

DORCHESTER COUNTY, MARYLAND

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

For the Year Ended June 30, 2015

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JUNE 30, 2015

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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, 2015, 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, 2015, 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.

Emphasis of a Matter

As discussed in Note 12 to the financial statements, during the year ended June 30, 2015, the County adopted new accounting guidance from Governmental Accounting Standards Board Statement No. 68, “Accounting and Financial Reporting for Pensions.” Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, 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, 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, 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 December 11, 2015 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
December 11, 2015

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 \$40.3 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>
	2015	2014	2015	2014	2015	2014	
<i>Current and other assets</i>	\$ 19,419,752	\$ 18,950,665	\$ 15,414,866	\$ 14,199,711	\$ 34,834,618	\$ 33,150,376	5%
<i>Capital assets</i>	48,853,281	48,896,925	15,887,103	16,607,267	64,740,384	65,504,192	-1%
<i>Total Assets</i>	68,273,033	67,847,590	31,301,969	30,806,978	99,575,002	98,654,568	1%
<i>Deferred Outflow of Resources</i>	1,296,376	-	-	-	1,296,376	-	100%
<i>Current and other liabilities</i>	5,137,462	4,359,365	363,904	97,278	5,501,366	4,456,643	23%
<i>Long-term liabilities</i>	42,578,192	34,546,597	11,498,210	11,725,967	54,076,402	46,272,564	17%
<i>Total Liabilities</i>	47,715,654	38,905,962	11,862,114	11,823,245	59,577,768	50,729,207	17%
<i>Deferred Inflow of Resources</i>	973,376	-	-	-	973,376	-	100%
<i>Net Investment in Capital Assets</i>	40,446,859	46,814,844	15,608,103	16,295,267	56,054,962	63,110,111	-11%
<i>Restricted Net Position</i>	342,678	363,932	-	-	342,678	363,932	-6%
<i>Unrestricted Net Position</i>	(19,909,158)	(18,237,148)	3,831,752	2,688,466	(16,077,406)	(15,548,682)	3%
<i>Total Net Position</i>	\$ 20,880,379	\$ 28,941,628	\$ 19,439,855	\$ 18,983,733	\$ 40,320,234	\$ 47,925,361	-16%

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 \$56.1 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 (\$16.1) million.

Unrestricted net position in governmental activities have been reduced by \$20.3 million in long-term debt, resulting in unrestricted net deficit of (\$20.0) 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 \$18.6 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)

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program Revenues:						
<i>Charges for Services</i>	\$ 2,018,203	\$ 2,047,503	\$ 3,021,717	\$ 3,099,543	\$ 5,039,920	\$ 5,147,046
<i>Operating Grants and Contributions</i>	7,488,643	5,972,565	82,320	-	7,570,963	5,972,565
<i>Capital Grants and Contributions</i>	-	815,712	-	32,029	-	847,741
General Revenues:						
<i>Property taxes</i>	30,493,959	30,052,816	-	-	30,493,959	30,052,816
<i>Income taxes</i>	13,700,639	12,258,240	-	-	13,700,639	12,258,240
<i>Other</i>	827,303	3,345,846	56,100	53,916	883,403	3,399,762
Total Revenues	<u>54,528,747</u>	<u>54,492,682</u>	<u>3,160,137</u>	<u>3,185,488</u>	<u>57,688,884</u>	<u>57,678,170</u>
Program Expenses:						
<i>General government</i>	11,480,327	11,859,093	-	-	11,480,327	11,859,093
<i>Public safety</i>	12,130,672	12,675,457	-	-	12,130,672	12,675,457
<i>Social services</i>	2,608,307	1,729,399	-	-	2,608,307	1,729,399
<i>Recreation and parks</i>	511,973	564,015	-	-	511,973	564,015
<i>Natural resources</i>	513,156	543,106	-	-	513,156	543,106
<i>Economic development</i>	924,578	909,861	-	-	924,578	909,861
<i>Education</i>	21,171,268	21,943,740	-	-	21,171,268	21,943,740
<i>Public works</i>	3,634,026	4,791,515	-	-	3,634,026	4,791,515
<i>Interest on long-term debt</i>	772,573	861,285	-	-	772,573	861,285
Business-type Activities:						
<i>Airport</i>	-	-	1,049,783	955,886	1,049,783	955,886
<i>Sanitary District</i>	-	-	1,860,714	4,359,184	1,860,714	4,359,184
Total Expenses	<u>53,746,880</u>	<u>55,877,471</u>	<u>2,910,497</u>	<u>5,315,070</u>	<u>56,657,377</u>	<u>61,192,541</u>
Change in Net Position before transfers	<u>781,867</u>	<u>(1,384,789)</u>	<u>249,640</u>	<u>(2,129,582)</u>	<u>1,031,507</u>	<u>(3,514,371)</u>
Transfers	<u>(206,482)</u>	<u>(460,643)</u>	<u>206,482</u>	<u>460,643</u>	<u>-</u>	<u>-</u>
Change in Net Position	<u>575,385</u>	<u>(1,845,432)</u>	<u>456,122</u>	<u>(1,668,939)</u>	<u>1,031,507</u>	<u>(3,514,371)</u>
Net Position – beginning of year (as restated)	<u>20,304,994</u>	<u>30,787,060</u>	<u>18,983,733</u>	<u>20,652,672</u>	<u>39,288,727</u>	<u>51,439,732</u>
Net Position – End of year	<u>\$ 20,880,379</u>	<u>\$ 28,941,628</u>	<u>\$ 19,439,855</u>	<u>\$ 18,983,733</u>	<u>\$ 40,320,234</u>	<u>\$ 47,925,361</u>

The County's total net position decreased by \$7.7 million during fiscal year 2015; total net position as of June 30, 2015 was \$40.3 million representing a 16% decrease due to the recognition of \$8.9 million in net pension obligation, as required by the implementation of new accounting and financial reporting principles for pensions. For more information on this principle, see the financial statement notes.

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

Net position in governmental activities decreased by \$8.1 million. Key factors in this decrease are as follows:

- Implementation of new accounting and financial reporting principles for pensions.

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

Business-type activities increased the County's net position by \$0.5 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 \$11.0 million, a decrease of \$0.2 million. Approximately \$0.3 million is restricted and \$2.6 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 over budget by \$0.6 million and expenditures were over budget by \$0.5 million yielding a \$0.1 million net increase.

Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2015, amounts to \$64.7 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
	2015	2014	2015	2014	2015	2014	
<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>	1,416,664	329,794	1,606,170	1,289,250	3,022,834	1,619,044	87%
<i>Building and improvements</i>	23,633,873	23,585,243	14,142,167	14,142,167	37,776,040	37,727,410	0%
<i>Furniture and equipment</i>	27,452,952	26,371,704	4,326,361	4,288,861	31,779,313	30,660,565	4%
<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>	(67,913,281)	(65,652,889)	(16,117,876)	(15,043,291)	(84,031,157)	(80,696,180)	4%
Total	\$ 48,853,281	\$ 48,896,925	\$ 15,887,103	\$ 16,607,268	\$ 64,740,384	\$ 65,504,193	-1%

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

\$0.6 million for Technology Park incubator building in progress; \$0.5 million for VOIP telephone system in progress; and \$0.3 million for landfill cap design and construction in progress.

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 debt of \$54.1 million. This amount was comprised of debt backed by the full faith and credit of the County. The debt decreased by a net of \$1.99 million; primarily a result of \$2.5 million reduction in principal, \$1.6 million increase in other post-employment benefits obligation, and a \$1.0 million decrease in net pension liability.

