

**DORCHESTER COUNTY, MARYLAND**

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

**For the Year Ended June 30, 2018**

This page intentionally left blank



**JUNE 30, 2018**

**CONTENTS**

<b>REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS</b>	1
<b>MANAGEMENT’S DISCUSSION AND ANALYSIS</b>	5
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Position	13
Statement of Activities	14
Balance Sheet – Governmental Funds	16
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Position	17
Statement of Revenue, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Net Position – Proprietary Funds	20
Statement of Revenue, Expenses, and Changes in Net Position – Proprietary Funds	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Net Position – Fiduciary Funds	23
Statement of Changes in Net Position – Fiduciary Funds	24
Notes to the Financial Statements	25
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in Net OPEB Liability and Related Ratios	60
Schedule of County Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System	61
Schedule of County Contributions to the Maryland State Retirement and Pension System	62
<b>COMBINING AND INDIVIDUAL FUND STATEMENTS</b>	
Combining Balance Sheet – Non-Major Governmental Funds	64
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds	65
<b>BUDGET AND ACTUAL SCHEDULE AND OTHER</b>	
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	68
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund	71
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Capital Projects	72
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Building Excise Tax	73
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Transfer Tax	74
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Airport Fund	75
Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Landfill Fund	76
Local Management Board – Schedule of Revenue and Expenditures	77



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

County Council of 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 units, each major fund, and the aggregate remaining fund information of Dorchester County, Maryland (the County) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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 controls 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 controls 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 controls. 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.



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Emphasis of Matter*

As discussed in Note 12 to the financial statements, during the year ended June 30, 2018, the County adopted new accounting guidance from Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

#### *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 individually 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's 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.

#### *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



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

fund statements and Local Management Board – schedule of revenue and expenditures, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Hunt Valley, Maryland  
February 8, 2019

*SB & Company, LLC*

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 on of three 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 revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General, Special Revenue Grants, Capital Projects, Building Excise Tax, Transfer Tax, ESIC, 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 24-57 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 and other information can be found on pages 58-77 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 \$16.8 million as of the close of the most recent fiscal year.

**Dorchester County, Maryland**  
**Net Position**  
*(Primary Government)*

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>		<i>Total Percent Change</i>
	2018	2017	2018	2017	2018	2017	
<i>Current and other assets</i>	\$ 16,089,060	\$ 18,297,795	\$ 13,011,526	\$ 12,343,997	\$ 29,100,586	\$ 30,641,792	-5%
<i>Capital assets</i>	49,912,745	50,264,079	18,802,783	18,932,957	68,715,528	69,197,036	-1%
<i>Total Assets</i>	<u>66,001,805</u>	<u>68,561,874</u>	<u>31,814,309</u>	<u>31,276,954</u>	<u>97,816,114</u>	<u>99,838,828</u>	-2%
<i>Deferred Outflow of Resources</i>	5,160,743	3,218,985	-	-	5,160,743	3,218,985	60%
<i>Current and other liabilities</i>	6,996,249	4,578,203	151,353	141,422	7,147,602	4,719,625	51%
<i>Long-term liabilities</i>	62,566,715	50,243,088	7,127,963	7,159,725	69,694,678	57,402,813	21%
<i>Total Liabilities</i>	<u>69,562,964</u>	<u>54,821,291</u>	<u>7,279,316</u>	<u>7,301,147</u>	<u>76,842,280</u>	<u>62,122,438</u>	24%
<i>Deferred Inflow of Resources</i>	840,974	32,049	-	-	840,974	32,049	2524%
<i>Net Investment in Capital Assets</i>	40,095,525	40,446,859	18,616,783	18,715,957	58,712,308	59,162,816	-1%
<i>Restricted Net Position</i>	335,353	338,465	-	-	335,353	338,465	-1%
<i>Unrestricted Net Position (Deficit)</i>	(39,672,268)	(24,145,805)	5,918,210	5,259,850	(33,754,058)	(18,885,955)	-79%
<i>Total Net Position</i>	<u>\$ 758,610</u>	<u>\$ 16,639,519</u>	<u>\$ 24,534,993</u>	<u>\$ 23,975,807</u>	<u>\$ 25,293,603</u>	<u>\$ 40,615,326</u>	-38%

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 \$58.7 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 (\$42.2) million.

Unrestricted net position in governmental activities has been reduced by \$27.5 million in long-term debt, resulting in unrestricted net deficit of (\$48.1) 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 \$25.8 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**  
*(Primary Government)*

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2018	2017	2018	2017	2018	2017
<b>Program Revenues:</b>						
<i>Charges for Services</i>	\$ 2,043,003	\$ 2,327,415	\$ 3,277,966	\$ 3,553,912	\$ 5,320,969	\$ 5,881,327
<i>Operating Grants and Contributions</i>	7,698,627	5,289,222	-	50,000	7,698,627	5,339,222
<i>Capital Grants and Contributions</i>	85,713	44,055	157,629	2,880,911	243,342	2,924,966
<b>General Revenues:</b>						
<i>Property taxes</i>	30,978,454	31,747,911	-	-	30,978,454	31,747,911
<i>Income taxes</i>	14,942,415	14,309,614	-	-	14,942,415	14,309,614
<i>Other</i>	417,711	4,424,101	157,681	20,766	575,392	4,444,867
<b>Total Revenues</b>	<b>56,165,923</b>	<b>58,142,318</b>	<b>3,593,276</b>	<b>6,505,589</b>	<b>59,759,199</b>	<b>64,647,907</b>
<b>Program Expenses:</b>						
<i>General government</i>	14,150,623	15,789,103	-	-	14,150,623	15,789,103
<i>Public safety</i>	14,906,729	13,575,822	-	-	14,906,729	13,575,822
<i>Social services</i>	2,923,236	1,647,608	-	-	2,923,236	1,647,608
<i>Recreation and parks</i>	722,329	803,660	-	-	722,329	803,660
<i>Natural resources</i>	595,398	497,423	-	-	595,398	497,423
<i>Economic development</i>	1,232,981	1,072,144	-	-	1,232,981	1,072,144
<i>Education</i>	30,020,269	21,302,863	-	-	30,020,269	21,302,863
<i>Public works</i>	3,625,116	3,315,129	-	-	3,625,116	3,315,129
<i>Interest on long-term debt</i>	736,042	773,433	-	-	736,042	773,433
<b>Business-type Activities:</b>						
<i>Airport</i>	-	-	1,302,566	902,867	1,302,566	902,867
<i>Landfill</i>	-	-	2,426,013	2,054,311	2,426,013	2,054,311
<b>Total Expenses</b>	<b>68,912,723</b>	<b>58,777,185</b>	<b>3,728,579</b>	<b>2,957,178</b>	<b>72,641,302</b>	<b>61,734,363</b>
<b>Change in Net Position before transfers</b>	<b>(12,746,800)</b>	<b>(634,867)</b>	<b>(135,303)</b>	<b>3,548,411</b>	<b>(12,882,103)</b>	<b>2,913,544</b>
<b>Transfers</b>	<b>(694,489)</b>	<b>(567,271)</b>	<b>694,489</b>	<b>567,271</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(13,441,289)</b>	<b>(1,202,138)</b>	<b>559,186</b>	<b>4,115,682</b>	<b>(12,882,103)</b>	<b>2,913,544</b>
<b>Net Position – beginning of year, as restated</b>	<b>14,199,899</b>	<b>17,841,657</b>	<b>23,975,807</b>	<b>19,860,125</b>	<b>38,175,706</b>	<b>37,701,782</b>
<b>Net Position – End of year</b>	<b>\$ 758,610</b>	<b>\$ 16,639,519</b>	<b>\$ 24,534,993</b>	<b>\$ 23,975,807</b>	<b>\$ 25,293,603</b>	<b>\$ 40,615,326</b>

The County's total net position decreased by \$12.9 million during fiscal year 2018; total net position as of June 30, 2018, was \$16.8 million. The County implemented GASB 75, Accounting for OPEB which decreased net position by \$10.9 million.

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

Net position in governmental activities decreased by \$13.4 million.

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

Business-type activities increased the County's net position by \$0.6 million.

**Governmental Funds:**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. 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 \$6.2 million, a decrease of \$4.1 million. Approximately \$0.1 million is nonspendable, \$0.3 million is restricted, \$3.6 million is committed, and \$2.4 million is assigned, and negative \$0.4 million is unassigned.

**Original Budget vs. Final Budget:**

The final budget was virtually unchanged from the original budget.

**Final Budget vs. Actual Results:**

Revenues were under budget by \$1.9 million, expenditures were over budget by \$0.1 million, and transfers out were under budget by \$0.1 million, yielding a \$1.9 million net decrease.

Capital Asset Administration – Government Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2018, amounts to \$68.7 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
	2018	2017	2018	2017	2018	2017	
<i>Land</i>	\$ 18,375,497	\$ 18,375,497	\$ 3,470,486	\$ 3,470,486	\$ 21,845,983	\$ 21,845,983	0%
<i>Construction in progress</i>	787,751	776,895	1,711,872	1,438,054	2,499,623	2,214,949	13%
<i>Building and improvements</i>	26,772,178	26,471,486	17,729,384	17,169,490	44,501,562	43,640,976	2%
<i>Furniture and equipment</i>	31,940,885	31,286,883	6,559,156	6,170,007	38,500,041	37,456,890	3%
<i>Leasehold improvements</i>	286,572	286,572	-	-	286,572	286,572	0%
<i>Infrastructure assets</i>	47,056,980	45,874,558	-	-	47,056,980	45,874,558	3%
<i>Beulah landfill- cells</i>	-	-	8,511,474	8,511,474	8,511,474	8,511,474	0%
<i>Less: accumulated depreciation</i>	(75,307,118)	(72,807,812)	(19,179,589)	(17,826,554)	(94,486,707)	(90,634,366)	4%
<b>Total</b>	<b>\$ 49,912,745</b>	<b>\$ 50,264,079</b>	<b>\$ 18,802,783</b>	<b>\$ 18,932,957</b>	<b>\$ 68,715,528</b>	<b>\$ 69,197,036</b>	<b>-1%</b>

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

Airport parking and apron improvements (\$0.6 million) and acquisition of heavy equipment for the public works department (\$2.3 million).

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

**Debt Administration**

At the end of the current fiscal year, the County had total outstanding long-term liabilities of \$78.2 million. This amount was primarily comprised of debt backed by the full faith and credit of the County of \$28.7 million and post-retirement obligations of \$41.6 million. The debt increased by a net of \$6.6 million, primarily a result of new debt of approximately \$8.5 million net of scheduled debt payments.

