduciary activities	-	429,875
Business-type activities	1,973,641	317,535
Total due to/from other funds	<u>\$ 11,388,613</u>	<u>\$ 11,388,613</u>

7. RETIREMENT PLANS

Summary of Significant Accounting Policies

Pensions. Virtually all employees of the County are members of the Maryland State Retirement and Pension System (the System). The System is considered a single multiple employer cost sharing plan.

For purposes of measuring the 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/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 the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. Certain employees of the County are provided with pensions through the System—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of the System to the MSRPS Board of Trustees. MSRPS issues a publicly available financial report that can be obtained at www.sra.state.md.us/Agency/Downloads/CAFR/.

Benefits provided. A member of the 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.

Early Service Retirement A member of the 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 the System member is 30%.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2016

7. RETIREMENT PLANS (continued)

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. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Contributions. (ERS) The Article sets contribution requirements of the active employees and the participating governmental units are established and may be amended by the MSRPS Board. Employees are required to contribute 6% of their annual pay. The County's contractually required contribution rate for the System for the year ended June 30, 2016, was approximately \$1.2 million, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the System from the County was approximately \$1.2 million for the year ended June 30, 2016.

As a result of a 1997 actuarial study of the State Retirement and Pension System of Maryland, the County Commissioners of Dorchester County, Maryland (Highway Department) were identified as one of 23 municipal corporations not having enough assets in the System to fund the present value of accrued benefits for participants in the retirement system. Under rules of House Bills 1348 and 430, the County will repay the \$709,331 fund deficit (an increase of \$15,471 over the prior year) over a period of 40 years. The fiscal year 2016 annual payment was approximately \$42,000, and will increase 5% per year until maturity at December 31, 2035. This liability has been recorded in the governmental activities column on the Statement of Net Position.

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

As of June 30, 2016, the County reported a liability of approximately \$11.5 million for its proportionate share of the System's net pension liability. The System's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the System's net pension liability was based on a projection of the County's long-term share of contributions to the pension plan relative to the projected contributions of all participating government units, actuarially determined. As of June 30, 2016, the County's proportion for the System was 0.05 percent, which was substantially the same from its proportion measured as of June 30, 2015.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

7. RETIREMENT PLANS (continued)

For the year ended June 30, 2016, the County recognized pension expense for the System of approximately \$1.1 million. As of June 30, 2016, the County reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 1,167,634	\$ -
Actual and expected experience	-	273,418
Change in assumptions	764,806	-
Net difference between projected and actual earnings on pension plan investments	<u>285,068</u>	<u>-</u>
Total	<u>\$ 2,217,508</u>	<u>\$ 273,418</u>

\$1.2 million reported as deferred outflows of resources related to the System resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the System pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the System will be recognized in pension expense as follows:

Year End June 30,	2015 Balance Amortization			2014 Balance Amortization		
	<u>Deferred Outflows</u>		<u>Deferred Inflows</u>	<u>Deferred Outflow</u>		<u>Deferred Inflow</u>
	<u>Net Difference in Investment Earnings</u>	<u>Change in Assumptions</u>	<u>Actual and Expected Experience</u>	<u>Change in Assumptions</u>		<u>Net Difference in Investment Earnings</u>
2017	\$ 253,775	\$ 118,462	\$ 48,464	\$ 32,161		\$ 243,344
2018	253,775	118,462	48,464	32,161		243,344
2019	253,775	118,462	48,464	32,161		243,344
2020	253,775	118,462	48,464	-		-
2021	<u>-</u>	<u>194,476</u>	<u>79,562</u>	<u>-</u>		<u>-</u>
Total	<u>\$ 1,015,100</u>	<u>\$ 668,324</u>	<u>\$ 273,418</u>	<u>\$ 96,482</u>		<u>\$ 730,032</u>

Information included in the MSRPS financial statements. Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at www.sra.state.md.us/Agency/Downloads/CAFR/.

Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate. The County's proportionate share of the System net pension liability calculated using the discount rate of 7.55 percent is \$11,524,858. Additionally, the County's proportionate share of the System net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) is \$16,289,580 or 1-percentage-point higher (8.65 percent) is \$7,575,197.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2016

8. POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: The County and the Board administer a single-employer defined benefit healthcare plan (the Plan). The Plan provides healthcare insurance for eligible retirees and their beneficiaries through the County and Board's group health insurance plan, which covers both active and retired members.