Dorchester County, Maryland
Outstanding Debt
(Government – Wide)

Description	Governmental Activities		Business-type Activities		Total		% Change
	2015	2014	2015	2014	2015	2014	
<i>Bonds and notes payable</i>	\$ 21,811,690	\$ 24,295,460	\$ 279,000	\$ 312,000	\$ 22,090,690	\$ 24,607,460	-10%
<i>Compensated absences</i>	888,351	899,956	43,222	39,858	931,573	939,814	-1%
<i>Net pension liability</i>	8,892,812	9,804,368	-	-	8,892,812	9,804,368	-9%
<i>Pension liability</i>	719,956	709,331	-	-	719,956	709,331	1%
<i>Landfill closure and postclosure care costs</i>	-	-	11,175,988	11,374,109	11,175,988	11,374,109	-2%
<i>Other post employment benefits obligation</i>	10,265,383	8,641,850	-	-	10,265,383	8,641,850	19%
Total	\$ 42,578,192	\$ 44,350,965	\$ 11,498,210	\$ 11,725,967	\$ 54,076,402	\$ 56,076,932	-4%

The County's credit ratings for fiscal year 2015 are as follows: 1) Standard and Poor's rated A+, and 2) Moody's Investors Service rated A2.

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 2016 total budget equals \$73.6 million, an increase of \$9.4 million or 14.7% compared to the prior year adopted budget. The majority of this increase (\$6.8 million) occurred in the capital budget, primarily relating to the closure of a landfill cell. The primary goals of the FY 2016 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 As of June 30, 2015

	Primary Government			Component Unit		
	Governmental activities	Business-type activities	Total	Board of Education	Sanitary Districts	Total
ASSETS						
Cash and short-term investments	\$ 13,620,189	\$ 12,621,415	\$ 26,241,604	\$ 5,115,972	\$ 2,266,708	\$ 33,624,284
Receivables, net						
State and local property taxes	3,532,992	-	3,532,992	-	-	3,532,992
Federal government	239,761	77,986	317,747	580,581	-	898,328
State of Maryland	1,068,231	4,519	1,072,750	109,671	-	1,182,421
Local	1,174,234	-	1,174,234	-	-	1,174,234
Other	1,699,288	177,339	1,876,627	396,356	9,710	2,282,693
Internal balances	(2,480,398)	2,480,398	-	-	-	-
Other assets	565,455	53,209	618,664	9,531	113,945	742,140
Nondepreciable capital assets	19,780,925	5,024,977	24,805,902	78,955	89,013	24,973,870
Depreciable capital assets, net	29,072,356	10,862,126	39,934,482	81,949,633	11,267,284	133,151,399
TOTAL ASSETS	68,273,033	31,301,969	99,575,002	88,240,699	13,746,660	201,562,361
DEFERRED OUTFLOWS OF RESOURCES						
Net pension activity	1,296,376	-	1,296,376	397,619	-	1,693,995
LIABILITIES						
Accounts payable and accrued expenses	2,792,395	363,904	3,156,299	2,456,854	161,415	5,774,568
Due to State of Maryland	299,361	-	299,361	-	-	299,361
Due to delinquent taxpayers	587,208	-	587,208	-	-	587,208
Unearned revenue	914,664	-	914,664	233,029	257,599	1,405,292
Other	543,834	-	543,834	1,498,682	-	2,042,516
Long term liabilities, due within one year:						
Compensated absences	371,848	43,222	415,070	33,316	-	448,386
Bonds and notes payable	1,864,860	31,000	1,895,860	-	33,585	1,929,445
Long term liabilities, due in more than one year:						
Compensated absences	516,503	-	516,503	1,094,808	-	1,611,311
Bonds and notes payable	19,946,830	248,000	20,194,830	-	1,876,658	22,071,488
Landfill closure and postclosure care costs	-	11,175,988	11,175,988	-	-	11,175,988
Pension liability	719,956	-	719,956	-	-	719,956
Net pension liability	8,892,812	-	8,892,812	2,720,396	-	11,613,208
Other post-employment benefits obligation	10,265,383	-	10,265,383	18,016,373	-	28,281,756
TOTAL LIABILITIES	47,715,654	11,862,114	59,577,768	26,053,458	2,329,257	87,960,483
DEFERRED INFLOWS OF RESOURCES						
Net pension activity	973,376	-	973,376	297,765	-	1,271,141
NET POSITION						
Net investment in capital assets	40,446,859	15,608,103	56,054,962	82,028,588	9,446,054	147,529,604
Restricted	342,678	-	342,678	362,680	-	705,358
Unrestricted	(19,909,158)	3,831,752	(16,077,406)	(20,104,173)	1,971,349	(34,210,230)
TOTAL NET POSITION	\$ 20,880,379	\$ 19,439,855	\$ 40,320,234	\$ 62,287,095	\$ 11,417,403	\$ 114,024,732

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

DORCHESTER COUNTY, MARYLAND

**Statement of Activities
For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental activities:				
General government	\$ 11,480,327	\$ 387,292	\$ 3,354,142	\$ -
Public safety	12,130,672	1,407,590	1,441,337	-
Social services	2,608,307	-	1,616,658	-
Recreation and parks	511,973	40,760	155,447	-
Natural resources	513,156	41,687	-	-
Economic development	924,578	-	225,363	-
Education	21,171,268	-	-	-
Public works	3,634,026	140,874	695,696	-
Interest on long-term debt	772,573	-	-	-
Total governmental activities	<u>53,746,880</u>	<u>2,018,203</u>	<u>7,488,643</u>	<u>-</u>
Business-type activities				
Airport	1,049,783	460,972	82,320	-
Landfill	1,860,714	2,560,745	-	-
Total business-type activities	<u>2,910,497</u>	<u>3,021,717</u>	<u>82,320</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 56,657,377</u>	<u>\$ 5,039,920</u>	<u>\$ 7,570,963</u>	<u>\$ -</u>
Component unit:				
Board of Education	\$ 78,641,090	\$ 58,760,358	\$ 9,781,235	\$ 1,043,538
Sanitary Districts	1,357,799	1,133,455	177,751	-
Total Component Units	<u>\$ 79,998,889</u>	<u>\$ 59,893,813</u>	<u>\$ 9,958,986</u>	<u>\$ 1,043,538</u>
Property taxes Local taxes Miscellaneous Transfers TOTAL GENERAL REVENUE				
CHANGE IN NET POSITION				
NET POSITION - BEGINNING OF YEAR				
PRIOR PERIOD ADJUSTMENT FOR CHANGE IN ACCOUNTING PRINCIPLE				
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
\$ (7,738,893)	\$ -	\$ (7,738,893)	\$ -	\$ -	\$ (7,738,893)
(9,281,745)	-	(9,281,745)	-	-	(9,281,745)
(991,649)	-	(991,649)	-	-	(991,649)
(315,766)	-	(315,766)	-	-	(315,766)
(471,469)	-	(471,469)	-	-	(471,469)
(699,215)	-	(699,215)	-	-	(699,215)
(21,171,268)	-	(21,171,268)	-	-	(21,171,268)
(2,797,456)	-	(2,797,456)	-	-	(2,797,456)
<u>(772,573)</u>	<u>-</u>	<u>(772,573)</u>	<u>-</u>	<u>-</u>	<u>(772,573)</u>
<u>(44,240,034)</u>	<u>-</u>	<u>(44,240,034)</u>	<u>-</u>	<u>-</u>	<u>(44,240,034)</u>
-	(506,491)	(506,491)	-	-	(506,491)
-	700,031	700,031	-	-	700,031
-	193,540	193,540	-	-	193,540
<u>(44,240,034)</u>	<u>193,540</u>	<u>(44,046,494)</u>	<u>-</u>	<u>-</u>	<u>(44,046,494)</u>
-	-	-	(9,055,959)	-	(9,055,959)
-	-	-	-	(46,593)	(46,593)
-	-	-	<u>(9,055,959)</u>	<u>(46,593)</u>	<u>(9,102,552)</u>
30,493,959	-	30,493,959	-	-	30,493,959
13,700,639	-	13,700,639	-	-	13,700,639
827,303	56,100	883,403	524,381	15,886	1,407,784
<u>(206,482)</u>	<u>206,482</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>44,815,419</u>	<u>262,582</u>	<u>45,078,001</u>	<u>524,381</u>	<u>15,886</u>	<u>45,602,382</u>
575,385	456,122	1,031,507	(8,531,578)	(30,707)	(7,530,778)
28,941,628	18,983,733	47,925,361	73,460,702	11,448,110	132,834,173
(8,636,634)	-	(8,636,634)	(2,642,029)	-	(11,278,663)
<u>\$ 20,880,379</u>	<u>\$ 19,439,855</u>	<u>\$ 40,320,234</u>	<u>\$ 62,287,095</u>	<u>\$ 11,417,403</u>	<u>\$ 114,024,732</u>