**Dorchester County, Maryland**  
**Outstanding Debt**  
(Primary Government)

Description	Governmental Activities		Business-type Activities		Total		% Change
	2018	2017	2018	2017	2018	2017	
<i>Bonds and notes payable</i>	\$ 20,004,790	\$ 21,869,227	\$ 186,000	\$ 217,000	\$ 20,190,790	\$ 22,086,227	-9%
<i>Compensated absences</i>	978,975	964,331	51,783	52,545	1,030,758	1,016,876	1%
<i>Net pension liability</i>	11,750,180	12,844,506	-	-	11,750,180	12,844,506	-9%
<i>Pension liability</i>	742,234	736,649	-	-	742,234	736,649	1%
<i>Landfill closure and postclosure care costs</i>	-	-	6,890,180	6,890,180	6,890,180	6,890,180	0%
<i>Other post employment benefits obligation</i>	29,090,536	13,828,375	-	-	29,090,536	13,828,375	110%
<b>Total</b>	<b>\$ 62,566,715</b>	<b>\$ 50,243,088</b>	<b>\$ 7,127,963</b>	<b>\$ 7,159,725</b>	<b>\$ 69,694,678</b>	<b>\$ 57,402,813</b>	<b>21%</b>

The County's credit ratings for fiscal year 2018 are as follows: 1) Standard and Poor's rated A+, and 2) Moody's Investors Service rated Aa3. Additional Information on the County's long-term debt can be found in note 4 on pages 40-43 of this report.

**Economic Factors and Fiscal Year 2018**

The adopted FY 2019 total budget equals \$59.3 million, an increase of \$1.8 million or 3% over the FY 2018 budget. The FY 19 capital budget of \$9.2 million represents a decrease of \$17.1 million below the FY 18 capital budget. Projects of significance in FY 19 include \$3.9 million for completion of the North Dorchester High School, \$0.6 million for acquisition of a methane flare at the landfill, and \$0.4 million for dredging at Tar Bay on the Honga River. The Council's priorities in crafting the FY19 budget were maintaining essential services to the public and continuing the revived long term capital investment program.

The FY 2019 adopted real property tax rate is \$1.00 per \$100 of assessed value, which is an increase of \$0.026 or 2.7% over the previous rate of \$0.974.

**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](mailto:mspears@docogonet.com).

# DORCHESTER COUNTY, MARYLAND

## Statement of Net Position As of June 30, 2018

	Primary Government			Component Unit		
	Governmental activities	Business-type activities	Total	Board of Education	Sanitary Districts	Total
<b>ASSETS</b>						
Cash and short-term investments	\$ 9,898,681	\$ 10,768,376	\$ 20,667,057	\$ 6,899,472	\$ 2,528,286	\$ 30,094,815
Receivables, net						
State and local property taxes	3,131,114	-	3,131,114	-	-	3,131,114
Federal government	174,945	4,807	179,752	690,451	-	870,203
State of Maryland	2,250,984	111,137	2,362,121	329,843	-	2,691,964
Other	2,057,304	222,699	2,280,003	1,877,718	12,702	4,170,423
Internal balances	(1,807,322)	1,807,322	-	-	-	-
Other assets	383,354	97,185	480,539	4,110	145,009	629,658
Nondepreciable capital assets	19,163,248	5,182,358	24,345,606	26,817,242	51,795	51,214,643
Depreciable capital assets, net	30,749,497	13,620,425	44,369,922	70,461,780	10,505,205	125,336,907
<b>TOTAL ASSETS</b>	<b>66,001,805</b>	<b>31,814,309</b>	<b>97,816,114</b>	<b>107,080,616</b>	<b>13,242,997</b>	<b>218,139,727</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Net pension and OPEB activity	5,160,743	-	5,160,743	2,428,418	12,291	7,601,452
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	2,790,505	151,353	2,941,858	4,257,666	184,297	7,383,821
Due to State of Maryland	297,374	-	297,374	-	-	297,374
Due to delinquent taxpayers	417,147	-	417,147	-	-	417,147
Unearned revenue	985,511	-	985,511	227,059	4,786	1,217,356
Other	2,505,712	-	2,505,712	1,504,332	-	4,010,044
Long term liabilities, due within one year:						
Compensated absences	350,587	51,783	402,370	74,059	-	476,429
Bonds and notes payable	1,253,269	186,000	1,439,269	-	36,192	1,475,461
Long term liabilities, due in more than one year:						
Compensated absences	628,388	-	628,388	931,970	-	1,560,358
Bonds and notes payable	18,751,521	-	18,751,521	-	1,770,731	20,522,252
Landfill closure and postclosure care costs	-	6,890,180	6,890,180	-	-	6,890,180
Pension liability	742,234	-	742,234	-	-	742,234
Net pension liability	11,750,180	-	11,750,180	-	90,042	11,840,222
Net OPEB liability	29,090,536	-	29,090,536	73,640,237	-	102,730,773
<b>TOTAL LIABILITIES</b>	<b>69,562,964</b>	<b>7,279,316</b>	<b>76,842,280</b>	<b>80,635,323</b>	<b>2,086,048</b>	<b>159,563,651</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Net pension activity	840,974	-	840,974	9,501,373	409	10,342,756
<b>NET POSITION</b>						
Net investment in capital assets	40,095,525	18,616,783	58,712,308	97,279,022	8,750,077	164,741,407
Restricted	335,353	-	335,353	412,544	-	747,897
Unrestricted	(39,672,268)	5,918,210	(33,754,058)	(78,319,228)	2,410,878	(109,662,408)
<b>TOTAL NET POSITION</b>	<b>\$ 758,610</b>	<b>\$ 24,534,993</b>	<b>\$ 25,293,603</b>	<b>\$ 19,372,338</b>	<b>\$ 11,160,955</b>	<b>\$ 55,834,772</b>

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

**DORCHESTER COUNTY, MARYLAND**

**Statement of Activities  
For the Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 14,150,623	\$ 296,155	\$ 2,928,363	\$ -
Public safety	14,906,729	1,373,520	892,535	14,000
Social services	2,923,236	69,847	2,329,313	71,713
Recreation and parks	722,329	78,659	105,110	-
Natural resources	595,398	54,655	310,714	-
Economic development	1,232,981	-	546,109	-
Education	30,020,269	-	-	-
Public works	3,625,116	170,167	586,483	-
Interest on long-term debt	736,042	-	-	-
Total governmental activities	<u>68,912,723</u>	<u>2,043,003</u>	<u>7,698,627</u>	<u>85,713</u>
Business-type activities				
Airport	1,302,566	329,651	-	157,629
Landfill	2,426,013	2,948,315	-	-
Total business-type activities	<u>3,728,579</u>	<u>3,277,966</u>	<u>-</u>	<u>157,629</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 72,641,302</u>	<u>\$ 5,320,969</u>	<u>\$ 7,698,627</u>	<u>\$ 243,342</u>
<b>Component unit:</b>				
Board of Education	\$ 83,361,544	\$ 64,698,006	\$ 10,134,499	\$ 22,386,852
Sanitary Districts	1,390,744	1,094,297	83,076	-
Total Component Units	<u>\$ 84,752,288</u>	<u>\$ 65,792,303</u>	<u>\$ 10,217,575</u>	<u>\$ 22,386,852</u>

Property taxes  
Local taxes  
Miscellaneous  
Transfers  
TOTAL GENERAL REVENUE

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR (As restated)

NET POSITION - END OF YEAR

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



**Net (Expense) Revenue and Changes in Net Position**

<b>Primary Government</b>			<b>Component Unit</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Board of Education</b>	<b>Sanitary Districts</b>	<b>Total</b>
\$ (10,926,105)	\$ -	\$ (10,926,105)	\$ -	\$ -	\$ (10,926,105)
(12,626,674)	-	(12,626,674)	-	-	(12,626,674)
(452,363)	-	(452,363)	-	-	(452,363)
(538,560)	-	(538,560)	-	-	(538,560)
(230,029)	-	(230,029)	-	-	(230,029)
(686,872)	-	(686,872)	-	-	(686,872)
(30,020,269)	-	(30,020,269)	-	-	(30,020,269)
(2,868,466)	-	(2,868,466)	-	-	(2,868,466)
(736,042)	-	(736,042)	-	-	(736,042)
<u>(59,085,380)</u>	<u>-</u>	<u>(59,085,380)</u>	<u>-</u>	<u>-</u>	<u>(59,085,380)</u>
-	(815,286)	(815,286)	-	-	(815,286)
-	522,302	522,302	-	-	522,302
-	<u>(292,984)</u>	<u>(292,984)</u>	-	-	<u>(292,984)</u>
<u>(59,085,380)</u>	<u>(292,984)</u>	<u>(59,378,364)</u>	<u>-</u>	<u>-</u>	<u>(59,378,364)</u>
-	-	-	13,857,813	-	13,857,813
-	-	-	-	(213,371)	(213,371)
-	-	-	<u>13,857,813</u>	<u>(213,371)</u>	<u>13,644,442</u>
30,978,454	-	30,978,454	-	-	30,978,454
14,942,415	-	14,942,415	-	-	14,942,415
417,711	157,681	575,392	728,632	18,442	1,322,466
(694,489)	694,489	-	-	-	-
<u>45,644,091</u>	<u>852,170</u>	<u>46,496,261</u>	<u>728,632</u>	<u>18,442</u>	<u>47,243,335</u>
(13,441,289)	559,186	(12,882,103)	14,586,445	(194,929)	1,509,413
5,708,545	23,975,807	29,684,352	4,785,893	11,355,884	45,826,129
<u>\$ (7,732,744)</u>	<u>\$ 24,534,993</u>	<u>\$ 16,802,249</u>	<u>\$ 19,372,338</u>	<u>\$ 11,160,955</u>	<u>\$ 47,335,542</u>