The County's employees are eligible upon retirement for employees with 30 years of service at any age or employees who have attained age 55 with at least 16 years of service if enrolled in the active medical plan immediately prior to retiring. Participants are eligible for medical and prescription drug benefits. The spouse of an eligible retiree is also eligible to receive benefits from this plan. Benefits continue for the lifetime of the retiree. Surviving spouses after 1996 are eligible for COBRA coverage for 36 months after the death of the retiree or until Medicare eligibility. As of July 1, 2015, the date of the last actuarial valuation, the Plan included 73 retirees, 193 active employees and 33 dependents, for a total of 299 participants.

The Board's benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' Pension System, which are age 55 with 15 years of service, 30 years of service or age 62 with 5 years of service. The Board is required to perform an actuarial valuation of its post-employment benefits other than pensions at least biennially. As of July 1, 2015, the date of the last actuarial valuation, approximately 293 retirees were receiving benefits, and an estimated 592 active employees are potentially eligible to receive future benefits. The Plan does not issue a stand-alone report.

Funding Policy: The County's eligible employees and their dependents can elect coverage in the Plan. Pre-65 retirees pay the same percentage of the premiums charged as an active for both themselves and their dependents. Post-65 retirees pay 15% of the premiums charged for both themselves and their dependents. Surviving spouses must pay 100% of the premium to continue coverage. For fiscal year 2016, the County contributed \$0 to the Plan for the eligible retirees.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

8. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation: The County and Board's annual other postretirement benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The County and Board pays post-retirement benefits (normal cost) from the General Fund.

The following table shows the components of the County and Board's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB Obligation.

	<u>County</u>	<u>Board</u>
Annual required contribution	\$ 1,753,605	\$ 6,241,000
Interest on net OPEB obligation	432,093	631,000
Amortization of net OPEB obligation	(562,165)	
Adjustment to annual required contribution	-	(768,000)
Annual OPEB cost	<u>1,623,533</u>	<u>6,104,000</u>
Contributions	-	(1,299,387)
Increase in net OPEB obligation	1,623,533	4,804,613
Net OPEB obligation, beginning of year	<u>10,265,383</u>	<u>18,016,373</u>
Net OPEB obligation, end of year	<u>\$ 11,888,916</u>	<u>\$ 22,820,986</u>

The County and Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three years as of June 30, was as follows:

County

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,623,533	0.00%	\$ 10,265,383
2014	1,865,343	0.00%	8,641,850

Board

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 6,104,000	21.29%	\$ 22,820,986
2015	6,274,000	20.54%	18,016,373
2014	5,868,000	20.22%	13,030,767

DORCHESTER COUNTY, MARYLAND

**Notes to the Financial Statements
June 30, 2016**

8. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

<u>County</u>							
<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2015	July 1, 2014	\$ 2,239,365	\$ 19,465,990	\$ (17,226,625)	11.5%	\$ 12,383,711	139%
2014	July 1, 2012	1,510,139	18,503,552	(16,993,413)	8.2%	12,311,498	138%

<u>Board</u>							
<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2016	July 1, 2015	\$ -	\$ 73,135,000	\$ (73,135,000)	0.0%	\$ 33,689,148	217%
2015	July 1, 2014	-	73,359,000	(73,359,000)	0.0%	31,967,186	229%
2014	July 1, 2013	-	69,303,000	(69,303,000)	0.0%	30,688,767	226%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence 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 funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on substantive plan (the plan as understood by the employer and the plan members) and includes the type of benefits provided at the time of each valuation and the historical pattern of sharing the benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2016

8. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

In the actuarial valuation for the plan year ending July 1, 2015, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5% funded rate, an annual healthcare cost trend of 7.00% initially, reduced by decrements to ultimate rate of 4%. Assets are valued at their market values. The unfunded actuarial accrued liability (UAAL) is being amortized on an open level dollar amortization over a 30 year period..

Board of Education

In the actuarial valuation for the plan year ending June 30, 2016, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses) based on the Board's own investments, an annual healthcare cost trend of 7.0% initially, decreasing gradually to 5.40% by 2050, and payroll growth of 4%. The UAAL is being amortized on a closed level of percentage of payroll basis over a 30 year period. The remaining amortization period as of July 1, 2015, was 24 years.

9. DEFERRED COMPENSATION

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457 and administered by a third party. The plans, available to all eligible County employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The County funds all amounts of compensation deferred under the Plans, at the direction of the covered employee, through investments underwritten by Variable Annuity Life Insurance Company (VALIC) and Nationwide. 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 deferred compensation plan participants and are not subject to the claims of the County's general creditors.