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

DORCHESTER COUNTY, MARYLAND

**Balance Sheet – Governmental Funds
As of June 30, 2015**

	<u>General Fund</u>	<u>Special Revenue Grants Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash	\$ 11,055,080	\$ -	\$ 2,565,109	\$ 13,620,189
Receivables:				
State and local property taxes	3,532,992	-	-	3,532,992
Federal government	-	239,761	-	239,761
State of Maryland	-	1,068,231	-	1,068,231
Local	1,174,234	-	-	1,174,234
Other	420,398	-	99,701	520,099
Interfund	12,791,759	3,704,975	4,260,401	20,757,135
Other assets	565,455	-	-	565,455
TOTAL ASSETS	<u>\$ 29,539,918</u>	<u>\$ 5,012,967</u>	<u>\$ 6,925,211</u>	<u>\$ 41,478,096</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 1,964,664	\$ 810,217	\$ 389,362	\$ 3,164,243
Due to State of Maryland	299,361	-	-	299,361
Due to delinquent taxpayers	587,208	-	-	587,208
Interfund payables	13,490,941	3,637,351	4,930,052	22,058,344
Unearned revenue	636,451	222,721	55,492	914,664
Other	543,834	-	-	543,834
TOTAL LIABILITIES	<u>17,522,459</u>	<u>4,670,289</u>	<u>5,374,906</u>	<u>27,567,654</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	2,946,792	-	-	2,946,792
FUND BALANCES				
Nonspendable	16,336	-	-	16,336
Restricted- grants	-	342,678	-	342,678
Committed for:				
Schools and courthouse	-	-	2,409,653	2,409,653
Public safety communication system	-	-	154,623	154,623
Sheriff	-	-	53,409	53,409
Assigned for future budget	600,000	-	8,759	608,759
Unassigned	8,454,331	-	(1,076,139)	7,378,192
TOTAL FUND BALANCES	<u>9,070,667</u>	<u>342,678</u>	<u>1,550,305</u>	<u>10,963,650</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 29,539,918</u>	<u>\$ 5,012,967</u>	<u>\$ 6,925,211</u>	<u>\$ 41,478,096</u>

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, 2015**

Fund balance of governmental funds	\$ 10,963,650
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	48,853,281
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	
	323,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(516,503)
Bonds and notes payable	(21,811,690)
Pension liability	(719,956)
Net pension liability	(8,892,812)
Other post-employment benefits obligation	<u>(10,265,383)</u>
Net position of governmental activities	<u>\$ 20,880,379</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, 2015**

	<u>General Fund</u>	<u>Special Revenue Grants fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
REVENUE				
Taxes	\$ 43,584,846	\$ -	\$ 703,685	\$ 44,288,531
Licenses and permits	235,373	-	-	235,373
Federal revenue	68,099	829,548	-	897,647
State revenue	3,695,082	2,350,782	545,132	6,590,996
Service charges and fees	1,782,830	-	-	1,782,830
Miscellaneous revenues	677,011	67,031	103,624	847,666
Total Revenue	<u>50,043,241</u>	<u>3,247,361</u>	<u>1,352,441</u>	<u>54,643,043</u>
EXPENDITURES				
Current				
General government	8,102,440	224,115	761,066	9,087,621
Public safety	10,847,759	254,672	-	11,102,431
Social services	160,233	2,447,773	-	2,608,006
Recreation and parks	437,063	-	-	437,063
Natural resources	444,183	-	-	444,183
Economic development	535,295	284,188	-	819,483
Education	21,171,268	-	-	21,171,268
Public works	3,201,236	39,292	-	3,240,528
Debt service				
Principal	2,537,079	-	57,850	2,594,929
Interest	768,807	-	3,766	772,573
Capital outlay	-	94,674	2,307,075	2,401,749
Total Expenditures	<u>48,205,363</u>	<u>3,344,714</u>	<u>3,129,757</u>	<u>54,679,834</u>
Excess (Deficiency) Of Revenue Over Expenditures	<u>1,837,878</u>	<u>(97,353)</u>	<u>(1,777,316)</u>	<u>(36,791)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	576,227	76,261	1,368,582	2,021,070
Transfers out	(2,227,552)	-	-	(2,227,552)
Note proceeds	-	-	60,325	60,325
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,651,325)</u>	<u>76,261</u>	<u>1,428,907</u>	<u>(146,157)</u>
NET CHANGES IN FUND BALANCE	<u>186,553</u>	<u>(21,092)</u>	<u>(348,409)</u>	<u>(182,948)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>8,884,114</u>	<u>363,770</u>	<u>1,898,714</u>	<u>11,146,598</u>
FUND BALANCES - END OF YEAR	<u>\$ 9,070,667</u>	<u>\$ 342,678</u>	<u>\$ 1,550,305</u>	<u>\$ 10,963,650</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, 2015**

Net changes in fund balances in governmental funds \$ (182,948)

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	\$ 2,216,748	
Depreciation	<u>(2,260,392)</u>	(43,644)
Debt and lease proceeds	\$ (60,325)	
Pension liability	(10,625)	
OPEB liability	(1,623,533)	
Payments of debt principal	<u>2,594,929</u>	900,446

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.

(98,469)

Change in net position of governmental activities \$ 575,385

DORCHESTER COUNTY, MARYLAND

**Statement of Net Position - Proprietary Funds
For the Year Ended June 30, 2015**

	Business-Type Activities		
	Landfill	Airport	Total
ASSETS			
Current Assets			
Cash	\$ 12,621,090	\$ 325	\$ 12,621,415
Receivables:			
Accounts, net of \$25,000 allowance (landfill) and \$38,000 allowance (airport)	154,828	22,511	177,339
Federal government	-	77,986	77,986
State of Maryland	-	4,519	4,519
Interfund	2,732,862	2,854,179	5,587,041
Inventories	-	48,389	48,389
Other assets	-	4,820	4,820
Total current assets	15,508,780	3,012,729	18,521,509
Noncurrent Assets			
Capital assets, net	2,899,069	12,988,034	15,887,103
Total Assets	\$ 18,407,849	\$ 16,000,763	\$ 34,408,612
LIABILITIES AND NET POSITION			
LIABILITIES:			
Current Liabilities			
Accounts payable and accrued expenses	313,229	50,675	363,904
Accrued vacation	33,355	9,867	43,222
Unearned revenue	-	-	-
Interfund payables	2,377,027	729,616	3,106,643
Current maturities of long term debt	-	31,000	31,000
Total current liabilities	2,723,611	821,158	3,544,769
Noncurrent Liabilities			
Landfill- closure and postclosure	11,175,988	-	11,175,988
Longterm debt, less current maturities	-	248,000	248,000
Total noncurrent liabilities	11,175,988	248,000	11,423,988
Total Liabilities	13,899,599	1,069,158	14,968,757
NET POSITION			
Net investment in capital assets	2,899,069	12,709,034	15,608,103
Unrestricted	1,609,181	2,222,571	3,831,752
Total Net Position	\$ 4,508,250	\$ 14,931,605	\$ 19,439,855