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

# DORCHESTER COUNTY, MARYLAND

## Balance Sheet – Governmental Funds As of June 30, 2018

	General Fund	Special Revenue Grants Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 9,379,371	\$ -	269,900	\$ 249,410	\$ 9,898,681
Receivables:					
State and local property taxes	3,131,114	-	-	-	3,131,114
Federal government	-	174,945	-	-	174,945
State of Maryland	1,256,501	994,483	-	-	2,250,984
Other	1,932,075	-	-	100,095	2,032,170
Interfund	4,408,267	45,814	3,156	4,137,568	8,594,805
Other assets	383,354	-	-	-	383,354
<b>TOTAL ASSETS</b>	<b>\$ 20,490,682</b>	<b>\$ 1,215,242</b>	<b>\$ 273,056</b>	<b>\$ 4,487,073</b>	<b>\$ 26,466,053</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 2,117,446	\$ 421,642	\$ 481,466	\$ 120,538	\$ 3,141,092
Due to State of Maryland	297,374	-	-	-	297,374
Due to delinquent taxpayers	417,147	-	-	-	417,147
Interfund payables	5,921,646	113,186	3,748,686	593,475	10,376,993
Unearned revenue	557,958	345,061	-	82,492	985,511
Other	2,505,712	-	-	-	2,505,712
<b>TOTAL LIABILITIES</b>	<b>11,817,283</b>	<b>879,889</b>	<b>4,230,152</b>	<b>796,505</b>	<b>17,723,829</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenues	2,537,254	-	-	-	2,537,254
<b>FUND BALANCES</b>					
Nonspendable	141,679	-	-	-	141,679
Restricted- grants	-	335,353	-	-	335,353
Committed for:					
Schools and courthouse	-	-	-	3,488,685	3,488,685
Public safety communication system	-	-	-	155,440	155,440
Sheriff	-	-	-	53,692	53,692
Assigned for future budget	2,400,000	-	-	43,353	2,443,353
Unassigned	3,594,466	-	(3,957,096)	(50,602)	(413,232)
<b>TOTAL FUND BALANCES</b>	<b>6,136,145</b>	<b>335,353</b>	<b>(3,957,096)</b>	<b>3,690,568</b>	<b>6,204,970</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 20,490,682</b>	<b>\$ 1,215,242</b>	<b>\$ 273,056</b>	<b>\$ 4,487,073</b>	<b>\$ 26,466,053</b>

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, 2018**

Fund balance of governmental funds	\$ 6,204,970
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	49,912,745
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	
	2,537,254
Deferred outflow and inflow of resources related net deferred pension activity are not financial resources and therefore are not reported in the funds	
	4,319,769
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(628,388)
Bonds and notes payable	(20,004,790)
Pension liability	(742,234)
Net pension liability	(11,750,180)
Other post-employment benefits obligation	<u>(29,090,536)</u>
Net position of governmental activities	<u>\$ 758,610</u>

**DORCHESTER COUNTY, MARYLAND**

**Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2018**

	General Fund	Special Revenue Grants Fund	Capital Projects Fund	Non-major Funds	Total Governmental Funds
<b>REVENUE</b>					
Taxes	\$ 45,006,096	\$ -	\$ -	\$ 914,773	\$ 45,920,869
Licenses and permits	245,859	-	-	-	245,859
Federal revenue	59,776	818,664	-	-	878,440
State revenue	3,678,057	3,245,291	-	-	6,923,348
Service charges and fees	1,797,144	-	-	-	1,797,144
Miscellaneous revenues	417,711	109,249	2,455	177,715	707,130
<b>Total Revenue</b>	<u>51,204,643</u>	<u>4,173,204</u>	<u>2,455</u>	<u>1,092,488</u>	<u>56,472,790</u>
<b>EXPENDITURES</b>					
Current					
General government	9,941,429	429,653	-	934,202	11,305,284
Public safety	11,902,199	670,993	-	-	12,573,192
Social services	377,512	2,545,042	-	-	2,922,554
Recreation and parks	444,464	107,860	-	-	552,324
Natural resources	438,868	-	-	-	438,868
Economic development	706,211	288,262	-	-	994,473
Education	21,528,915	-	-	-	21,528,915
Public works	2,601,430	130,664	-	-	2,732,094
Debt service					
Principal	1,864,437	-	-	-	1,864,437
Interest	736,042	-	-	-	736,042
Capital outlay	7,495	90,360	12,603,802	-	12,701,657
<b>Total Expenditures</b>	<u>50,549,002</u>	<u>4,262,834</u>	<u>12,603,802</u>	<u>934,202</u>	<u>68,349,840</u>
<b>Excess (Deficiency) Of Revenue Over Expenditures</b>	<u>655,641</u>	<u>(89,630)</u>	<u>(12,601,347)</u>	<u>158,286</u>	<u>(11,877,050)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Note proceeds	-	-	8,491,354	-	8,491,354
Transfers in	-	86,518	1,417,450	(18,131)	1,485,837
Transfers out	(2,180,326)	-	-	-	(2,180,326)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,180,326)</u>	<u>86,518</u>	<u>9,908,804</u>	<u>(18,131)</u>	<u>7,796,865</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>(1,524,685)</u>	<u>(3,112)</u>	<u>(2,692,543)</u>	<u>140,155</u>	<u>(4,080,185)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>7,660,830</u>	<u>338,465</u>	<u>(1,264,553)</u>	<u>3,550,413</u>	<u>10,285,155</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 6,136,145</u>	<u>\$ 335,353</u>	<u>\$ (3,957,096)</u>	<u>\$ 3,690,568</u>	<u>\$ 6,204,970</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, 2018

Net changes in fund balances in governmental funds \$ (4,080,185)

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

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

Capital outlay capitalized	\$ 4,328,567	
Depreciation and loss on disposal	<u>(5,129,836)</u>	(801,269)

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond, capital lease and installment purchase principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.

Net pension liability and related deferred outflows and inflows	\$ 2,515,159	
Compensated absences and pension liability	40,518	
OPEB liability	(4,331,187)	
Issuance of debt	(8,491,354)	
Payments of debt principal	<u>1,864,437</u>	(8,402,427)

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.

(157,408)

Change in net position of governmental activities	\$ <u><u>(13,441,289)</u></u>
---	-------------------------------

# DORCHESTER COUNTY, MARYLAND

## Statement of Net Position - Proprietary Funds As of June 30, 2018

	<b>Business-Type Activities</b>		
	<b>Landfill</b>	<b>Airport</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 10,768,051	\$ 325	\$ 10,768,376
Receivables:			
Accounts, net of \$25,000 allowance (landfill) and \$38,000 allowance (airport)	222,699	-	222,699
Federal government	-	4,807	4,807
State of Maryland	-	111,137	111,137
Interfund	-	2,391,758	2,391,758
Inventories	-	73,930	73,930
Other assets	6,000	17,255	23,255
<b>Total current assets</b>	<b>10,996,750</b>	<b>2,599,212</b>	<b>13,595,962</b>
<b>Noncurrent Assets</b>			
Capital assets, net	3,117,214	15,685,569	18,802,783
<b>Total Assets</b>	<b>\$ 14,113,964</b>	<b>\$ 18,284,781</b>	<b>\$ 32,398,745</b>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	119,516	31,837	151,353
Accrued vacation	37,390	14,393	51,783
Unearned revenue	-	-	-
Interfund payables	584,436	-	584,436
Current maturities of long-term debt	-	186,000	186,000
<b>Total current liabilities</b>	<b>741,342</b>	<b>232,230</b>	<b>973,572</b>
<b>Noncurrent Liabilities</b>			
Landfill- closure and postclosure	6,890,180	-	6,890,180
Long-term debt, less current maturities	-	-	-
<b>Total noncurrent liabilities</b>	<b>6,890,180</b>	<b>-</b>	<b>6,890,180</b>
<b>Total Liabilities</b>	<b>7,631,522</b>	<b>232,230</b>	<b>7,863,752</b>
<b>NET POSITION</b>			
Net investment in capital assets	3,117,214	15,499,569	18,616,783
Unrestricted	3,365,228	2,552,982	5,918,210
<b>Total Net Position</b>	<b>\$ 6,482,442</b>	<b>\$ 18,052,551</b>	<b>\$ 24,534,993</b>

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, 2018**

	<b>Business-Type Activities</b>		
	<b>Landfill</b>	<b>Airport</b>	<b>Totals</b>
<b>OPERATING REVENUE</b>			
Tipping fees	\$ 2,826,120	\$ -	\$ 2,826,120
Permits	122,195	-	122,195
Fuel sales	-	196,756	196,756
Hanger and tie-down rentals	-	132,895	132,895
Miscellaneous	72,594	85,087	157,681
<b>TOTAL OPERATING REVENUE</b>	<b>3,020,909</b>	<b>414,738</b>	<b>3,435,647</b>
<b>OPERATING EXPENSES</b>			
Salaries and related taxes	778,796	182,723	961,519
Repairs and maintenance	188,391	33,340	221,731
Rental of land, buildings and equipment	25,572	13,200	38,772
Fuel	136,445	145,092	281,537
Closure and postclosure costs accrual	43,116	-	43,116
Utilities	18,364	83,621	101,985
Depreciation	914,610	836,378	1,750,988
Other	320,719	-	320,719
<b>TOTAL OPERATING EXPENSES</b>	<b>2,426,013</b>	<b>1,294,354</b>	<b>3,720,367</b>
<b>OPERATING INCOME (LOSS)</b>	<b>594,896</b>	<b>(879,616)</b>	<b>(284,720)</b>
<b>OTHER INCOME (EXPENSE)</b>			
Grants- Federal government	-	12,456	12,456
Grants- state government	-	145,173	145,173
Contributions	-	-	-
Interest expense	-	(8,212)	(8,212)
Interest income	-	-	-
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>-</b>	<b>149,417</b>	<b>149,417</b>
<b>GAIN BEFORE OPERATING TRANSFERS</b>	<b>594,896</b>	<b>(730,199)</b>	<b>(135,303)</b>
<b>OPERATING TRANSFERS</b>	<b>-</b>	<b>299,140</b>	<b>299,140</b>
<b>CAPITAL TRANSFERS</b>	<b>-</b>	<b>395,349</b>	<b>395,349</b>
<b>NET CHANGES IN NET POSITION</b>	<b>594,896</b>	<b>(35,710)</b>	<b>559,186</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>5,887,546</b>	<b>18,088,261</b>	<b>23,975,807</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 6,482,442</b>	<b>\$ 18,052,551</b>	<b>\$ 24,534,993</b>

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

**DORCHESTER COUNTY, MARYLAND**

**Statement of Cash Flows – Proprietary Funds  
For the Year Ended June 30, 2018**

	<b>Business-Type Activities</b>		
	<b>Landfill</b>	<b>Airport</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 3,059,619	\$ 335,069	\$ 3,394,688
Payments to suppliers	(715,369)	(317,186)	(1,032,555)
Payments to employees	(780,804)	(181,477)	(962,281)
<b>Net Cash from Operating Activities</b>	<b>1,563,446</b>	<b>(163,594)</b>	<b>1,399,852</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating contributions	-	157,629	157,629
Transfers	-	299,140	299,140
Increase (decrease) in due to/from other funds	264,422	(86,881)	177,541
<b>Net Cash from Noncapital Financing Activities</b>	<b>264,422</b>	<b>369,888</b>	<b>634,310</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Interest paid on notes and bond payable	-	(8,212)	(8,212)
Principal paid on long term debt	-	(31,000)	(31,000)
Capital transfers	-	395,349	395,349
Acquisition and construction of capital assets	(1,058,383)	(562,431)	(1,620,814)
<b>Net Cash from Capital and Related Financing Activities</b>	<b>(1,058,383)</b>	<b>(206,294)</b>	<b>(1,264,677)</b>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	-	-	-
Net change in cash	769,485	-	769,485
Cash, Beginning of Year	9,998,566	325	9,998,891
<b>Cash, End of Year</b>	<b>\$ 10,768,051</b>	<b>\$ 325</b>	<b>\$ 10,768,376</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 594,896	\$ (879,616)	\$ (284,720)
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	914,610	836,378	1,750,988
Changes in assets and liabilities:			
Accounts receivable	38,710	(79,669)	(40,959)
Inventories and other assets	-	(34,626)	(34,626)
Accounts payable and accrued expenses	17,238	(7,307)	9,931
Accrued vacation	(2,008)	1,246	(762)
Landfill postclosure costs	-	-	-
<b>Net Cash from Operating Activities</b>	<b>\$ 1,563,446</b>	<b>\$ (163,594)</b>	<b>\$ 1,399,852</b>