The County has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. In accordance with GASB Statement No. 32, adopted by the County in 1998, the Plan's assets are not reported on the combined balance sheet of the County. A summary of the activity in the Plan is presented in the additional supplementary information for the year ended June 30, 2016.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

10. LANDFILL CLOSURE AND POST-CLOSURE CARE COST

State and Federal laws and regulations require the County to place a final cover on its landfills when they stop accepting waste. The County is also required to perform certain maintenance and monitoring functions at the site for up to thirty years after closure. It is the County's position that the State of Maryland will require continuous monitoring of all closed landfills with no termination period set for post-closure care, and as such will continue to accrue an estimate for these costs over a thirty year period. Although closure and post-closure care costs will be paid only near the date or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as a liability based on landfill capacity used as of each balance sheet date.

The Secretary Landfill stopped accepting waste in 1982. The landfill has been capped and only has post-closure care costs associated with it, currently estimated to be approximately \$10,800 each year for the next thirty years.

The Golden Hill Landfill stopped accepting waste in 1991. The landfill has been capped and only has post-closure care costs associated with it, currently estimated to be approximately \$14,150 each year for the next thirty years.

The Old Beulah Landfill stopped accepting waste in 1991. Capping of the cell, estimated to cost \$5,000,000, began in August 2015 and was substantially complete at June 30, 2016. Post-closure care costs are currently estimated to be approximately \$19,800 each year for the next thirty years.

The closure and postclosure care costs associated with the landfills are as follows:

	<u>2015</u>	<u>Current Year Additions (Deductions)</u>	<u>2016</u>
Secretary landfill			
Postclosure care costs	\$ 324,000	\$ -	\$ 324,000
Golden Hill landfill			
Postclosure care costs	424,500	-	424,500
Old Beulah landfill			
Closure costs	5,000,000	(4,850,000)	150,000
Postclosure care costs	594,000	-	594,000
	<u>5,594,000</u>	<u>(4,850,000)</u>	<u>744,000</u>
New Beulah landfill- cells 1-4			
Closure costs	2,625,428	381,402	3,006,830
Postclosure care costs	2,208,060	119,766	2,327,826
	<u>4,833,488</u>	<u>501,168</u>	<u>5,334,656</u>
Total closure and post closure care costs	<u>\$ 11,175,988</u>	<u>\$ (4,348,832)</u>	<u>\$ 6,827,156</u>

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2016

10. LANDFILL CLOSURE AND POST-CLOSURE CARE COST (continued)

The above estimates are based on estimated current costs to perform all closure and post-closure care as of June 30, 2016. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in applicable laws or regulations. The County is required by state and federal laws and regulations to meet certain closure and post-closure financial assurance requirements. The County has satisfied these requirements by demonstrating in information submitted by the Director of Finance that they meet the Local Government Financial Test as of June 30, 2016, as specified in 40CFR258.

Though there are currently no legal restrictions on available funds, the County has approximately \$9.5 million of currently available assets for landfill closure and post-closure care costs. The shortfalls, if any, may need to be covered by any combination of charges to future landfill users, future tax revenues, or additional borrowings.

There are five individual cells at the New Beulah landfill. Closure and post-closure care costs have been accrued and recognized in the financial records as each cell has come online beginning in November 1995. Total accrued closure and post-closure care costs as of June 30, 2016 are estimated to be \$3,006,830 and \$2,327,826, respectively.

11. COMMITMENTS AND CONTINGENCIES

County

Grants

In the normal course of operations, the County receives grant funds from various Federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of these audits is not believed to be material.

Risk Management

For general, property, excess and environmental liability coverage, the County is a member of the Maryland Local Government Insurance Trust (LGIT). This 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.

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

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2016

11. COMMITMENTS AND CONTINGENCIES (continued)

The County is fully insured for worker's compensation through commercial insurance and certain employees are bonded to limit the loss to the County in the event of employees committing acts of embezzlement or theft. In addition, due to specific exclusions in the County's insurance, the County also has commercial insurance coverage for property liability at the Airport. There has been no significant reduction in insurance coverage from the prior year by major categories of risk, and amount of settlements have not exceeded insurance coverage for the past three fiscal years.

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the financial position of the County.

Dorchester County Sanitary District

The Sanitary District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disaster. Dorchester County Sanitary District purchases commercial insurance to cover these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Board of Education of Dorchester County

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

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; personal injury; and natural disaster. In 1986, the Maryland Association of Boards of Education Group Insurance Pool (the Pool) was formed when several Maryland boards of education joined together to pool their casualty risks. Property insurance coverage was added in 1988 and workers compensation in fiscal year 2000. The Board pays an annual premium to the Pool each year which is calculated by an actuary. It is intended that the Pool be self-sustaining through member premiums. Reinsurance is carried through commercial companies for claims which exceed coverage limits as specified in the agreement. Should the Pool encounter deficits in its casualty and/or property funds, such deficits may be made up from assessments of the participant boards on a pro rata basis.