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, 2015**

	Business-Type Activities		
	Landfill	Airport	Totals
OPERATING REVENUE			
Tipping fees	\$ 2,417,054	\$ -	\$ 2,417,054
Permits	143,691	-	143,691
Fuel sales	-	257,791	257,791
Hanger and tie-down rentals	-	203,181	203,181
Miscellaneous	35,789	10,553	46,342
TOTAL OPERATING REVENUE	2,596,534	471,525	3,068,059
OPERATING EXPENSES			
Salaries and related taxes	814,638	202,568	1,017,206
Repairs and maintenance	163,055	141,455	304,510
Rental of land, buildings and equipment	32,866	14,308	47,174
Fuel	135,728	184,628	320,356
Closure and postclosure costs accrual	(39,122)	-	(39,122)
Utilities	17,229	84,497	101,726
Depreciation	719,525	355,060	1,074,585
Other	16,795	55,104	71,899
TOTAL OPERATING EXPENSES	1,860,714	1,037,620	2,898,334
OPERATING INCOME (LOSS)	735,820	(566,095)	169,725
OTHER INCOME (EXPENSE)			
Grants - Federal government	-	77,986	77,986
Grants - state government	-	4,334	4,334
Interest expense	-	(12,163)	(12,163)
Interest income	9,758	-	9,758
TOTAL OTHER INCOME (EXPENSE)	9,758	70,157	79,915
GAIN (LOSS) BEFORE OPERATING TRANSFERS	745,578	(495,938)	249,640
OPERATING TRANSFERS	-	206,482	206,482
NET CHANGES IN NET POSITION	745,578	(289,456)	456,122
NET POSITION - BEGINNING OF YEAR	3,762,672	15,221,061	18,983,733
NET POSITION - END OF YEAR	\$ 4,508,250	\$ 14,931,605	\$ 19,439,855

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, 2015**

	Business-Type Activities		
	Landfill	Airport	Totals
Cash Flows from Operating Activities			
Receipts from customers	\$ 2,666,321	\$ 470,940	\$ 3,137,261
Payments to suppliers	(282,874)	(423,345)	(706,219)
Payments to employees	(815,800)	(200,428)	(1,016,228)
Net Cash from Operating Activities	1,567,647	(152,833)	1,414,814
Cash Flows from Noncapital Financing Activities			
Operating contributions	-	3,363	3,363
Increase (decrease) in due to/from other funds	(639,256)	192,633	(446,623)
Net Cash from Noncapital Financing Activities	(639,256)	195,996	(443,260)
Cash Flows from Capital and Related Financing Activities			
Interest paid on notes and bond payable	-	(12,163)	(12,163)
Principal paid on long term debt	-	(31,000)	(31,000)
Acquisition and construction of capital assets	(354,420)	-	(354,420)
Net Cash from Capital and Related Financing Activities	(354,420)	(43,163)	(397,583)
Cash Flows from Investing Activities			
Interest on investments	9,758	-	9,758
Net change in cash	583,729	-	583,729
Cash, Beginning of Year	12,037,361	325	12,037,686
Cash, End of Year	\$ 12,621,090	\$ 325	\$ 12,621,415
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating income (loss)	\$ 735,820	\$ (566,095)	\$ 169,725
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	719,525	355,060	1,074,585
Changes in assets and liabilities:			
Accounts receivable	69,464	6,315	75,779
Inventories and other assets	-	24,857	24,857
Accounts payable and accrued expenses	239,797	31,728	271,525
Unearned revenue	-	(6,900)	(6,900)
Accrued vacation	1,162	2,202	3,364
Landfill postclosure costs	(198,121)	-	(198,121)
Net Cash from Operating Activities	\$ 1,567,647	\$ (152,833)	\$ 1,414,814

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

DORCHESTER COUNTY, MARYLAND

**Statement of Net Position – Fiduciary Funds
As of June 30, 2015**

	<u>OPEB Trust</u>
ASSETS	
Cash	\$ 2,241,606
LIABILITIES	
Due to other funds	<u>1,179,189</u>
NET POSITION	
Held in trust for pension and OPEB	<u>\$ 1,062,417</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, 2015**

	<u>OPEB Trust</u>
ADDITIONS	
Interest	\$ 2,240
DEDUCTIONS	
Benefits	448,163
Administrative expenses	<u>1,800</u>
TOTAL DEDUCTIONS	<u>449,963</u>
CHANGES IN NET POSITION	(447,723)
NET POSITION - BEGINNING OF YEAR	<u>1,510,140</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,062,417</u></u>

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

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2015

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, 2015 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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implementation of New Accounting Principles

The County has adopted the provision of Governmental Accounting Standard Board (GASB) Statement No. 68, entitled *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As part of GASB 68 the County is required to record its net unfunded pension liability.

GASB also issued Statement No. 69, entitled *Government Combinations and Disposals of Government Operation*, and GASB Statement No. 70, entitled *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Both statements were adopted this fiscal year but had no effect on these accompanying financial statements.

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. 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*; GASB Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*; and GASB Statement No. 77; entitled, *Tax Abatement Disclosures, which will require adoption in the future, if applicable*. These statements may or will 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.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2015

2. CASH AND SHORT-TERM INVESTMENTS (continued)

County (continued)

Deposits

As of June 30, 2015, the carrying amount of the County's deposits was \$26,241,604 and the bank balances were \$28,782,909. 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, 2015, the bank deposits were fully insured or collateralized.

Board of Education of Dorchester County

As of June 30, 2015, the Board had bank deposits with various commercial banks totaling \$1,864,754 (carrying value \$1,689,907). 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, 2015, the bank deposits were fully insured or collateralized.

Investments consist of \$3,426,065 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 same as the 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.

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, MARYLAND

**Notes to the Financial Statements
June 30, 2015**

3. CAPITAL ASSETS (continued)

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

Governmental Activities

General government	\$ 589,374
Public safety	1,028,241
Social services	301
Recreation and parks	74,910
Natural resources	68,973
Economic development	105,095
Public works	<u>393,498</u>
Total	<u>\$ 2,260,392</u>

Board of Education (Discretely presented component unit)

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2015</u>
Board of Education of Dorchester County					
Governmental activities					
Capital assets, not being depreciated					
Construction in progress	\$ 52,720	\$ 1,354,800	\$ -	\$ (1,328,565)	\$ 78,955
Capital assets, being depreciated					
Building and improvements	132,946,112	-	-	1,328,565	134,274,677
Furniture and equipment	2,997,094	-	-	-	2,997,094
Vehicles	794,262	91,977	-	-	886,239
Total capital assets, being depreciated	<u>136,737,468</u>	<u>91,977</u>	<u>-</u>	<u>1,328,565</u>	<u>138,158,010</u>
Less: accumulated depreciation	<u>(51,506,433)</u>	<u>(4,707,976)</u>	<u>-</u>	<u>-</u>	<u>(56,214,409)</u>
Net capital assets being depreciated	<u>85,231,035</u>	<u>(4,615,999)</u>	<u>-</u>	<u>1,328,565</u>	<u>81,943,601</u>
Governmental activities, capital assets, net	<u>85,283,755</u>	<u>(3,261,199)</u>	<u>-</u>	<u>-</u>	<u>82,022,556</u>
Business-type activities					
Capital assets, being depreciated					
Equipment	36,250	-	-	-	36,250
Less: accumulated depreciation	<u>(28,678)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(30,218)</u>
Business-type activities capital assets, net	<u>7,572</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,032</u>
Board of education capital assets, net	<u>\$ 85,291,327</u>	<u>\$ (3,261,199)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,028,588</u>

DORCHESTER COUNTY, MARYLAND

**Notes to the Financial Statements
June 30, 2015**

3. CAPITAL ASSETS (continued)

Sanitary Districts

	Balance			Balance
	June 30, 2014	Additions	Retirements	June 30, 2015
Dorchester County Sanitary Districted				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 86,368	\$ -	\$ 86,368
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	15,221,740	-	(370,430)	14,851,310
Total capital assets, being depreciated	16,265,740	93,688	(370,430)	15,988,998
Less: accumulated depreciation	(4,683,551)	(389,695)	351,532	(4,721,714)
Net capital assets being depreciated	11,582,189	(296,007)	(18,898)	11,267,284
Sanitary districts capital assets, net	11,584,834	(209,639)	(18,898)	11,356,297
Total component units capital assets, net	<u>\$ 96,876,161</u>	<u>\$ (3,470,838)</u>	<u>\$ (18,898)</u>	<u>\$ 93,384,885</u>