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



**DORCHESTER COUNTY, MARYLAND**

**Statement of Net Position – Fiduciary Funds  
As of June 30, 2018**

	<u>OPEB Trust</u>
<b>ASSETS</b>	
Cash	\$ 267,855
<b>LIABILITIES</b>	
Due to other funds	<u>25,134</u>
<b>NET POSITION</b>	
Held in trust for pension and OPEB	<u>\$ 242,721</u>

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

**DORCHESTER COUNTY, MARYLAND**

**Statement of Changes in Net Position - Fiduciary Funds  
For the Year Ended June 30, 2018**

	<u>OPEB Trust</u>
<b>ADDITIONS</b>	
Interest	\$ 61,785
<b>DEDUCTIONS</b>	
Benefits	196,508
Administrative expenses	<u>13,451</u>
<b>TOTAL DEDUCTIONS</b>	<u>209,959</u>
<b>CHANGES IN NET POSITION</b>	(148,174)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>390,895</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 242,721</u></u>

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

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements

June 30, 2018

### 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, 2018 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, 2018

### 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, 2018**

### **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 it is 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, 2018

### 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 financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the 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 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), Commissary fund, and ESIC 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, 2018

### 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 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 fund 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, 2018**

### **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, 2018

### 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, 2018

### 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, 2018**

### **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 1<sup>st</sup>, 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 1<sup>st</sup>. Taxpayers also have the options of paying in full without interest by September 30<sup>th</sup>, or paying their tax bills semi-annually. Taxpayers electing the semi-annual method can pay the first installment without interest by September 30<sup>th</sup>. Beginning October 1<sup>st</sup>, interest is charged. The second semi-annual payment, including a service charge, is due by December 31<sup>st</sup>. 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<sup>st</sup> for non-owner occupied properties and January 1<sup>st</sup> 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, 2018

### 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, 2018

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Implementation of New Accounting Principles

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) statement No. 75, entitled *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; Statement No. 81, entitled *Irrevocable Split-Interest Agreements*; Statement No. 85, entitled *Omnibus*; and Statement No. 86, entitled *Certain Debt Extinguishment Issues*.

The adoption of these standards did not have a material effect on these financial statements with the exception of GASB No. 75. The adoption of GASB No. 75 required a restatement of the County's 2018 government wide financial statements. See Note 12 for more information.

The GASB issued GASB Statement No. 83, entitled, *Certain Asset Retirement Obligations*; GASB Statement No. 84, entitled, *Fiduciary Activities*; GASB Statement No. 87, entitled, *Leases*; GASB Statement No. 88 entitled *Certain Disclosures related to Debt, including Direct Borrowings and Direct Placements* and GASB Statement No. 89 entitled, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The County is analyzing the effects of the remaining 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 from other governmental agencies, or any other funds properly received by it, until it determines the funds are needed for proper public purpose. The County can invest such funds in federally insured banking institutions which pledge United States Treasury bills, notes, or other obligations to secure such deposits, or in U.S. Treasury and agency obligations, repurchase agreements, collateralized certificates of deposit, bankers' acceptance, or money market mutual funds.

#### *Deposits*

As of June 30, 2018, the carrying amount of the County's deposits was \$20,934,912 and the bank balances were \$23,473,826. 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, 2018, the bank deposits were fully insured or collateralized.

## **DORCHESTER COUNTY, MARYLAND**

### **Notes to the Financial Statements**

**June 30, 2018**

#### **2. CASH AND SHORT-TERM INVESTMENTS (continued)**

##### **Board of Education of Dorchester County**

As of June 30, 2018, the Board had bank deposits with various commercial banks totaling \$1,883,447 (carrying value \$1,475,022). 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, 2018, the bank deposits were fully insured or collateralized.

Investments consist of \$5,424,450 of U.S. Government securities made through the State of Maryland Local Government Investment Pool (MLGIP) which provide local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAAM by Standard and Poors. The fair value of the pool is the net asset value of the pool shares investments are recorded at cost, which approximates market value. Statutes authorize the Board to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal securities and repurchase agreements, collateralized certificates of deposit, banker's acceptance or money market funds. There are no redemption requirements or funding commitments.

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

##### **Dorchester County Sanitary Districts**

As of June 30, 2018, the Dorchester County Sanitary Districts had bank deposits with various commercial banks totaling \$2,552,524 (carrying value \$2,528,286). Of the bank balance, \$1,000,000 was covered by federal depository insurance, and \$1,552,524 was covered by collateral segregated on the books of local banks, but not in the Sanitary District's name.

**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2018**

**3. CAPITAL ASSETS**

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

**Primary Government**

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 18,364,261	\$ 11,236	\$ -	\$ 18,375,497
Construction in progress	775,316	12,435	-	787,751
Total capital assets, not being depreciated	<u>19,139,577</u>	<u>23,671</u>	<u>-</u>	<u>19,163,248</u>
Capital assets, being depreciated				
Building and improvements	26,212,108	560,070	-	26,772,178
Furniture and equipment	29,640,799	2,300,086	-	31,940,885
Leasehold improvements	286,572	-	-	286,572
Infrastructure assets	45,612,240	1,444,740	-	47,056,980
Total capital assets, being depreciated	101,751,719	4,304,896	-	106,056,615
Less: accumulated depreciation	<u>(70,177,282)</u>	<u>(5,129,836)</u>	<u>-</u>	<u>(75,307,118)</u>
<b>Net capital assets being depreciated</b>	<u>31,574,437</u>	<u>(824,940)</u>	<u>-</u>	<u>30,749,497</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 50,714,014</u>	<u>\$ (801,269)</u>	<u>\$ -</u>	<u>\$ 49,912,745</u>

**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2018**

**3. CAPITAL ASSETS (continued)**

**Business-type Activities**

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2018</b>
<b>Business-Type Activities</b>				
<b>Dorchester County Landfill</b>				
Capital assets, not being depreciated				
Land	\$ 875,187	\$ -	\$ -	\$ 875,187
Construction in progress	130,239	273,818	-	404,057
Total capital assets, not being depreciated	<u>1,005,426</u>	<u>273,818</u>	<u>-</u>	<u>1,279,244</u>
Capital assets, being depreciated:				
Building and improvements	148,740	-	-	148,740
Machinery and equipment	5,562,180	399,174	-	5,961,354
Beulah landfill- cells	8,511,474	-	-	8,511,474
Total capital assets, being depreciated	<u>14,222,394</u>	<u>399,174</u>	<u>-</u>	<u>14,621,568</u>
Less: accumulated depreciation	<u>(12,254,379)</u>	<u>(681,386)</u>	<u>152,167</u>	<u>(12,783,598)</u>
<b>Net capital assets being depreciated</b>	<u>1,968,015</u>	<u>(282,212)</u>	<u>152,167</u>	<u>1,837,970</u>
<b>Landfill capital assets, net</b>	<u>2,973,441</u>	<u>(8,394)</u>	<u>152,167</u>	<u>3,117,214</u>
<b>Dorchester County Airport</b>				
Capital assets, not being depreciated				
Land	2,595,299	-	-	2,595,299
Construction in progress	1,307,815	-	-	1,307,815
Total capital assets, not being depreciated	<u>3,903,114</u>	<u>-</u>	<u>-</u>	<u>3,903,114</u>
Capital assets, being depreciated:				
Building and improvements	17,020,750	559,894	-	17,580,644
Machinery and equipment	607,827	2,537	(12,562)	597,802
Total capital assets, being depreciated	<u>17,628,577</u>	<u>562,431</u>	<u>(12,562)</u>	<u>18,178,446</u>
Less: accumulated depreciation	<u>(5,572,175)</u>	<u>(836,378)</u>	<u>12,562</u>	<u>(6,395,991)</u>
<b>Net capital assets being depreciated</b>	<u>12,056,402</u>	<u>(273,947)</u>	<u>-</u>	<u>11,782,455</u>
<b>Airport capital assets, net</b>	<u>15,959,516</u>	<u>(273,947)</u>	<u>-</u>	<u>15,685,569</u>
<b>Business-type activities capital assets, net</b>	<u>\$ 18,932,957</u>	<u>\$ (282,341)</u>	<u>\$ 152,167</u>	<u>\$ 18,802,783</u>



**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2018**

**3. CAPITAL ASSETS (continued)**

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

**Governmental Activities**

General government	\$ 1,337,552
Public safety	2,333,537
Social services	682
Recreation and parks	170,005
Natural resources	156,530
Economic development	238,508
Public works	<u>893,022</u>
Total	<u>\$ 5,129,836</u>

**Board of Education** (Discretely presented component unit)

**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2018**

**3. CAPITAL ASSETS (continued)**

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>Board of Education of Dorchester County</b>					
<b>Governmental activities</b>					
Capital assets, not being depreciated					
Construction in progress	\$ 5,869,570	\$ 21,447,866	\$ -	\$ (500,194)	\$ 26,817,242
Capital assets, being depreciated					
Building and improvements	136,100,302	43,503	-	500,194	136,643,999
Furniture and equipment	2,997,094	-	-	-	2,997,094
Vehicles	1,269,672	223,952	-	-	1,493,624
Total capital assets, being depreciated	140,367,068	267,455	-	500,194	141,134,717
Less: accumulated depreciation	(65,780,705)	(4,927,021)	-	-	(70,707,726)
<b>Net capital assets being depreciated</b>	<u>74,586,363</u>	<u>(4,659,566)</u>	<u>-</u>	<u>500,194</u>	<u>70,426,991</u>
<b>Governmental activities, capital assets, net</b>	<u>80,455,933</u>	<u>17,055,755</u>	<u>-</u>	<u>-</u>	<u>97,244,233</u>
<b>Business-type activities</b>					
Capital assets, being depreciated					
Equipment	36,250	34,272	-	-	70,522
Less: accumulated depreciation	(32,372)	(3,361)	-	-	(35,733)
<b>Business-type activities capital assets, net</b>	<u>3,878</u>	<u>30,911</u>	<u>-</u>	<u>-</u>	<u>34,789</u>
<b>Board of education capital assets, net</b>	<u>\$ 80,459,811</u>	<u>\$ 17,086,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,279,022</u>