The Board continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. The Board purchases health insurance from a provider through a modified retrospective rating arrangement agreement. Settled claims have not exceeded insurance coverage for each of the past three fiscal years.

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REQUIRED SUPPLEMENTARY INFORMATION

DORCHESTER COUNTY, MARYLAND

**Schedules of Funding Progress and Contributions - OPEB
June 30, 2016**

**Other Postemployment Benefit (OPEB) Trust
Schedule of Funding Progress**

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll</u>	<u>UAAAL as a Percentage of Covered Payroll</u>
2015	July 1, 2014	\$ 2,239,365	\$ 19,465,990	\$ (17,226,625)	11.5%	\$ 12,383,711	139%
2014	July 1, 2012	1,510,139	18,503,552	(16,993,413)	8.2%	12,311,498	138%

Schedule of Contributions

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 1,623,533	0.0%	\$ 11,888,916
2015	1,623,533	0.0%	10,265,383
2014	1,865,343	0.0%	8,641,850

DORCHESTER COUNTY, MARYLAND

Schedule of County's Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System June 30, 2016

	<u>2016</u>	<u>2015</u>
County's proportion of the System net pension liability (asset)	0.005%	0.005%
County's proportionate share of the System net pension liability (asset)	<u>\$ 11,524,858</u>	<u>\$ 8,892,812</u>
Total	<u>\$ 11,524,858</u>	<u>\$ 8,892,812</u>
County's covered-employee payroll	\$ 10,084,750	\$10,490,392
County's proportionate share of the net pension liability (asset) as a percentage of its	114.28%	84.77%
Plan fiduciary net position as a percentage of the total pension liability	68.78%	71.87%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

DORCHESTER COUNTY, MARYLAND**Schedule of County Contributions to the Maryland State Retirement and Pension System
June 30, 2016**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,167,734	\$ 1,167,734
Contributions in relation to the contractually required contribution	<u>(1,167,734)</u>	<u>(1,167,734)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 10,084,750	\$ 10,490,392
Contributions as a percentage of covered-employee payroll	11.58%	11.13%

This schedule is presented to illustrate the requirement to show information for 10 years. However, information prior to June 30, 2015 is not available.

COMBINING AND INDIVIDUAL FUND STATEMENTS

DORCHESTER COUNTY, MARYLAND

**Combining Balance Sheet – Non-Major Governmental Funds
As of June 30, 2016**

	Capital Projects	Building Excise Tax Fund	Transfer Tax Fund	Commissary Fund	Total Non-major Funds
ASSETS					
Cash	\$ 269,631	\$ 2,233,733	\$ -	\$ 71,028	\$ 2,574,392
Accounts receivable	-	-	113,232	-	113,232
Due from other funds	2,469,172	-	1,620,410	-	4,089,582
TOTAL ASSETS	\$ 2,738,803	\$ 2,233,733	\$ 1,733,642	\$ 71,028	\$ 6,777,206
LIABILITIES, AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 29,505	\$ 258,449	\$ 46,104	\$ -	\$ 334,058
Due to other funds	3,579,592	723,753	-	-	4,303,345
Unearned revenue	-	-	-	55,492	55,492
TOTAL LIABILITIES	3,609,097	982,202	46,104	55,492	4,692,895
FUND BALANCES					
Restricted	-	-	-	-	-
Committed for:					
Schools and courthouse		1,043,499	1,687,538	-	2,731,037
Public safety communication system	-	154,623	-	-	154,623
Sheriff	-	53,409	-	-	53,409
Assigned	-	-	-	15,536	15,536
Unassigned	(870,294)	-	-	-	(870,294)
TOTAL FUND BALANCES	(870,294)	1,251,531	1,687,538	15,536	2,084,311
TOTAL LIABILITIES, AND FUND BALANCES	\$ 2,738,803	\$ 2,233,733	\$ 1,733,642	\$ 71,028	\$ 6,777,206