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2015

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 of 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%	\$ 2,415,000	\$ -	\$ 560,000	\$ 1,855,000	\$ 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%	690,000	-	445,000	245,000	60,000
Public School Capital Improvement Bonds of 2000 due in annual principal installments of \$145,000 to \$300,000 through March 1, 2015; interest payable semi-annually from 4.5% to 5.2%	300,000	-	300,000	-	-
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%	17,535,000	-	850,000	16,685,000	870,000
Total public facilities bonds	<u>20,940,000</u>	<u>-</u>	<u>2,155,000</u>	<u>18,785,000</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	23,892	-	4,780	19,112	4,780
SEC 7-92 - Middle Hoopers Island Causeway; due in annual installments of \$5,516 through July 2020; no interest	38,612	-	5,516	33,096	5,516
SEC 8-92 - McCreedy's Point Road; due in annual installments of \$1,683 through July 2019; no interest	10,104	-	1,683	8,421	1,683
SEC 9-92 Hoopersville Road; due in annual installments of \$2,718 through July 2020; no interest	16,311	-	2,718	13,593	2,718
SEC 03-03 Hoopersville Road; due in annual installments of \$19,245 through July 2033; no interest	384,900	-	19,245	365,655	19,245
SEC 04-02 Hoopers Island Road; due in annual installments of \$5,930 through July 2027; no interest	83,022	-	5,930	77,092	5,930
SEC 05-03 Taylors Island; due in annual installments of \$14,593 through July 2035; no interest	291,868	-	14,593	277,275	14,593
SEC 18-02 Punch Island Road; due in annual installments of \$12,958 through July 2035; no interest	259,153	-	12,958	246,195	12,958
Total SEC loans payable	<u>1,107,862</u>	<u>-</u>	<u>67,423</u>	<u>1,040,439</u>	<u>67,423</u>

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2015

4. LONG-TERM DEBT AND OBLIGATIONS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
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)	\$ 255,000	\$ -	\$ 35,000	\$ 220,000	\$ 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%	91,779	-	8,311	83,468	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%	1,520,000	-	53,292	1,466,708	52,952
Note due in quarterly principal installments of \$24,313, plus interest at 5.33% through 2014 (known as the Delmarve Power and Light Building)	25,069	-	25,069	-	-
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	-	60,325	25,000
MDOT due in annual installments of \$200,000 through January 2015 with balance due January 2016; no interest	355,750	-	200,000	155,750	155,750
Total notes payable	<u>2,247,598</u>	<u>60,325</u>	<u>321,672</u>	<u>1,986,251</u>	<u>282,437</u>
Total governmental activities debt	<u>24,295,460</u>	<u>60,325</u>	<u>2,544,095</u>	<u>21,811,690</u>	<u>1,864,860</u>
Other long term liabilities					
Compensated absences	899,956	371,848	383,453	888,351	371,848
Net pension liability	9,804,368	-	911,556	8,892,812	-
Pension liability	709,331	10,625	-	719,956	-
Other post employment benefits obligation	8,641,850	1,623,533	-	10,265,383	-
Total other long term liabilities	<u>20,055,505</u>	<u>2,006,006</u>	<u>1,295,009</u>	<u>20,766,502</u>	<u>371,848</u>
Total governmental long term liabilities	<u>\$ 44,350,965</u>	<u>\$ 2,066,331</u>	<u>\$ 3,839,104</u>	<u>\$ 42,578,192</u>	<u>\$ 2,236,708</u>

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2015

4. LONG-TERM DEBT AND OBLIGATIONS (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-Type Activities					
Dorchester County Landfill					
Refuse and bid bonds payable	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ -
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%	310,000	-	31,000	279,000	31,000
Total business-type activities debt	312,000	-	33,000	279,000	31,000
Other long term liabilities					
Landfill closure and postclosure care costs	11,374,109	1,944,113	2,142,234	11,175,988	-
Total business-type activities long term liabilities	\$ 11,686,109	\$ 1,944,113	\$ 2,175,234	\$ 11,454,988	\$ 31,000
Component Units					
Board of Education					
Accrued leave	\$ 942,689	\$ 656,287	\$ 470,852	\$ 1,128,124	\$ 33,316
Net pension liability	2,999,250	78,367	357,221	2,720,396	-
Other post employment benefits	13,030,767	6,796,000	1,810,394	18,016,373	-
Total	\$ 16,972,706	\$ 7,530,654	\$ 2,638,467	\$ 21,864,893	\$ 33,316
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.	\$ 2,070,852	\$ -	\$ 160,609	\$ 1,910,243	\$ 33,585

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

<u>Year ending June 30</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Combined Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 1,864,860	\$ 756,424	\$ 31,000	\$ 10,896	\$ 1,895,860	\$ 767,320
2017	1,764,061	705,428	31,000	9,551	1,795,061	714,979
2018	1,828,849	648,383	31,000	8,234	1,859,849	656,617
2019	1,204,239	602,106	186,000	1,991	1,390,239	604,097
2020	1,164,517	567,960	-	-	1,164,517	567,960
2021-2025	6,155,540	2,284,477	-	-	6,155,540	2,284,477
2026-2030	6,718,539	1,146,685	-	-	6,718,539	1,146,685
2031-2035	992,854	172,882	-	-	992,854	172,882
2036	118,231	4,638	-	-	118,231	4,638
Total	\$ 21,811,690	\$ 6,888,983	\$ 279,000	\$ 30,672	\$ 22,090,690	\$ 6,919,655

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2015

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>
2016	\$ 76,000
2017	52,000
2018	52,000
2019	52,000

Expenses under these leases total approximately \$113,000 for the year ended June 30, 2015.

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>
2016	\$416,000
2017	416,000
2018	416,000
2019	19,000
2020	9,000

Expenses under these leases total approximately \$430,000 for the year ended June 30, 2015.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2015

6. INTERFUND RECEIVABLES AND PAYABLES

Due to/from other fund balances as of June 30, 2015 are as follows:

<u>Primary Government</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Government activities	\$ 18,758,186	\$ 19,866,913
Business-type activities	5,380,559	3,106,643
Total due to/from other funds	<u>\$ 24,138,745</u>	<u>\$ 22,973,556</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, 2015

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, 2015, 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, 2015.

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 2015 annual payment was \$42,003, 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, 2015, the County reported a liability of approximately \$8.9 million for its proportionate share of the System's net pension liability. The System's net pension liability was measured as of June 30, 2014, 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, 2015, the County's proportion for the System was 0.052 percent, which was substantially the same from its proportion measured as of June 30, 2014.

DORCHESTER COUNTY, MARYLAND

**Notes to the Financial Statements
June 30, 2015**

7. RETIREMENT PLANS (continued)

For the year ended June 30, 2015, the County recognized pension expense for the System of approximately \$1.1 million. As of June 30, 2015, 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	\$ -
Changes in assumptions	128,642	-
Net difference between projected and actual earnings on pension plan investments	-	973,376
Total	<u>\$ 1,296,276</u>	<u>\$ 973,376</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: Changes in assumptions: Fiscal years 2016-2019, \$32,160 per year; Difference between projected and actual earnings on pension plan investments: Fiscal years 2016-2019, \$243,344 per year.

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 7.65 percent is \$8,892,812. 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 (6.65 percent) is \$13,255,142 or 1-percentage-point higher (8.65 percent) is \$5,799,658.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2015

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, 2014, 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, 2013, 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 2015, the County contributed \$0 to the Plan for the eligible retirees.