**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2018**

**3. CAPITAL ASSETS (continued)**

**Sanitary Districts**

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2017</b>
<b>Dorchester County Sanitary District</b>				
Capital assets, not being depreciated				
Construction in progress	\$ 304,193	\$ 57,278	\$ (312,321)	\$ 49,150
Land	2,645	-	-	2,645
Capital assets, being depreciated				
Intangible assets	1,044,000	-	-	1,044,000
Vehicles	93,688	-	-	93,688
Plant and equipment	14,855,241	359,844	(5,562)	15,209,523
Total capital assets, being depreciated	15,992,929	359,844	(5,562)	16,347,211
Less: accumulated depreciation	(5,465,863)	(381,705)	5,562	(5,842,006)
<b>Net capital assets being depreciated</b>	<b>10,527,066</b>	<b>(21,861)</b>	<b>-</b>	<b>10,505,205</b>
<b>Sanitary district capital assets, net</b>	<b>10,833,904</b>	<b>35,417</b>	<b>(312,321)</b>	<b>10,557,000</b>
Total component units capital assets, net	<u>\$ 91,293,715</u>	<u>\$ 17,122,083</u>	<u>\$ (312,321)</u>	<u>\$ 107,836,022</u>

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2018

### 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>					
Public Facilities Bonds					
Public School Capital Improvement Bonds for 2002 due in annual principal installments of \$320,000 to \$650,000 through August 1, 2017; interest payable semi-annually, from 3.5% to 4.5%	\$ 650,000	\$ -	\$ 650,000	\$ -	\$ -
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%	125,000	-	60,000	65,000	65,000
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%	14,920,000	-	920,000	14,000,000	950,000
Bond anticipation notes	-	-	-	-	-
Total public facilities bonds	<u>15,695,000</u>	<u>-</u>	<u>1,630,000</u>	<u>14,065,000</u>	<u>1,015,000</u>
State of Maryland Department of Natural Resources Shore Erosion Control Loans (SEC)					
SEC 3-92 - Hoopersville Road Boat Ramp; due in annual installments of \$4,780 through July 2019; no interest	9,553	-	4,780	4,773	4,773
SEC 7-92 - Middle Hoopers Island Causeway; due in annual installments of \$5,516 through July 2020; no interest	22,064	-	5,516	16,548	5,516
SEC 8-92 - McCreedy's Point Road; due in annual installments of \$1,683 through July 2019; no interest	5,055	-	1,683	3,372	1,683
SEC 9-92 Hoopersville Road; due in annual installments of \$2,718 through July 2020; no interest	8,157	-	2,718	5,439	2,718
SEC 03-03 Hoopersville Road; due in annual installments of \$19,245 through July 2033; no interest	327,165	-	19,245	307,920	19,245
SEC 04-02 Hoopers Island Road; due in annual installments of \$5,930 through July 2027; no interest	65,232	-	5,930	59,302	5,930
SEC 05-03 Taylors Island; due in annual installments of \$14,593 through July 2035; no interest	248,089	-	14,593	233,496	14,593
SEC 18-02 Punch Island Road; due in annual installments of \$12,958 through July 2035; no interest	220,279	-	12,958	207,321	12,958
Total SEC loans payable	<u>905,594</u>	<u>-</u>	<u>67,423</u>	<u>838,171</u>	<u>67,416</u>

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2018

### 4. LONG-TERM DEBT AND OBLIGATIONS (continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes payable					
County Commissioners of Queen Anne's County loan due in annual principal installments of \$20,000 to \$50,000 through January 2020; interest payable annually at 5.173% to 5.25% (known as the Learning Resource Center)	\$ 133,311	\$ -	\$ 42,850	\$ 90,461	\$ 42,850
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%	65,573	-	9,645	55,928	10,131
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%	1,358,767	-	57,365	1,301,402	59,740
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)	975,000	-	25,000	950,000	25,000
DBED loan, due in quarterly payments of 25% of net proceeds from sale of Tech Park lots, any unpaid principle to be forgiven November 2034, no interest. (for construction of Eastern Shore innovation Center)	1,263,500	-	-	1,263,500	-
MD Dpt of Commerce loan, due in monthly installments of \$6,324 including interest at 3%, through June 2026, unpaid principle of \$1,145,440 due at that time (re-loaned to local business under economic development initiative)	1,472,482	-	32,154	1,440,328	33,132
<b>Total notes payable</b>	<b>5,268,633</b>	<b>-</b>	<b>167,014</b>	<b>5,101,619</b>	<b>170,853</b>
<b>Total governmental activities debt</b>	<b>21,869,227</b>	<b>-</b>	<b>1,864,437</b>	<b>20,004,790</b>	<b>1,253,269</b>
Other long term liabilities					
Compensated absences	964,331	356,232	370,876	978,975	350,587
Net pension liability	12,844,506	-	1,094,326	11,750,180	-
Pension liability	736,649	5,585	-	742,234	-
Net OPEB liability	24,759,349	4,331,187	-	29,090,536	-
<b>Total other long term liabilities</b>	<b>39,304,835</b>	<b>4,693,004</b>	<b>1,465,202</b>	<b>42,561,925</b>	<b>350,587</b>
<b>Total governmental long term liabilities</b>	<b>\$ 61,174,062</b>	<b>\$ 4,693,004</b>	<b>\$ 3,329,639</b>	<b>\$ 62,566,715</b>	<b>\$ 1,603,856</b>

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2018

### 4. LONG-TERM DEBT AND OBLIGATIONS (continued)

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Dorchester County Airport</b>					
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%	\$ 217,000	\$ -	\$ (31,000)	\$ 186,000	\$ 186,000
Total business-type activities debt	<u>217,000</u>	<u>-</u>	<u>(31,000)</u>	<u>186,000</u>	<u>186,000</u>
<b>Other long term liabilities</b>					
Landfill closure and postclosure care costs	6,890,180	-	-	6,890,180	-
Total business-type activities long term liabilities	<u>\$ 7,107,180</u>	<u>\$ -</u>	<u>\$ (31,000)</u>	<u>\$ 7,076,180</u>	<u>\$ 186,000</u>
Component Units	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Board of Education</b>					
Accrued leave	\$ 1,006,572	\$ 88,016	\$ 88,559	\$ 1,006,029	\$ 74,059
Net pension liability	3,956,270	-	307,995	3,648,275	-
Other post employment benefits	75,734,139	-	5,742,177	69,991,962	-
Total	<u>\$ 80,696,981</u>	<u>\$ 88,016</u>	<u>\$ 6,138,731</u>	<u>\$ 74,646,266</u>	<u>\$ 74,059</u>
<b>Sanitary Districts</b>					
Loan payable in the amount of \$1,754,000 and \$290,000 to USDA. Due in quarterly installments of \$17,383 and \$2,874 including interests of 2.5%, until March 2051.	\$ 1,842,225	\$ -	\$ 35,302	\$ 1,806,923	\$ 36,192

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

Year ending June 30	Governmental Activities		Business-type Activities		Combined Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,253,269	\$ 643,637	\$ 186,000	\$ 1,992	\$ 1,439,269	\$ 645,629
2020	1,222,131	551,912	-	-	1,222,131	551,912
2021	1,209,076	516,020	-	-	1,209,076	516,020
2022	1,242,891	479,719	-	-	1,242,891	479,719
2023	1,296,177	497,582	-	-	1,296,177	497,582
2024-2028	8,267,076	1,759,303	-	-	8,267,076	1,759,303
2029-2033	4,519,400	429,763	-	-	4,519,400	429,763
2034-2035	994,770	42,760	-	-	994,770	42,760
Bond Anticipation Note	-	-	-	-	-	-
Total	<u>\$ 20,004,790</u>	<u>\$ 4,920,696</u>	<u>\$ 186,000</u>	<u>\$ 1,992</u>	<u>\$ 20,190,790</u>	<u>\$ 4,922,688</u>

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements

June 30, 2018

### 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.

#### Bond Anticipation Notes

During the year ended June 30, 2018, the County issued approximately \$8.5 million of bond anticipation notes. In October 2018, the County issued approximately \$28.5 million of public facilities bonds in which the \$8.5 million of bond anticipation notes were fully paid.

### 5. LONG-TERM OPERATING LEASES

#### County

The County has leases for property with separate terms. Approximate future minimum lease commitments are as follows: 2019: \$46,147; and 2020: \$30,755.

Expenses under these leases total approximately \$76,000 for the year ended June 30, 2018.

#### 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>
2019	\$ 793,000
2020	793,000
2021	882,000
2022	834,000
2023	854,000
Thereafter	3,230,000

Expenses under these leases total approximately \$799,000 for the year ended June 30, 2018.

## DORCHESTER COUNTY, MARYLAND

### Notes to the Financial Statements June 30, 2018

#### 6. INTERFUND RECEIVABLES AND PAYABLES

Due to/from other fund balances as of June 30, 2018 are as follows:

<u>Primary Government</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Government activities	\$ 8,594,805	\$ 10,376,993
Fiduciary activities	-	25,134
Business-type activities	<u>2,391,758</u>	<u>584,436</u>
Total due to/from other funds	<u>\$ 10,986,563</u>	<u>\$ 10,986,563</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/](http://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, 2018

#### 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 average final compensation (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, 2018, 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 were approximately \$1.2 million for the year ended June 30, 2018.

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 \$736,649 fund deficit (an increase of \$7,511 over the prior year) over a period of 40 years. The fiscal year 2018 annual payment was approximately \$42,000, and will increase 5% per year until maturity at December 31, 2035. This liability has been recorded in the governmental activities column on the Statement of Net Position.

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

As of June 30, 2018, the County reported a liability of approximately \$11.8 million for its proportionate share of the System's net pension liability. The System's net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2018, the County's proportion for the System was 0.05 percent, which was substantially the same as its proportion measured as of June 30, 2017.