DORCHESTER COUNTY, MARYLAND

**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
For the Year Ended June 30, 2016**

	<u>Capital Projects</u>	<u>Building Excise Tax Fund</u>	<u>Transfer Tax Fund</u>	<u>Commissary Fund</u>	<u>Total Non- major Funds</u>
REVENUE					
Taxes	\$ -	\$ -	\$ 922,853	\$ -	\$ 922,853
State revenue	660,068	-	-	-	660,068
Miscellaneous revenues	-	2,236	-	98,027	100,263
TOTAL REVENUE	<u>660,068</u>	<u>2,236</u>	<u>922,853</u>	<u>98,027</u>	<u>1,683,184</u>
EXPENDITURES					
General government	-	-	597,291	91,250	688,541
Public safety	-	-	-	-	-
Education	-	-	-	-	-
Debt service:	-	-	-	-	-
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay	5,120,168	6,414	-	-	5,126,582
TOTAL EXPENDITURES	<u>5,120,168</u>	<u>6,414</u>	<u>597,291</u>	<u>91,250</u>	<u>5,815,123</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(4,460,100)</u>	<u>(4,178)</u>	<u>325,562</u>	<u>6,777</u>	<u>(4,131,939)</u>
OTHER FINANCING SOURCES					
Note proceeds	2,241,661	-	-	-	2,241,661
Transfers in	2,424,284	-	-	-	2,424,284
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,665,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,665,945</u>
NET CHANGES IN FUND BALANCES	<u>205,845</u>	<u>(4,178)</u>	<u>325,562</u>	<u>6,777</u>	<u>534,006</u>
FUND BALANCES - BEGINNING OF YEAR	<u>(1,076,139)</u>	<u>1,255,709</u>	<u>1,361,976</u>	<u>8,759</u>	<u>1,550,305</u>
FUND BALANCES - END OF YEAR	<u>\$ (870,294)</u>	<u>\$1,251,531</u>	<u>\$ 1,687,538</u>	<u>\$ 15,536</u>	<u>\$ 2,084,311</u>

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BUDGET AND ACTUAL SCHEDULE

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
REVENUE				
Taxes:				
Property taxes	\$ 29,422,696	\$ 29,422,696	\$ 29,929,413	\$ 499,020
Income and other taxes	14,142,049	14,142,049	14,242,779	100,730
Total taxes	43,564,745	43,564,745	44,172,192	599,750
Licenses and permits	231,350	231,350	418,247	25,976
Intergovernmental				
Federal	60,000	60,000	35,895	56,317
State	3,595,382	3,595,382	13,200	40,321
Service charges	1,785,500	1,785,500	2,069,366	10,578
Miscellaneous	2,971,410	2,971,410	4,123,185	(661,644)
Total revenues	52,208,387	52,208,387	50,832,085	(1,376,302)
EXPENDITURES				
General Government				
County council				
Operating personnel	330,499	330,499	246,624	83,875
Other	31,568	31,568	27,614	3,954
Total county council	362,067	362,067	274,238	87,829
Circuit court				
Operating personnel	109,038	109,038	109,727	(689)
Other	70,038	70,093	57,121	12,972
Total circuit court	179,076	179,131	166,848	12,283
Orphan's court				
Operating personnel	17,700	17,700	17,623	77
Other	2,523	2,523	3,124	(601)
Total orphan's court	20,223	20,223	20,747	(524)
State's attorney				
Operating personnel	664,909	664,909	656,705	8,204
Other	39,700	39,700	58,935	(19,235)
Total state's attorney	704,609	704,609	715,640	(11,031)
Elections				
Operating personnel	43,300	43,300	42,185	1,115
Other	533,700	533,700	459,623	74,077
Total elections	577,000	577,000	501,808	75,192
Finance & treasurer				
Operating personnel	372,806	372,806	375,162	(2,356)
Other	97,941	97,941	98,215	(274)
Total finance & treasurer	470,747	470,747	473,377	(2,630)
Human resources				
Operating personnel	56,293	56,293	56,649	(356)
Other	28,775	28,775	10,572	18,203
Total human resources	85,068	85,068	67,221	17,847
Information technology				
Operating personnel	178,639	178,639	179,768	(1,129)
Other	56,100	56,100	48,886	7,214
Total information technology	234,739	234,739	228,654	6,085
Other general government				
Operating personnel	-	-	-	-
Other	646,911	646,911	629,654	17,257
Total other government	646,911	646,911	629,654	17,257
Planning and zoning				
Operating personnel	336,359	294,501	294,636	(135)
Other	56,039	97,897	95,436	2,461
Total planning and zoning	392,398	392,398	390,072	2,326
Maintenance				
Operating personnel	107,483	107,483	107,212	271
Other	25,575	25,575	16,913	8,662
Total maintenance	133,058	133,058	124,125	8,933
Total general government	3,805,896	3,805,951	3,592,384	213,567