DORCHESTER COUNTY, MARYLAND

**Notes to the Financial Statements
June 30, 2015**

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	\$ 6,314,000
Interest on net OPEB obligation	432,093	482,000
Amortization of net OPEB obligation	(562,165)	
Adjustment to annual required contribution	-	(522,000)
Annual OPEB cost	<u>1,623,533</u>	<u>6,274,000</u>
Contributions	-	(1,288,394)
Increase in net OPEB obligation	1,623,533	4,985,606
Net OPEB obligation, beginning of year	<u>8,641,850</u>	<u>13,030,767</u>
Net OPEB obligation, end of year	<u>\$ 10,265,383</u>	<u>\$ 18,016,373</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
2013	1,865,343	0.00%	6,776,507

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>
2015	\$ 6,274,000	20.54%	\$ 18,016,373
2014	5,868,000	20.22%	13,030,767
2013	4,549,000	23.82%	8,349,099

DORCHESTER COUNTY, MARYLAND

**Notes to the Financial Statements
June 30, 2015**

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%
2013	July 1, 2012	1,753,159	18,502,552	(16,749,393)	9.5%	12,239,706	137%

<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>
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%
2013	July 1, 2011	-	58,473,000	(58,473,000)	0.0%	30,524,124	192%

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, 2015

8. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

In the actuarial valuation for the plan year ending July 1, 2014, 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, 2015, 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, 2014, 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, 2015.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2015

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 1996. The cost to cap the landfill is expected to be approximately \$5,000,000. The County is currently awaiting final approval of its plan of closure from the Maryland Department of the Environment. Post-closure care costs for this location 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>2014</u>	<u>Current Year Additions (Deductions)</u>	<u>2015</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	6,500,000	(1,500,000)	5,000,000
Postclosure care costs	594,000	-	594,000
	<u>7,094,000</u>	<u>(1,500,000)</u>	<u>5,594,000</u>
New Beulah landfill- cells 1-4			
Closure costs	3,267,662	(642,234)	2,625,428
Postclosure care costs	263,947	1,944,113	2,208,060
	<u>3,531,609</u>	<u>1,301,879</u>	<u>4,833,488</u>
Total closure and post closure care costs	<u>\$ 11,374,109</u>	<u>\$ (198,121)</u>	<u>\$ 11,175,988</u>

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2015

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, 2015. 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, 2015, as specified in 40CFR258.

Though there are currently no legal restrictions on available funds, the County has approximately \$12,621,000 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.

The New Beulah landfill will consist of six cells. Cells 1 & 2 began accepting waste in November 1995 and were completely filled in 2003. Accruals of closure and post-closure care costs have been recognized. Total closure and post-closure care costs for Cells 1 & 2 are estimated to be approximately \$1,050,003 and \$883,080, respectively.

The New Beulah landfill cell 3 was completed and began accepting waste in 2003. Accrual of closure and post-closure care costs have been recognized based on the estimated capacity used to date. Total closure and post-closure care costs for Cell 3 are estimated to be approximately \$875,003 and \$735,900, respectively.

The New Beulah landfill cell 4 was completed and began accepting waste in 2003. Accrual of closure and post-closure care costs have been recognized based on the estimated capacity used to date. Total closure and post-closure care costs for Cell 4 are estimated to be approximately \$606,668 and \$510,224, respectively.

The New Beulah landfill cell 5 was completed and began accepting waste in 2011. Accrual of closure and post-closure care costs have been recognized based on the estimated capacity used to date. Total closure and post-closure care costs for Cell 5 are estimated to be approximately \$93,754 and \$78,856, respectively.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements June 30, 2015

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.

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.

DORCHESTER COUNTY, MARYLAND

Notes to the Financial Statements

June 30, 2015

11. COMMITMENTS AND CONTINGENCIES (continued)

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.

12. CHANGE IN ACCOUNTING PRINCIPLE

COUNTY

Net position of the governmental activities has been restated by negative \$8,636,634 due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pension and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement in recording the beginning net pension liability and the beginning deferred outflow of resources, contribution subsequent to the measurement date, for all the defined benefit pension plans.

BOARD OF EDUCATION OF DORCHESTER COUNTY

Net position of the Board of Education has been restated by negative \$2,642,029 due to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pension and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement in recording the beginning net pension liability and the beginning deferred outflow of resources, contribution subsequent to the measurement date, for all the defined benefit pension plans.

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REQUIRED SUPPLEMENTARY INFORMATION

DORCHESTER COUNTY, MARYLAND

**Schedules of Funding Progress and Contributions - OPEB
June 30, 2015**

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

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (a/b)	Covered Payroll	UAAL as a Percentage of Covered Payroll
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%
2013	July 1, 2012	1,753,159	18,502,552	(16,749,393)	9.5%	12,239,706	137%

Schedule of Contributions

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$ 1,623,533	0.0%	\$ 10,265,383
2014	1,865,343	0.0%	8,641,850
2013	1,865,343	0.0%	6,776,507

DORCHESTER COUNTY, MARYLAND

Schedule of County's Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System June 30, 2015

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

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

	<u>Capital Projects</u>	<u>Building Excise Tax Fund</u>	<u>Transfer Tax Fund</u>	<u>Commissionary Fund</u>	<u>Total Non-major Funds</u>
ASSETS					
Cash	\$ 269,361	\$ 2,231,497	\$ -	\$ 64,251	\$ 2,565,109
Accounts receivable	-	-	99,701	-	99,701
Due from other funds	2,165,524	5,000	2,089,877	-	4,260,401
TOTAL ASSETS	<u>\$ 2,434,885</u>	<u>\$ 2,236,497</u>	<u>\$ 2,189,578</u>	<u>\$ 64,251</u>	<u>\$ 6,925,211</u>
LIABILITIES, AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued expenses	\$ 344,812	\$ 1,513	\$ 43,037	\$ -	\$ 389,362
Due to other funds	3,166,212	979,275	784,565	-	4,930,052
Unearned revenue	-	-	-	55,492	55,492
TOTAL LIABILITIES	<u>3,511,024</u>	<u>980,788</u>	<u>827,602</u>	<u>55,492</u>	<u>5,374,906</u>
FUND BALANCES					
Restricted	-	-	-	-	-
Committed for:					
Schools and courthouse		1,047,677	1,361,976	-	2,409,653
Public safety communication system	-	154,623	-	-	154,623
Sheriff	-	53,409	-	-	53,409
Assigned	-	-	-	8,759	8,759
Unassigned	(1,076,139)	-	-	-	(1,076,139)
TOTAL FUND BALANCES	<u>(1,076,139)</u>	<u>1,255,709</u>	<u>1,361,976</u>	<u>8,759</u>	<u>1,550,305</u>
TOTAL LIABILITIES, AND FUND BALANCES	<u>\$ 2,434,885</u>	<u>\$ 2,236,497</u>	<u>\$ 2,189,578</u>	<u>\$ 64,251</u>	<u>\$ 6,925,211</u>

DORCHESTER COUNTY, MARYLAND

**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds
For the Year Ended June 30, 2015**

	<u>Capital Projects</u>	<u>Building Excise Tax Fund</u>	<u>Transfer Tax Fund</u>	<u>Commissionary Fund</u>	<u>Total Non- major Funds</u>
REVENUE					
Taxes	\$ -	\$ -	\$ 703,685	\$ -	\$ 703,685
State revenue	545,132	-	-	-	545,132
Miscellaneous revenues	809	2,229	-	100,586	103,624
TOTAL REVENUE	<u>545,941</u>	<u>2,229</u>	<u>703,685</u>	<u>100,586</u>	<u>1,352,441</u>
EXPENDITURES					
General government	-	-	669,239	91,827	761,066
Public safety	-	-	-	-	-
Education	-	-	-	-	-
Debt service:	-	-	-	-	-
Principal	-	-	57,850	-	57,850
Interest	-	-	3,766	-	3,766
Capital outlay	2,295,147	11,928	-	-	2,307,075
TOTAL EXPENDITURES	<u>2,295,147</u>	<u>11,928</u>	<u>730,855</u>	<u>91,827</u>	<u>3,129,757</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>(1,749,206)</u>	<u>(9,699)</u>	<u>(27,170)</u>	<u>8,759</u>	<u>(1,777,316)</u>
OTHER FINANCING SOURCES					
Note proceeds	60,325	-	-	-	60,325
Transfers in	1,368,582	-	-	-	1,368,582
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,428,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,428,907</u>
NET CHANGES IN FUND BALANCES	<u>(320,299)</u>	<u>(9,699)</u>	<u>(27,170)</u>	<u>8,759</u>	<u>(348,409)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>(755,840)</u>	<u>1,265,408</u>	<u>1,389,146</u>	<u>-</u>	<u>1,898,714</u>
FUND BALANCES - END 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>