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2018

### 7. RETIREMENT PLANS (continued)

For the year ended June 30, 2018, the County recognized pension expense for the System of approximately \$1.5 million. As of June 30, 2018, 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	\$ 1,386,363	\$ -
Actual and expected experience	-	840,974
Change in assumptions	410,504	-
Net difference between projected and actual earnings on pension plan investments	<u>750,321</u>	<u>-</u>
Total	<u>\$ 2,547,188</u>	<u>\$ 840,974</u>

\$1.4 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, 2018. 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:

<u>Year End June 30,</u>	<u>Amount</u>
2019	\$ 148,597
2020	359,780
2021	85,005
2022	<u>(273,531)</u>
Total	<u>\$ 319,851</u>

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

*Sensitivity of the County's proportionate share of the net pension liability to changes in the discount rate.* The County's proportionate share of the System net pension liability calculated using the discount rate of 7.55 percent is \$11,750,180. Additionally, the County's proportionate share of the System net pension liability if it were calculated using a discount rate that is 1-percentage-point lower (6.55 percent) is \$17,500,558, or 1-percentage-point higher (8.65 percent) is \$8,779,920.

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2018

### 7. RETIREMENT PLANS (continued)

#### Board of Education

As of June 30, 2018, the Board reported a liability of approximately \$3.6 million for its proportionate share of the Employees Retirement System of the State of Maryland (ERS) net pension liability. The ERS net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the ERS net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. As of June 30, 2018, the Board's proportion for ERS was 0.09%, which was substantially the same from its proportion measured as of June 30, 2018. For the year ended June 30, 2018, the Board recognized pension expense for ERS of approximately \$1,897,058. As of June 30, 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Changes in assumptions	\$ 132,208	\$ -
Net difference between projected and actual investment earnings on pension plan investments	449,891	220,199
Difference between actual and expected experience	-	253,838
Board contributions subsequent to measurement date	<u>364,598</u>	<u>-</u>
Total	<u>\$ 946,697</u>	<u>\$ 474,037</u>

Detailed net pension liability information for the Board is available in their current year audited financial statements.

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements

June 30, 2018

### 8. POST-EMPLOYMENT HEALTH CARE BENEFITS

Plan Description: The County administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides healthcare insurance for eligible retirees and their beneficiaries through the County'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, 2016, the date of the last actuarial valuation, the Plan included 110 retirees and 202 active employees for a total of 312 participants.

Contributions: The County is not required by law or contractual agreement to provide funding for retiree benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. The County may contribute to the Trust Fund those amounts appropriated. 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 2018, the County did not contribute to the Plan for the eligible retirees.

Investments: The County's OPEB plan does not have a target allocation or long-term expected real rate of return and is primarily holding only cash as an asset.

#### Net OPEB Liability of the County

The components of the net OPEB liability of the County as of June 30, 2018, were as follows:

Total OPEB liability	\$ 29,333,257
Plan fiduciary net position	<u>242,721</u>
County's net OPEB liability	<u>\$ 29,090,536</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.83%

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2018

### 8. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

#### Actuarial assumptions:

The total OPEB liability as determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Method	Entry age normal
Inflation	2.50%
Salary increases	2%
Investment rate of return	3%
Healthcare cost trend rate	7.35% trending to 4.5%
Mortality	RP-2014 Combined Health Mortality Table for Males and Females backed off to 2006 and projected generationally with Scale MP-2018

The County's OPEB plan does not have a target allocation or long-term expected real rate of return and is primarily holding only cash as an asset.

The discount rate used to measure the total OPEB liability was 2.98% as of June 30, 2018. The projection of cash flow used to determine the discount rate assumed that the County would not make additional contributions to the OPEB trust and continue to fund the Plan on a pay-as-you-go basis. Based on those assumptions, the OPEB Plan's fiduciary net position was not projected to cover a full year of projected future benefit payments. Therefore, all future benefit payments are discounted at the current index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (2.98%).

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a)-(b)</b>
Balances, June 30, 2017	\$ 25,150,243	\$ 390,895	\$ 24,759,348
Changes for the year:			
Service cost	731,736	-	731,736
Interest	893,644	-	893,644
Difference between expected and actual experience	66,365	-	66,365
Changes in assumptions	2,867,529	-	2,867,529
Employer contribution	-	179,752	(179,752)
Net investment income	-	61,785	(61,785)
Administrative expenses	-	(13,451)	13,451
Benefits paid	(376,260)	(376,260)	-
Net changes	4,183,014	(148,174)	4,331,188
Balances, June 30, 2018	<u>\$ 29,333,257</u>	<u>\$ 242,721</u>	<u>\$ 29,090,536</u>

**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2018**

**8. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)**

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	<b>Discount Rate</b>		
	1.98%	2.98%	3.98%
Net OPEB Liability	\$ 36,207,245	\$ 29,090,536	\$ 23,748,564

  

	<b>Healthcare Trend Rate</b>		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 23,243,480	\$ 29,090,536	\$ 36,909,965

For the year ended June 30, 2018, the County recognized OPEB expense of approximately \$1.7 million. As of June 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Actual and expected experience	\$ 54,982	\$ -
Change in assumptions	2,430,653	-
Net difference between projected and actual earnings on pension plan investments	127,920	-
Total	<u>\$ 2,613,555</u>	<u>\$ -</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in pension expense as follows:

<b>Year End June 30,</b>	
2019	\$ 546,604
2020	546,604
2021	546,604
2022	546,604
2023	427,139
Total	<u>\$ 2,613,555</u>

**Board of Education**

The Board administers a single-employer defined benefit healthcare plan (the Plan). The Plan provides healthcare insurance for eligible retirees and their spouses through the Board's group health insurance plan, which covers both active and retired members. The Plan does not issue a stand-alone report. Benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon

## DORCHESTER COUNTY, MARYLAND

### Notes to the Financial Statements

June 30, 2018

#### 8. POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system.

As of June 30, 2018, the date of the last actuarial valuation, approximately 346 retirees were receiving benefits, and 667 active employees are potentially eligible to receive future benefits. The Board has not established an irrevocable trust and funds benefits on a pay-as-you-go basis. Contributions to the Plan are made as benefit payments and expenses become due. Benefit payments totaled \$1,481,721 for the year ended June 30, 2018. As of the most recent actuarial valuation, the Plan was zero percent funded. The total OPEB liability for benefits was \$69,991,962, all of which was unfunded. The covered employee payroll was \$35,613,901, and the ratio of the net OPEB liability to the covered payroll was 196.53%. For the year ended June 30, 2018, the Board recognized an OPEB expense of \$4,634,483.

The components of the Board's total OPEB liability as June 30, 2018 are as follows:

Service cost	\$ 3,623,705
Interest cost	2,139,195
Changes of assumptions	(10,155,753)
Benefit payments	<u>(1,349,324)</u>
Net change	(5,742,177)
Total OPEB liability, beginning of year	<u>75,734,139</u>
Total OPEB liability, end of year	<u>\$ 69,991,962</u>

As of June 30, 2018, the Board reported deferred outflows and deferred inflows of resources related to the OPEB plan from the following sources: Deferred outflows: Board contributions subsequent to measurement date \$1,481,721; deferred inflows: Changes in assumptions \$9,027,336.

Detailed OPEB plan information for the Board is available in their current year audited financial statements.

## **DORCHESTER COUNTY, MARYLAND**

### **Notes to the Financial Statements**

**June 30, 2018**

#### **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.

#### **10. LANDFILL CLOSURE AND POST-CLOSURE CARE COST**

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

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

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

The Old Beulah Landfill stopped accepting waste in 1991. The landfill has been capped and only has post-closure care costs associated with it, currently estimated to be approximately \$19,800 each year for the next thirty years.



**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2018**

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

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

	<u>2017</u>	<u>Current Year Additions (Deductions)</u>	<u>2018</u>
Secretary landfill			
Postclosure care costs	\$ 324,000	\$ -	\$ 324,000
Golden Hill landfill			
Postclosure care costs	424,500	-	424,500
Old Beulah landfill			
Postclosure care costs	594,000	-	594,000
New Beulah landfill- cells 1-5			
Closure costs	3,053,994	-	3,053,994
Postclosure care costs	2,493,686	-	2,493,686
	<u>5,547,680</u>	<u>-</u>	<u>5,547,680</u>
Total closure and post closure care costs	<u>\$ 6,890,180</u>	<u>\$ -</u>	<u>\$ 6,890,180</u>

The above estimates are based on estimated current costs to perform all closure and post-closure care as of June 30, 2018. 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, 2018, as specified in 40CFR258.

Though there are currently no legal restrictions on available funds, the County has approximately \$10 million of currently available assets for landfill closure and post-closure care costs. The shortfalls, if any, may need to be covered by any combination of charges to future landfill users, future tax revenues, or additional borrowings.

There are five individual cells at the New Beulah landfill. During the year ended June 30, 2018, the County expanded the capacity of the New Beulah landfill. As a result, the change in the capacity will result in a net lower cost as the landfill is used and thus no change in the liability was recorded for the current year. Closure and post-closure care costs have been accrued and recognized in the financial records as each cell has come online beginning in November 1995. Total accrued closure and post-closure care costs as of June 30, 2018 are estimated to be \$3,053,994 and \$3,836,186, respectively.

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2018

### 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 workers' 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, MARYLAND**

### **Notes to the Financial Statements**

**June 30, 2018**

#### **11. COMMITMENTS AND CONTINGENCIES (continued)**

##### **Dorchester County Sanitary District**

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

##### **Board of Education of Dorchester County**

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

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

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

#### **12. ADOPTION OF NEW ACCOUNTING STANDARDS**

Net position of governmental activities have been restated by a negative \$10,930,974 due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

##### **Board of Education**

Net position of the Board have been restated by a negative \$46,442,153 due to the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*.

This page intentionally left blank.