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Public Safety				
Sheriff				
Operating personnel	\$ 2,040,927	\$ 2,040,927	\$ 2,123,812	\$ (82,885)
Other	741,050	752,265	1,015,541	(263,276)
Total sheriff	<u>2,781,977</u>	<u>2,793,192</u>	<u>3,139,353</u>	<u>(346,161)</u>
Volunteer fire and life support				
Other	790,139	790,139	819,762	(29,623)
Total volunteer fire and life support	<u>790,139</u>	<u>790,139</u>	<u>819,762</u>	<u>(29,623)</u>
EMS				
Operating personnel	1,919,426	1,919,426	2,056,802	(137,376)
Other	494,906	494,906	528,612	(33,706)
Total EMS	<u>2,414,332</u>	<u>2,414,332</u>	<u>2,585,414</u>	<u>(171,082)</u>
Detention center				
Operating personnel	2,248,216	2,248,216	1,968,661	279,555
Other	1,488,202	1,488,202	1,452,382	35,820
Total detention center	<u>3,736,418</u>	<u>3,736,418</u>	<u>3,421,043</u>	<u>315,375</u>
911 emergency communications				
Operating personnel	695,057	695,057	663,700	31,357
Other	457,456	457,456	478,524	(21,068)
Total 911 emergency communications	<u>1,152,513</u>	<u>1,152,513</u>	<u>1,142,224</u>	<u>10,289</u>
Emergency management				
Operating personnel	-	-	-	-
Other	32,182	32,182	14,886	17,296
Total emergency management	<u>32,182</u>	<u>32,182</u>	<u>14,886</u>	<u>17,296</u>
Animal control				
Operating personnel	88,868	88,868	100,769	(11,901)
Other	80,779	80,779	54,416	26,363
Total animal control	<u>169,647</u>	<u>169,647</u>	<u>155,185</u>	<u>14,462</u>
Total public safety	<u>11,077,208</u>	<u>11,088,423</u>	<u>11,277,867</u>	<u>(189,444)</u>
Public Works				
Highways & streets				
Operating personnel	1,094,561	1,109,562	947,406	162,156
Other	820,822	834,822	573,691	261,131
Total highways & streets	<u>1,915,383</u>	<u>1,944,384</u>	<u>1,521,097</u>	<u>423,287</u>
Engineering				
Operating personnel	100,022	100,022	78,828	21,194
Other	13,100	13,100	32,570	(19,470)
Total engineering	<u>113,122</u>	<u>113,122</u>	<u>111,398</u>	<u>1,724</u>
Total public works	<u>2,028,505</u>	<u>2,057,506</u>	<u>1,632,495</u>	<u>425,011</u>
Recreation and parks				
Operating personnel	309,507	309,807	304,158	5,649
Other	150,100	149,800	142,858	6,942
Total recreation and parks	<u>459,607</u>	<u>459,607</u>	<u>447,016</u>	<u>12,591</u>
Natural resources				
Cooperative extension service				
Other	-	-	-	-
Other				
Operating personnel	286,682	286,682	230,404	56,278
Other	33,450	33,450	35,422	(1,972)
Total other	<u>320,132</u>	<u>320,132</u>	<u>265,826</u>	<u>54,306</u>
Total natural resources	<u>320,132</u>	<u>320,132</u>	<u>265,826</u>	<u>54,306</u>

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Social services				
Other health and social services				
Operating personnel	\$ -	\$ -	\$ -	\$ -
Other	122,145	122,145	122,145	-
Total other	122,145	122,145	122,145	-
Total social services	122,145	122,145	122,145	-
Economic development				
Operating personnel	254,008	254,008	225,675	28,333
Other	455,809	455,809	1,763,696	(1,307,887)
Total other	709,817	709,817	1,989,371	(1,279,554)
Total economic development	709,817	709,817	1,989,371	(1,279,554)
Education				
Board of education	18,963,336	18,963,336	18,963,336	-
Chesapeake college	1,113,212	1,113,212	1,113,212	-
Public library	533,520	533,520	533,520	-
County health department	698,250	698,250	698,250	-
Total education	21,308,318	21,308,318	21,308,318	-
Debt service				
Principal	1,839,861	1,839,861	1,839,859	2
Interest	747,242	747,242	774,807	(27,565)
Total debt service	2,587,103	2,587,103	2,614,666	(27,563)
Miscellaneous	5,963,273	5,952,217	7,138,974	(1,186,757)
Total expenditures	48,382,004	48,411,219	50,389,062	(1,977,843)
Excess (deficiency) of revenue over expenditures	3,826,383	3,797,168	443,023	(3,354,145)
OTHER FINANCING SOURCES (USES)				
Note proceeds	-	-	1,461,514	(1,461,514)
Transfers out	(2,989,000)	(2,970,785)	(2,879,209)	91,576
Total other financing sources (uses)	(2,989,000)	(2,970,785)	(1,417,695)	(1,369,938)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 837,383	\$ 826,383	\$ (974,672)	\$ (4,724,083)