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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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property taxes	\$ 30,027,714	\$ 30,027,714	\$ 29,892,908	\$ (134,806)
Income and other taxes	12,156,873	12,186,873	13,691,938	1,505,065
Total taxes	<u>42,184,587</u>	<u>42,214,587</u>	<u>43,584,846</u>	<u>1,370,259</u>
Licenses and permits	194,550	194,550	235,373	40,823
Intergovernmental				
Federal	41,139	41,139	68,099	26,960
State	3,551,125	3,551,125	3,695,082	143,957
Service charges	1,455,185	1,460,185	1,782,830	322,645
Miscellaneous	1,975,985	1,975,985	677,011	(1,298,974)
Total revenues	<u>49,402,571</u>	<u>49,437,571</u>	<u>50,043,241</u>	<u>605,670</u>
EXPENDITURES				
General Government				
County council				
Operating personnel	323,203	323,203	213,565	109,638
Other	31,568	26,568	26,844	(276)
Total county council	<u>354,771</u>	<u>349,771</u>	<u>240,409</u>	<u>109,362</u>
Circuit court				
Operating personnel	105,849	105,849	106,868	(1,019)
Other	82,888	82,888	60,372	22,516
Total circuit court	<u>188,737</u>	<u>188,737</u>	<u>167,240</u>	<u>21,497</u>
Orphan's court				
Operating personnel	14,100	14,100	14,100	-
Other	6,123	6,123	6,469	(346)
Total orphan's court	<u>20,223</u>	<u>20,223</u>	<u>20,569</u>	<u>(346)</u>
State's attorney				
Operating personnel	641,317	641,317	602,563	38,754
Other	41,340	41,340	41,366	(26)
Total state's attorney	<u>682,657</u>	<u>682,657</u>	<u>643,929</u>	<u>38,728</u>
Elections				
Operating personnel	41,800	41,800	40,255	1,545
Other	410,250	410,250	389,300	20,950
Total elections	<u>452,050</u>	<u>452,050</u>	<u>429,555</u>	<u>22,495</u>
Finance & treasurer				
Operating personnel	361,903	361,903	363,197	(1,294)
Other	91,661	91,661	89,738	1,923
Total finance & treasurer	<u>453,564</u>	<u>453,564</u>	<u>452,935</u>	<u>629</u>
Human resources				
Operating personnel	54,647	54,647	54,842	(195)
Other	28,725	28,725	21,569	7,156
Total human resources	<u>83,372</u>	<u>83,372</u>	<u>76,411</u>	<u>6,961</u>
Information technology				
Operating personnel	173,415	173,415	174,035	(620)
Other	38,355	38,355	45,628	(7,273)
Total information technology	<u>211,770</u>	<u>211,770</u>	<u>219,663</u>	<u>(7,893)</u>
Other general government				
Operating personnel	44,062	44,062	36,796	7,266
Other	583,783	583,783	553,579	30,204
Total other government	<u>627,845</u>	<u>627,845</u>	<u>590,375</u>	<u>37,470</u>
Planning and zoning				
Operating personnel	281,183	282,383	263,070	19,313
Other	98,564	97,364	78,812	18,552
Total planning and zoning	<u>379,747</u>	<u>379,747</u>	<u>341,882</u>	<u>37,865</u>
Maintenance				
Operating personnel	104,398	104,398	104,251	147
Other	132,900	132,900	111,979	20,921
Total maintenance	<u>237,298</u>	<u>237,298</u>	<u>216,230</u>	<u>21,068</u>
Total general government	<u>3,692,034</u>	<u>3,687,034</u>	<u>3,399,198</u>	<u>287,836</u>

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety				
Sheriff				
Operating personnel	1,859,299	1,859,299	1,994,018	(134,719)
Other	577,618	577,618	751,154	(173,536)
Total sheriff	2,436,917	2,436,917	2,745,172	(308,255)
Volunteer fire and life support				
Other	746,850	746,850	800,776	(53,926)
Total volunteer fire and life support	746,850	746,850	800,776	(53,926)
EMS				
Operating personnel	1,769,186	1,769,186	1,963,359	(194,173)
Other	526,398	526,398	553,232	(26,834)
Total EMS	2,295,584	2,295,584	2,516,591	(221,007)
Detention center				
Operating personnel	2,252,282	2,252,282	2,121,176	131,106
Other	1,443,862	1,443,862	1,325,079	118,783
Total detention center	3,696,144	3,696,144	3,446,255	249,889
911 emergency communications				
Operating personnel	674,666	674,666	646,526	28,140
Other	447,456	447,456	455,215	(7,759)
Total 911 emergency communications	1,122,122	1,122,122	1,101,741	20,381
Emergency management				
Operating personnel	73,534	73,534	74,127	(593)
Other	25,218	25,218	7,769	17,449
Total emergency management	98,752	98,752	81,896	16,856
Animal control				
Operating personnel	84,415	84,415	91,834	(7,419)
Other	78,085	78,085	63,494	14,591
Total animal control	162,500	162,500	155,328	7,172
Total public safety	10,558,869	10,558,869	10,847,759	(288,890)
Public Works				
Highways & streets				
Operating personnel	1,129,911	1,129,911	1,499,321	(369,410)
Other	2,363,943	2,044,072	1,589,869	454,203
Total highways & streets	3,493,854	3,173,983	3,089,190	84,793
Engineering				
Operating personnel	112,530	112,530	101,573	10,957
Other	13,100	13,100	10,473	2,627
Total engineering	125,630	125,630	112,046	13,584
Total public works	3,619,484	3,299,613	3,201,236	98,377
Recreation and parks				
Operating personnel	303,838	299,838	274,088	25,750
Other	161,350	165,350	162,975	2,375
Total recreation and parks	465,188	465,188	437,063	28,125
Natural resources				
Cooperative extension service				
Other	137,444	137,444	137,444	-
Other				
Operating personnel	277,832	277,832	281,771	(3,939)
Other	25,735	25,735	24,968	767
Total other	303,567	303,567	306,739	(3,172)
Total natural resources	441,011	441,011	444,183	(3,172)

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
General Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Social services				
Other health and social services				
Operating personnel	7,800	7,800	7,775	25
Other	123,814	153,814	152,458	1,356
Total other	131,614	161,614	160,233	1,381
Total social services	131,614	161,614	160,233	1,381
Economic development				
Operating personnel	244,665	244,665	242,796	1,869
Other	409,141	409,141	292,499	116,642
Total other	653,806	653,806	535,295	118,511
Total economic development	653,806	653,806	535,295	118,511
Education				
Board of education	18,531,907	18,531,907	18,531,907	-
Chesapeake college	1,113,212	1,113,212	1,113,212	-
Public library	513,000	513,000	513,000	-
County health department	1,133,641	1,133,641	1,013,149	120,492
Total education	21,291,760	21,291,760	21,171,268	120,492
Debt service				
Principal	2,544,095	2,544,095	2,537,079	7,016
Interest	832,661	832,661	768,807	63,854
Total debt service	3,376,756	3,376,756	3,305,886	70,870
Miscellaneous	3,724,195	3,724,195	4,703,242	(979,047)
Total expenditures	47,954,717	47,659,846	48,205,363	(545,517)
Excess (deficiency) of revenue over expenditures	1,447,854	1,777,725	1,837,878	60,153
OTHER FINANCING SOURCES (USES)				
Transfers in	576,227	576,227	576,227	-
Transfers out	(2,024,081)	(2,353,952)	(2,227,552)	126,400
Total other financing sources (uses)	(1,447,854)	(1,777,725)	(1,651,325)	126,400
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ 186,553	\$ 186,553