**REQUIRED SUPPLEMENTARY INFORMATION**

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Changes in Net OPEB Liability and Related Ratios  
June 30, 2018**

	<u>2018</u>	<u>2017</u>
<b>Change in Total OPEB Liability</b>		
Total OPEB Liability, beginning of year	\$ 25,150,243	\$ 28,031,714
Service cost	731,736	882,738
Interest	893,644	794,789
Difference between expected and actual experience	66,365	(63,842)
Benefits paid	(376,260)	(288,757)
Changes in assumptions	2,867,529	(4,206,398)
Total OPEB Liability, end of year	<u>29,333,257</u>	<u>25,150,244</u>
Change in Fiduciary Net Position		
Fiduciary Net Position, beginning of year	390,895	632,542
Employer contribution	179,752	-
Net investment income	61,785	47,110
Administrative expenses	(13,451)	-
Benefits paid	(376,260)	(288,757)
Fiduciary Net Position, end of year	<u>242,721</u>	<u>390,895</u>
Net OPEB Liability, end of year	<u>\$ 29,090,536</u>	<u>\$ 24,759,349</u>
Plan Fiduciary Net Position as a percentage of the total OPEB liability	<u>0.83%</u>	<u>1.55%</u>
Covered employee payroll	<u>\$ 13,565,444</u>	<u>\$ 13,076,598</u>
Plan net OPEB liability as a percent of covered-employee payroll	<u>214%</u>	<u>189%</u>

*Note- Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

*Contribution information for OPEB is not available.*

## DORCHESTER COUNTY, MARYLAND

### Schedule of County's Proportionate Share of the Net Pension Liability of the Maryland State Retirement and Pension System June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the System net pension liability (asset)	0.06%	0.05%	0.05%	0.05%
County's proportionate share of the System net pension liability (asset)	<u>\$ 11,750,180</u>	<u>\$ 12,844,506</u>	<u>\$11,524,858</u>	<u>\$ 8,892,812</u>
Total	<u>\$ 11,750,180</u>	<u>\$ 12,844,506</u>	<u>\$11,524,858</u>	<u>\$ 8,892,812</u>
County's covered-employee payroll	\$ 10,942,269	\$ 10,510,098	\$10,084,750	\$10,490,392
County's proportionate share of the net pension liability (asset) as a percentage of its	107.38%	122.21%	114.28%	84.77%
Plan fiduciary net position as a percentage of the total pension liability	65.79%	65.79%	68.78%	71.87%

Note- 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, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,386,363	\$ 1,105,991	\$ 1,060,530	\$ 1,167,734
Contributions in relation to the contractually required contribution	<u>(1,386,363)</u>	<u>(1,105,991)</u>	<u>(1,060,530)</u>	<u>(1,167,734)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 10,942,269	\$ 10,510,098	\$ 10,084,750	\$10,490,392
Contributions as a percentage of covered-employee payroll	12.67%	10.52%	10.52%	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, 2018**

	<u>Building Excise Tax Fund</u>	<u>Transfer Tax Fund</u>	<u>Commissary Fund</u>	<u>ESIC Fund</u>	<u>Total Non-major Funds</u>
<b>ASSETS</b>					
Cash	\$ 150,565	\$ -	\$ 98,845	\$ -	\$ 249,410
Accounts receivable	-	100,095	-	-	100,095
Due from other funds	1,104,936	3,032,632	-	-	4,137,568
<b>TOTAL ASSETS</b>	<u>\$ 1,255,501</u>	<u>\$ 3,132,727</u>	<u>\$ 98,845</u>	<u>\$ -</u>	<u>\$ 4,487,073</u>
<b>LIABILITIES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ -	\$ 104,487	\$ -	\$ 16,051	\$ 120,538
Due to other funds	-	585,924	-	7,551	593,475
Unearned revenue	-	-	55,492	27,000	82,492
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>690,411</u>	<u>55,492</u>	<u>50,602</u>	<u>796,505</u>
<b>FUND BALANCES</b>					
Committed for:					
Schools and courthouse	1,046,369	2,442,316	-	-	3,488,685
Public safety communication system	155,440	-	-	-	155,440
Sheriff	53,692	-	-	-	53,692
Assigned	-	-	43,353	-	43,353
Unassigned	-	-	-	(50,602)	(50,602)
<b>TOTAL FUND BALANCES</b>	<u>1,255,501</u>	<u>2,442,316</u>	<u>43,353</u>	<u>(50,602)</u>	<u>3,690,568</u>
<b>TOTAL LIABILITIES, AND FUND BALANCES</b>	<u>\$ 1,255,501</u>	<u>\$ 3,132,727</u>	<u>\$ 98,845</u>	<u>\$ -</u>	<u>\$ 4,487,073</u>

**DORCHESTER COUNTY, MARYLAND**

**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds  
For the Year Ended June 30, 2018**

	<u>Building Excise Tax Fund</u>	<u>Transfer Tax Fund</u>	<u>Commissary Fund</u>	<u>ESIC Fund</u>	<u>Total Non- major Funds</u>
<b>REVENUE</b>					
Taxes	\$ -	\$ 914,773	\$ -	\$ -	\$ 914,773
Miscellaneous revenues	1,779	-	120,223	55,713	177,715
<b>TOTAL REVENUE</b>	<u>1,779</u>	<u>914,773</u>	<u>120,223</u>	<u>55,713</u>	<u>1,092,488</u>
<b>EXPENDITURES</b>					
General government	-	752,239	93,779	88,184	934,202
Capital outlay	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>-</u>	<u>752,239</u>	<u>93,779</u>	<u>88,184</u>	<u>934,202</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	1,779	162,534	26,444	(32,471)	158,286
<b>OTHER FINANCING SOURCES</b>					
Transfers in (out)	-	-	-	(18,131)	(18,131)
Note proceeds	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,131)</u>	<u>(18,131)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>1,779</u>	<u>162,534</u>	<u>26,444</u>	<u>(50,602)</u>	<u>140,155</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,253,722</u>	<u>2,279,782</u>	<u>16,909</u>	<u>-</u>	<u>3,550,413</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 1,255,501</u>	<u>\$ 2,442,316</u>	<u>\$ 43,353</u>	<u>\$ (50,602)</u>	<u>\$ 3,690,568</u>

This page intentionally left blank.

**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, 2018

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUE</b>				
Taxes:				
Property taxes	\$ 29,642,323	\$ 29,642,323	\$ 30,063,681	\$ 421,358
Income and other taxes	15,202,500	15,202,500	14,942,415	(260,085)
Total taxes	44,844,823	44,844,823	45,006,096	161,273
Licenses and permits	235,450	235,450	245,859	10,409
Intergovernmental				
Federal	60,000	60,000	59,776	(224)
State	3,753,739	3,753,739	3,678,057	(75,682)
Service charges	2,320,062	2,320,062	1,797,144	(522,918)
Miscellaneous	1,897,989	1,897,989	417,711	(1,480,278)
Total revenues	53,112,063	53,112,063	51,204,643	(1,907,420)
<b>EXPENDITURES</b>				
<b>General Government</b>				
County council				
Operating personnel	326,532	326,532	323,925	2,607
Other	48,950	48,950	48,767	183
Total county council	375,482	375,482	372,692	2,790
Circuit court				
Operating personnel	114,558	114,558	118,935	(4,377)
Other	81,758	84,258	62,029	22,229
Total circuit court	196,316	198,816	180,964	17,852
Orphan's court				
Operating personnel	14,100	14,100	14,100	-
Other	6,123	6,123	4,799	1,324
Total orphan's court	20,223	20,223	18,899	1,324
State's attorney				
Operating personnel	681,927	681,927	639,849	42,078
Other	47,688	47,688	57,087	(9,399)
Total state's attorney	729,615	729,615	696,936	32,679
Elections				
Operating personnel	351,800	351,800	342,853	8,947
Other	181,042	181,042	161,881	19,161
Total elections	532,842	532,842	504,734	28,108
Finance & treasurer				
Operating personnel	391,680	391,680	393,192	(1,512)
Other	102,349	102,349	102,836	(487)
Total finance & treasurer	494,029	494,029	496,028	(1,999)
Human resources				
Operating personnel	65,000	65,000	65,241	(241)
Other	18,775	18,775	16,666	2,109
Total human resources	83,775	83,775	81,907	1,868
Information technology				
Operating personnel	187,683	187,683	141,275	46,408
Other	82,232	82,232	56,710	25,522
Total information technology	269,915	269,915	197,985	71,930
Other general government				
Operating personnel	60,069	60,069	24,752	35,317
Other	628,507	626,007	992,969	(366,962)
Total other government	688,576	686,076	1,017,721	(331,645)
Planning and zoning				
Operating personnel	439,622	439,622	390,086	49,536
Other	166,187	166,187	94,459	71,728
Total planning and zoning	605,809	605,809	484,545	121,264
Maintenance				
Operating personnel	120,296	120,296	115,538	4,758
Other	11,325	11,325	12,071	(746)
Total maintenance	131,621	131,621	127,609	4,012
<b>Total general government</b>	<b>4,128,203</b>	<b>4,128,203</b>	<b>4,180,020</b>	<b>(51,817)</b>

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
General Fund  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Public Safety</b>				
Sheriff				
Operating personnel	\$ 2,224,199	\$ 2,224,199	\$ 2,274,080	\$ (49,881)
Other	773,850	773,850	839,099	(65,249)
Total sheriff	2,998,049	2,998,049	3,113,179	(115,130)
Volunteer fire and life support				
Other	907,762	907,762	905,795	1,967
Total volunteer fire and life support	907,762	907,762	905,795	1,967
EMS				
Operating personnel	2,059,548	2,059,548	2,181,665	(122,117)
Other	620,821	620,821	535,977	84,844
Total EMS	2,680,369	2,680,369	2,717,642	(37,273)
Emergency Services				
Operating personnel	79,584	79,584	79,879	(295)
Other	-	-	-	-
Total Emergency Services	79,584	79,584	79,879	(295)
Detention center				
Operating personnel	2,337,480	2,307,480	2,168,238	139,242
Other	1,365,219	1,395,219	1,330,280	64,939
Total detention center	3,702,699	3,702,699	3,498,518	204,181
911 emergency communications				
Operating personnel	890,433	890,433	918,804	(28,371)
Other	505,572	505,572	497,937	7,635
Total 911 emergency communications	1,396,005	1,396,005	1,416,741	(20,736)
Emergency management				
Operating personnel	-	-	-	-
Other	24,972	24,972	28,074	(3,102)
Total emergency management	24,972	24,972	28,074	(3,102)
Animal control				
Operating personnel	97,476	97,476	93,751	3,725
Other	90,071	90,071	48,620	41,451
Total animal control	187,547	187,547	142,371	45,176
<b>Total public safety</b>	<b>11,976,987</b>	<b>11,976,987</b>	<b>11,902,199</b>	<b>74,788</b>
<b>Public Works</b>				
Highways & streets				
Operating personnel	1,181,508	1,181,508	974,335	207,173
Other	1,687,087	1,687,087	1,525,059	162,028
Total highways & streets	2,868,595	2,868,595	2,499,394	369,201
Engineering				
Operating personnel	104,006	104,006	78,340	25,666
Other	13,100	13,100	23,696	(10,596)
Total engineering	117,106	117,106	102,036	15,070
<b>Total public works</b>	<b>2,985,701</b>	<b>2,985,701</b>	<b>2,601,430</b>	<b>384,271</b>
<b>Recreation and parks</b>				
Operating personnel	322,345	280,345	271,104	9,241
Other	160,850	202,850	173,360	29,490
<b>Total recreation and parks</b>	<b>483,195</b>	<b>483,195</b>	<b>444,464</b>	<b>38,731</b>
<b>Natural resources</b>				
Cooperative extension service				
Other	137,444	137,444	137,444	-
Total cooperative extension service	137,444	137,444	137,444	-
Other				
Operating personnel	297,817	297,817	272,332	25,485
Other	26,260	26,260	29,092	(2,832)
Total other	324,077	324,077	301,424	22,653
<b>Total natural resources</b>	<b>461,521</b>	<b>461,521</b>	<b>438,868</b>	<b>22,653</b>