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental				
Federal	\$ 623,765	\$ 623,765	\$ 1,949,816	\$ 1,326,051
State	1,919,564	1,919,564	2,555,483	635,919
Miscellaneous	71,000	71,000	88,333	17,333
Total revenues	<u>2,614,329</u>	<u>2,614,329</u>	<u>4,593,632</u>	<u>1,979,303</u>
EXPENDITURES				
General government				
Salaries	-	-	-	-
Other	-	-	4,601,845	(4,601,845)
Total general government	<u>-</u>	<u>-</u>	<u>4,601,845</u>	<u>(4,601,845)</u>
Public safety				
Salaries				-
Other	-	-	-	-
Total public safety	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Social services				
Salaries				-
Other	-	-	-	-
Total social services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Recreation and parks				
Other	-	-	-	-
Total recreation and parks	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Economic development				
Operating personnel	-	-	70,130	(70,130)
Other	-	-	-	-
Total economic development	<u>-</u>	<u>-</u>	<u>70,130</u>	<u>(70,130)</u>
Public works				
Other	-	-	42,169	(42,169)
Total public works	<u>-</u>	<u>-</u>	<u>42,169</u>	<u>(42,169)</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>4,714,144</u>	<u>(4,714,144)</u>
Excess (deficiency) of revenue over expenditures	<u>2,614,329</u>	<u>2,614,329</u>	<u>(120,512)</u>	<u>6,693,447</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	230,304	212,089	120,513	(91,576)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>230,304</u>	<u>212,089</u>	<u>120,513</u>	<u>(91,576)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ 2,844,633</u>	<u>\$ 2,826,418</u>	<u>\$ 1</u>	<u>\$ 6,601,871</u>

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Capital Projects
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Capital Fund				
Intergovernmental				
Federal	\$ 1,920,881	\$ 1,920,881	\$ -	\$ (1,920,881)
State	55,000	55,000	660,068	605,068
Total revenues	<u>1,975,881</u>	<u>1,975,881</u>	<u>660,068</u>	<u>(1,315,813)</u>
EXPENDITURES				
Current				
General government	196,600	196,600	161,677	34,923
Public safety	2,936,312	2,936,312	1,159,050	1,777,262
Recreation and parks	25,300	25,300	14,305	10,995
Economic development	241,153	241,153	1,849,762	(1,608,609)
Education	-	-	-	-
Public works	2,439,975	2,439,975	1,935,374	504,601
Total expenditures	<u>5,839,340</u>	<u>5,839,340</u>	<u>5,120,168</u>	<u>719,172</u>
Excess (deficiency) of revenue over expenditures	<u>(3,863,459)</u>	<u>(3,863,459)</u>	<u>(4,460,100)</u>	<u>(2,034,985)</u>
OTHER FINANCING SOURCES (USES)				
Note proceeds	1,439,175	1,439,175	2,241,661	802,486
Miscellaneous	-	-	-	-
Transfers in	2,424,284	2,424,284	2,424,284	-
Total other financing sources (uses)	<u>3,863,459</u>	<u>3,863,459</u>	<u>4,665,945</u>	<u>802,486</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 205,845</u>	<u>\$ (1,232,499)</u>

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Building Excise Tax
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
Building excise tax	\$ -	\$ -	\$ -	\$ -
EXPENDITURES				
Capital outlay	-	-	6,414	(6,414)
Total expenditures	-	-	6,414	(6,414)
Excess (deficiency) of revenue over expenditures	-	-	(6,414)	(6,414)
OTHER FINANCING SOURCES (USES)				
Miscellaneous	-	-	2,236	2,236
Excess (deficiency) of revenues over expenditures and other	\$ -	\$ -	\$ (4,178)	\$ (4,178)

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Transfer Tax
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
County transfer tax	\$ 600,000	\$ 600,000	\$ 922,853	\$ 322,853
Miscellaneous	328,390	328,390	-	(328,390)
Total revenues	<u>928,390</u>	<u>928,390</u>	<u>922,853</u>	<u>(5,537)</u>
EXPENDITURES				
General government				
Salaries	396,435	509,076	351,206	157,870
Other	419,314	419,314	246,084	173,230
Total expenditures	<u>815,749</u>	<u>928,390</u>	<u>597,290</u>	<u>331,100</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (215,749)</u>	<u>\$ (328,390)</u>	<u>\$ 325,563</u>	<u>\$ 653,953</u>