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Intergovernmental				
Federal	\$ 89,132	\$ 2,202,779	\$ 829,548	\$ (1,373,231)
State	2,049,508	2,513,272	2,350,782	(162,490)
Miscellaneous	45,000	95,000	67,031	(27,969)
Total revenues	<u>2,183,640</u>	<u>4,811,051</u>	<u>3,247,361</u>	<u>(1,563,690)</u>
EXPENDITURES				
General government				
Salaries	161,597	152,621	125,160	27,461
Other	115,588	90,935	98,955	(8,020)
Total general government	<u>277,185</u>	<u>243,556</u>	<u>224,115</u>	<u>19,441</u>
Public safety				
Salaries	47,376	108,227	107,431	796
Other	28,756	181,861	147,241	34,620
Total public safety	<u>76,132</u>	<u>290,088</u>	<u>254,672</u>	<u>35,416</u>
Social services				
Salaries	59,681	59,681	103,892	(44,211)
Other	1,199,357	3,795,548	2,343,881	1,451,667
Total social services	<u>1,259,038</u>	<u>3,855,229</u>	<u>2,447,773</u>	<u>1,407,456</u>
Recreation and parks				
Other	250,000	250,000	94,674	155,326
Total recreation and parks	<u>250,000</u>	<u>250,000</u>	<u>94,674</u>	<u>155,326</u>
Economic development				
Operating personnel	-	-	70,130	(70,130)
Other	445,000	295,893	214,058	81,835
Total economic development	<u>445,000</u>	<u>295,893</u>	<u>284,188</u>	<u>11,705</u>
Public works				
Other	-	-	39,292	(39,292)
Total public works	<u>-</u>	<u>-</u>	<u>39,292</u>	<u>(39,292)</u>
Total expenditures	<u>2,307,355</u>	<u>4,934,766</u>	<u>3,344,714</u>	<u>1,590,052</u>
Excess (deficiency) of revenue over expenditures	<u>(123,715)</u>	<u>(123,715)</u>	<u>(97,353)</u>	<u>(3,153,742)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	123,715	123,715	76,261	(47,454)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>123,715</u>	<u>123,715</u>	<u>76,261</u>	<u>(47,454)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,092)</u>	<u>\$ (3,201,196)</u>

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Capital Projects
For the Year Ended June 30, 2015**

	<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	\$ 2,444,500	\$ 2,444,500	\$ -	\$ (2,444,500)
State	2,347,500	2,347,500	545,132	(1,802,368)
Total revenues	<u>4,792,000</u>	<u>4,792,000</u>	<u>545,132</u>	<u>(4,246,868)</u>
EXPENDITURES				
Current				
General government	187,384	192,384	114,457	77,927
Public safety	727,000	732,000	1,164,405	(432,405)
Recreation and parks	21,000	21,000	17,163	3,837
Economic development	-	-	585,494	(585,494)
Education	1,720,000	1,720,000	200,000	1,520,000
Public works	3,830,500	4,150,371	213,628	3,936,743
Total expenditures	<u>6,485,884</u>	<u>6,815,755</u>	<u>2,295,147</u>	<u>4,520,608</u>
Excess (deficiency) of revenue over expenditures	<u>(1,693,884)</u>	<u>(2,023,755)</u>	<u>(1,750,015)</u>	<u>(8,767,476)</u>
OTHER FINANCING SOURCES (USES)				
Note proceeds	-	-	60,325	60,325
Miscellaneous	-	-	809	809
Transfers in	1,693,884	2,023,755	1,368,582	(655,173)
Total other financing sources (uses)	<u>1,693,884</u>	<u>2,023,755</u>	<u>1,429,716</u>	<u>(594,039)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (320,299)</u>	<u>\$ (9,361,515)</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, 2015**

	<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	\$ 11,000	\$ 11,000	\$ 2,229	\$ 8,771
EXPENDITURES				
Capital outlay	11,000	11,000	11,928	(928)
Total expenditures	<u>11,000</u>	<u>11,000</u>	<u>11,928</u>	<u>(928)</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>-</u>	<u>(9,699)</u>	<u>(9,699)</u>
OTHER FINANCING SOURCES (USES)				
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,699)</u>	<u>\$ (9,699)</u>

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Transfer Tax
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUE				
County transfer tax	\$ 600,000	\$ 600,000	\$ 703,685	\$ 103,685
Miscellaneous	279,326	279,326	-	(279,326)
Total revenues	<u>879,326</u>	<u>879,326</u>	<u>703,685</u>	<u>(175,641)</u>
EXPENDITURES				
General government				
Salaries	337,268	337,268	317,619	19,649
Other	542,058	542,058	413,237	128,821
Total expenditures	<u>879,326</u>	<u>879,326</u>	<u>730,856</u>	<u>148,470</u>
Excess (deficiency) of revenue over expenditures	<u>\$ (279,326)</u>	<u>\$ (279,326)</u>	<u>\$ (27,171)</u>	<u>\$ 252,155</u>

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
 Airport Fund
 For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OPERATING REVENUE				
Fuel sales	\$ 275,000	\$ 275,000	\$ 257,791	\$ (17,209)
Hanger and tie-down rentals	187,000	187,000	203,181	16,181
Other	16,000	16,000	10,553	(5,447)
Total revenues	<u>478,000</u>	<u>478,000</u>	<u>471,525</u>	<u>(6,475)</u>
OPERATING EXPENSES				
Salaries and related taxes	243,898	243,898	202,568	41,330
Repairs and maintaince	9,500	31,500	141,455	(109,955)
Rental of land, buildings and equipment	13,700	13,700	14,308	(608)
Fuel	216,000	193,500	184,628	8,872
Utilities	80,600	80,600	84,497	(3,897)
Depreciation	55,000	55,000	355,060	(300,060)
Other	44,100	54,100	55,104	(1,004)
Total operating expenses	<u>662,798</u>	<u>672,298</u>	<u>1,037,620</u>	<u>(365,322)</u>
Net operating income (loss)	<u>(184,798)</u>	<u>(194,298)</u>	<u>(566,095)</u>	<u>(371,797)</u>
NON-OPERATING REVENUES (EXPENSES)				
Grants- Federal government	55,000	55,000	77,986	22,986
Grants- state government	-	-	4,334	4,334
Interest expense	(12,184)	(12,184)	(12,163)	21
Total non-operating revenues (expenses)	<u>42,816</u>	<u>42,816</u>	<u>70,157</u>	<u>27,341</u>
Income (loss) before transfers	<u>(141,982)</u>	<u>(151,482)</u>	<u>(495,938)</u>	<u>(344,456)</u>
Operating transfers	<u>151,482</u>	<u>151,482</u>	<u>206,482</u>	<u>55,000</u>
Change in net position	<u>\$ 9,500</u>	<u>\$ -</u>	<u>\$ (289,456)</u>	<u>\$ (289,456)</u>

DORCHESTER COUNTY, MARYLAND

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual
Landfill Fund
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
OPERATING REVENUE				
Tipping fees	\$ 2,295,729	\$ 2,295,729	\$ 2,417,054	\$ 121,325
Permits	160,000	160,000	143,691	(16,309)
Other	25,000	25,000	35,789	10,789
Total revenues	<u>2,480,729</u>	<u>2,480,729</u>	<u>2,596,534</u>	<u>115,805</u>
OPERATING EXPENSES				
Salaries and related taxes	916,874	916,874	814,638	102,236
Repairs and maintaince	207,000	212,000	163,055	48,945
Rental of land, buildings and equipment	31,000	31,000	32,866	(1,866)
Fuel	172,000	172,000	135,728	36,272
Closure and postclosure costs accrual	481,000	465,000	(39,122)	504,122
Utilities	15,500	17,500	17,229	271
Depreciation	580,000	580,000	719,525	(139,525)
Other	87,355	96,355	16,795	79,560
Total operating expenses	<u>2,490,729</u>	<u>2,490,729</u>	<u>1,860,714</u>	<u>630,015</u>
Net operating income (loss)	<u>(10,000)</u>	<u>(10,000)</u>	<u>735,820</u>	<u>745,820</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	10,000	10,000	9,758	(242)
Total non-operating revenues (expenses)	<u>10,000</u>	<u>10,000</u>	<u>9,758</u>	<u>(242)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 745,578</u>	<u>\$ 745,578</u>

DORCHESTER COUNTY, MARYLAND

**Local Management Board - Schedule of Revenue and Expenditure
For the Year Ended June 30, 2015**

REVENUE		
Intergovernmental		
State	\$	370,098
Local		<u>15,000</u>
TOTAL REVENUE		<u>385,098</u>
EXPENDITURES		
Public safety		
Substance abuse prevention		30,001
Social services		
After school program		90,000
Youth services bureau		76,537
School based behavioral health		80,000
Girls circle		20,000
ECAC		23,560
Administration		<u>65,000</u>
Total social services		<u>355,097</u>
TOTAL EXPENDITURES		<u>385,098</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	\$	<u><u>-</u></u>