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
General Fund  
For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Social services</b>				
Other health and social services				
Operating personnel	\$ 435,391	\$ 435,391	\$ 306,837	\$ 128,554
Other	51,750	51,750	70,675	(18,925)
Total other	487,141	487,141	377,512	109,629
<b>Total social services</b>	487,141	487,141	377,512	109,629
Economic development				
Operating personnel	289,362	289,362	289,450	(88)
Other	360,603	360,603	416,761	(56,158)
Total other	649,965	649,965	706,211	(56,246)
<b>Total economic development</b>	649,965	649,965	706,211	(56,246)
<b>Education</b>				
Board of education	19,120,529	19,120,529	19,120,529	-
Chesapeake college	1,176,616	1,176,616	1,176,616	-
Public library	533,520	533,520	533,520	-
County health department	698,250	698,250	698,250	-
<b>Total education</b>	21,528,915	21,528,915	21,528,915	-
<b>Debt service</b>				
Principal	1,917,640	1,917,640	1,864,437	53,203
Interest	635,481	635,481	736,042	(100,561)
<b>Total debt service</b>	2,553,121	2,553,121	2,600,479	(47,358)
<b>Miscellaneous</b>	5,366,231	5,366,231	5,768,904	(402,673)
<b>Total expenditures</b>	50,620,980	50,620,980	50,549,002	71,978
Excess (deficiency) of revenue over expenditures	2,491,083	2,491,083	655,641	(1,835,442)
<b>OTHER FINANCING SOURCES (USES)</b>				
Note proceeds	-	-	-	-
Transfers out	2,320,269	2,320,269	2,180,326	(139,943)
<b>Total other financing sources (uses)</b>	2,320,269	2,320,269	2,180,326	(139,943)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ 4,811,352	\$ 4,811,352	\$ (1,524,685)	\$ (1,975,385)



**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
Special Revenue Fund  
For the Year Ended June 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUE</b>				
Intergovernmental				
Federal	\$ 103,852	\$ 103,852	\$ 818,664	\$ 714,812
State	1,963,115	1,963,115	3,245,291	1,282,176
Miscellaneous	75,000	75,000	109,249	34,249
Total revenues	<u>2,141,967</u>	<u>2,141,967</u>	<u>4,173,204</u>	<u>2,031,237</u>
<b>EXPENDITURES</b>				
General government				
Salaries	142,439	142,439	317,540	(175,101)
Other	82,400	82,400	202,473	(120,073)
Total general government	<u>224,839</u>	<u>224,839</u>	<u>520,013</u>	<u>(295,174)</u>
Public safety				
Salaries	128,772	128,772	142,770	(13,998)
Other	15,259	15,259	528,223	(512,964)
Total public safety	<u>144,031</u>	<u>144,031</u>	<u>670,993</u>	<u>(526,962)</u>
Social services				
Salaries	65,000	65,000	186,117	(121,117)
Other	1,462,796	1,462,796	2,358,925	(896,129)
Total social services	<u>1,527,796</u>	<u>1,527,796</u>	<u>2,545,042</u>	<u>(1,017,246)</u>
Recreation and parks				
Other	40,000	40,000	107,860	(67,860)
Total recreation and parks	<u>40,000</u>	<u>40,000</u>	<u>107,860</u>	<u>(67,860)</u>
Economic development				
Operating personnel	5,000	64,120	43,604	20,516
Other	315,000	350,880	244,658	106,222
Total economic development	<u>320,000</u>	<u>415,000</u>	<u>288,262</u>	<u>126,738</u>
Public works				
Other	-	-	130,664	(130,664)
Total public works	<u>-</u>	<u>-</u>	<u>130,664</u>	<u>(130,664)</u>
<b>Total expenditures</b>	<u>2,256,666</u>	<u>2,351,666</u>	<u>4,262,834</u>	<u>(1,911,168)</u>
Excess (deficiency) of revenue over expenditures	<u>(114,699)</u>	<u>(209,699)</u>	<u>(89,630)</u>	<u>3,942,405</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	108,330	108,330	86,518	(21,812)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>108,330</u>	<u>108,330</u>	<u>86,518</u>	<u>(21,812)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ (6,369)</u>	<u>\$ (101,369)</u>	<u>\$ (3,112)</u>	<u>\$ 3,920,593</u>

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
Capital Projects  
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Capital Fund				
Intergovernmental				
Federal	\$ 200,000	\$ 200,000	\$ -	\$ (200,000)
State	142,500	142,500	-	(142,500)
Miscellaneous	-	-	2,455	2,455
Total revenues	<u>342,500</u>	<u>342,500</u>	<u>2,455</u>	<u>(340,045)</u>
<b>EXPENDITURES</b>				
Current				
General government	783,750	783,750	89,900	693,850
Public safety	10,697,600	10,697,600	4,179,619	6,517,981
Recreation and parks	79,000	79,000	34,951	44,049
Economic development	53,800	53,800	3,298	50,502
Education	11,899,354	11,899,354	8,121,229	3,778,125
Public works	795,800	795,800	174,805	620,995
Total expenditures	<u>24,309,304</u>	<u>24,309,304</u>	<u>12,603,802</u>	<u>11,705,502</u>
Excess (deficiency) of revenue over expenditures	<u>(23,966,804)</u>	<u>(23,966,804)</u>	<u>(12,601,347)</u>	<u>(12,045,547)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Note proceeds	19,141,354	19,141,354	8,491,354	(10,650,000)
Transfers in	4,825,450	4,825,450	1,417,450	(3,408,000)
<b>Total other financing sources (uses)</b>	<u>23,966,804</u>	<u>23,966,804</u>	<u>9,908,804</u>	<u>(14,058,000)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,692,543)</u>	<u>\$ (26,103,547)</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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
Building excise tax	\$ -	\$ -	\$ -	\$ -
<b>EXPENDITURES</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenue over expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Miscellaneous	-	-	1,779	1,779
Excess (deficiency) of revenues over expenditures and other	\$ -	\$ -	\$ 1,779	\$ 1,779

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
Transfer Tax  
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUE</b>				
County transfer tax	\$ 752,960	\$ 752,960	\$ 914,773	\$ 161,813
Miscellaneous	222,500	222,500	-	(222,500)
Total revenues	<u>975,460</u>	<u>975,460</u>	<u>914,773</u>	<u>(60,687)</u>
<b>EXPENDITURES</b>				
General government				
Salaries	569,960	569,960	334,808	235,152
Other	405,500	405,500	417,431	(11,931)
<b>Total expenditures</b>	<u>975,460</u>	<u>975,460</u>	<u>752,239</u>	<u>223,221</u>
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,534</u>	<u>\$ (283,908)</u>

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
Airport Fund  
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUE</b>				
Fuel sales	\$ 188,200	\$ 188,200	\$ 196,756	\$ 8,556
Hanger and tie-down rentals	172,910	172,910	132,895	(40,015)
Other	5,000	5,000	3,449	(1,551)
Total revenues	<u>366,110</u>	<u>366,110</u>	<u>333,100</u>	<u>(33,010)</u>
<b>OPERATING EXPENSES</b>				
Salaries, benefits, and taxes	255,717	255,717	182,724	72,993
Repairs and maintenance	59,000	59,000	33,340	25,660
Rental of land, buildings and equipment	13,600	13,600	13,200	400
Fuel	188,500	188,700	145,092	43,608
Utilities	82,699	85,599	83,621	1,978
Depreciation	-	-	836,378	(836,378)
Other	842,600	839,500	(73,356)	912,856
Total operating expenses	<u>1,442,116</u>	<u>1,442,116</u>	<u>1,220,999</u>	<u>221,117</u>
Net operating income (loss)	<u>(1,076,006)</u>	<u>(1,076,006)</u>	<u>(887,899)</u>	<u>188,107</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Grants- Federal government	45,000	45,000	12,456	(32,544)
Grants- state government	336,517	336,517	145,173	(185,570)
Contributions	-	-	-	-
Total non-operating revenues (expenses)	<u>381,517</u>	<u>381,517</u>	<u>157,629</u>	<u>(218,114)</u>
Income (loss) before transfers	<u>(694,489)</u>	<u>(694,489)</u>	<u>(730,270)</u>	<u>(35,781)</u>
Operating transfers	299,140	299,140	299,140	-
Capital transfers	395,349	395,349	395,349	-
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (35,781)</u>	<u>\$ (35,781)</u>

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
Landfill Fund  
For the Year Ended June 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>OPERATING REVENUE</b>				
Tipping fees	\$ 2,418,544	\$ 2,418,544	\$ 2,826,120	\$ 407,576
Permits	135,000	135,000	122,195	(12,805)
Other	6,000	6,000	9,275	3,275
Total revenues	<u>2,559,544</u>	<u>2,559,544</u>	<u>2,957,590</u>	<u>398,046</u>
<b>OPERATING EXPENSES</b>				
Salaries, benefits, and taxes	898,711	898,711	778,796	119,915
Repairs and maintenance	228,000	228,000	188,391	39,609
Rental of land, buildings and equipment	16,000	16,000	25,572	(9,572)
Fuel	150,000	150,000	136,445	13,555
Closure and postclosure costs accrual	326,000	326,000	43,116	282,884
Utilities	16,500	16,500	18,364	(1,864)
Depreciation	630,000	630,000	914,610	(284,610)
Other	1,289,633	1,289,633	320,719	968,914
Total operating expenses	<u>3,554,844</u>	<u>3,554,844</u>	<u>2,426,013</u>	<u>1,128,831</u>
Net operating income (loss)	<u>(995,300)</u>	<u>(995,300)</u>	<u>531,577</u>	<u>1,526,877</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Use of net position	990,000	990,000	-	(990,000)
Interest income	5,300	5,300	60,868	55,568
Total non-operating revenues (expenses)	<u>995,300</u>	<u>995,300</u>	<u>60,868</u>	<u>(934,432)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 592,445</u>	<u>\$ 592,445</u>

**DORCHESTER COUNTY, MARYLAND**

**Local Management Board - Schedule of Revenue and Expenditures  
For the Year Ended June 30, 2018**

**REVENUE**

Intergovernmental	
State	<u>\$ 1,431,607</u>

**EXPENDITURES**

Public safety	
Safe streets	161,284
Teen court	9,413
Total public safety	<u>170,697</u>

Social services	
Healthy families	363,162
Wellness centers	403,823
Connect for success	217,163
Adventure division	60,541
BIND together	101,981
Afterschool	6,538
Other	3,124
Administration	104,578
Total social services	<u>1,260,910</u>

<b>TOTAL EXPENDITURES</b>	<u>1,431,607</u>
---------------------------	------------------

<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u>\$ -</u>
---	-------------