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
 Airport Fund
 For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OPERATING REVENUE				
Fuel sales	\$ 275,000	\$ 275,000	\$ 207,297	\$ (67,703)
Hanger and tie-down rentals	187,000	187,000	199,711	12,711
Other	16,000	16,000	5,604	(10,396)
Total revenues	<u>478,000</u>	<u>478,000</u>	<u>412,612</u>	<u>(65,388)</u>
OPERATING EXPENSES				
Salaries and related taxes	219,771	219,771	177,950	41,821
Repairs and maintenance	25,000	40,000	43,706	(3,706)
Rental of land, buildings and equipment	13,200	13,200	12,111	1,089
Fuel	216,000	192,000	140,403	51,597
Utilities	80,600	80,600	86,019	(5,419)
Depreciation	-	-	358,000	(358,000)
Other	800,893	912,463	101,773	810,690
Total operating expenses	<u>1,355,464</u>	<u>1,458,034</u>	<u>919,962</u>	<u>538,072</u>
Net operating income (loss)	<u>(877,464)</u>	<u>(980,034)</u>	<u>(507,350)</u>	<u>472,684</u>
NON-OPERATING REVENUES (EXPENSES)				
Grants- Federal government	450,000	450,000	320,184	(129,816)
Grants- state government	103,947	206,517	90,900	(115,617)
Interest expense	10,896	10,896	(10,874)	(21,770)
Total non-operating revenues (expenses)	<u>564,843</u>	<u>667,413</u>	<u>400,210</u>	<u>(267,203)</u>
Income (loss) before transfers	<u>(312,621)</u>	<u>(312,621)</u>	<u>(107,140)</u>	<u>205,481</u>
Operating transfers	<u>334,413</u>	<u>334,413</u>	<u>334,412</u>	<u>(1)</u>
Change in net position	<u>\$ 21,792</u>	<u>\$ 21,792</u>	<u>\$ 227,272</u>	<u>\$ 205,480</u>

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Landfill Fund
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
OPERATING REVENUE				
Tipping fees	\$ 2,216,860	\$ 2,216,860	\$ 2,806,270	\$ 589,410
Permits	135,000	135,000	131,815	(3,185)
Other	20,000	20,000	1,554	(18,446)
Total revenues	<u>2,371,860</u>	<u>2,371,860</u>	<u>2,939,639</u>	<u>567,779</u>
OPERATING EXPENSES				
Salaries and related taxes	884,005	884,005	772,810	111,195
Repairs and maintenance	200,000	180,000	125,451	54,549
Rental of land, buildings and equipment	536,516	536,516	31,026	505,490
Fuel	150,000	150,000	90,964	59,036
Closure and postclosure costs accrual	326,000	326,000	882,294	(556,294)
Utilities	16,500	16,500	15,412	1,088
Depreciation	535,000	535,000	633,001	(98,001)
Other	7,489,355	7,509,355	205,510	7,303,845
Total operating expenses	<u>10,137,376</u>	<u>10,137,376</u>	<u>2,756,468</u>	<u>7,380,908</u>
Net operating income (loss)	<u>(7,765,516)</u>	<u>(7,765,516)</u>	<u>183,171</u>	<u>7,948,687</u>
NON-OPERATING REVENUES (EXPENSES)				
Grants - Federal Government	1,000,000	1,000,000	-	(1,000,000)
Proceeds - fixed asset sale	3,755,516	3,755,516	-	(3,755,516)
Note proceeds	3,000,000	3,000,000	-	(3,000,000)
Interest income	10,000	10,000	9,827	(173)
Total non-operating revenues (expenses)	<u>7,765,516</u>	<u>7,765,516</u>	<u>9,827</u>	<u>(7,755,689)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,998</u>	<u>\$ 192,998</u>

DORCHESTER COUNTY, MARYLAND

**Local Management Board - Schedule of Revenue and Expenditure
For the Year Ended June 30, 2016**

REVENUE

Intergovernmental	
State	\$ 418,217
Local	15,000
	<hr/>

TOTAL REVENUE

 433,217

EXPENDITURES

Public safety	
Substance abuse prevention	8,178

Social services	
After school program	90,000
Youth services bureau	76,537
School based behavioral health	100,000
Girls circle	20,000
ECAC	16,828
Resource directory	16,772
Fatherhood initiative	20,000
Youth employment	20,000
Administration	64,902
Total social services	<hr/> 425,039

TOTAL EXPENDITURES

 433,217

EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES

 \$ -