

**DORCHESTER COUNTY, MARYLAND**

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

**For the Year Ended June 30, 2017**

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**JUNE 30, 2017**

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## **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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the basic financial statements of the Board of Education of Dorchester County and the Dorchester County Sanitary Districts (the Component Units). Those basic financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Component Units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

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



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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information, of the County, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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



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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.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated March 12, 2018 on our consideration of the County’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County’s internal control over financial reporting and compliance.

Hunt Valley, Maryland  
March 12, 2018

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

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

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

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

#### **1) Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private business. The government-wide financial statements include a *statement of net position* and a *statement of activities*.

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

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

- The *governmental activities* of the County include general government, public safety, public works, education, social services, natural resources, recreation/parks, and economic development.
- The *business-type activities* of the County include airport and solid waste operations.

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

The government-wide financial statements can be found on pages 12-14 of this report.

## 2) ***Fund Financial Statements***

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

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

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



- **Proprietary Funds.** When the County charges customers for a service it provides, whether to outside customers or to other units of government, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. Proprietary funds are comprised of two types: 1) *Enterprise funds* and 2) *Internal service funds*. The County uses enterprise funds to account for its airport and landfill operations. Internal service funds are used to report an activity that provides supplies and services for the government's other programs and activities. The County does not utilize an internal service fund.

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

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

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

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

### 3) ***Notes to the Financial Statements***

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-54 of this report.

### 4) ***Supplementary Information***

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

In addition to this MD&A, required supplementary and other information can be found on pages 57-74 of this report.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$40.6 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>
	2017	2016	2017	2016	2017	2016	
<i>Current and other assets</i>	\$ 18,297,795	\$ 19,047,225	\$ 12,343,997	\$ 11,710,025	\$ 30,641,792	\$ 30,757,250	0%
<i>Capital assets</i>	50,264,079	50,714,014	18,932,957	15,731,670	69,197,036	66,445,684	4%
<i>Total Assets</i>	68,561,874	69,761,239	31,276,954	27,441,695	99,838,828	97,202,934	3%
<i>Deferred Outflow of Resources</i>	3,218,985	2,217,508	-	-	3,218,985	2,217,508	100%
<i>Current and other liabilities</i>	4,578,203	5,133,124	141,422	459,956	4,719,625	5,593,080	-16%
<i>Long-term liabilities</i>	50,243,088	48,730,548	7,159,725	7,121,614	57,402,813	55,852,162	3%
<i>Total Liabilities</i>	54,821,291	53,863,672	7,301,147	7,581,570	62,122,438	61,445,242	1%
<i>Deferred Inflow of Resources</i>	320,049	273,418	-	-	320,049	273,418	100%
<i>Net Investment in Capital Assets</i>	40,446,859	40,446,859	18,715,957	15,483,670	59,162,816	55,930,529	6%
<i>Restricted Net Position</i>	338,465	342,679	-	-	338,465	342,679	-1%
<i>Unrestricted Net Position (Deficit)</i>	(24,145,805)	(22,947,881)	5,259,850	4,376,455	(18,885,955)	(18,571,426)	2%
<i>Total Net Position</i>	\$ 16,639,519	\$ 17,841,657	\$ 23,975,807	\$ 19,860,125	\$ 40,615,326	\$ 37,701,782	8%

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 \$59.2 million. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$0.3 million, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net deficit of (\$18.9) million.

Unrestricted net position in governmental activities has been reduced by \$19.0 million in long-term debt, resulting in unrestricted net deficit of (\$24.1) 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 \$17.3 million and Chesapeake Community College of \$1.7 million. The capital assets acquired with these bonds are not reflected in the County's primary government financial statements.

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

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total</i>	
	2017	2016	2017	2016	2017	2016
<b>Program Revenues:</b>						
<i>Charges for Services</i>	\$ 2,327,415	\$ 2,738,348	\$ 3,553,912	\$ 3,345,093	\$ 5,881,327	\$ 6,083,441
<i>Operating Grants and Contributions</i>	5,289,222	6,911,198	50,000	-	5,339,222	6,911,198
<i>Capital Grants and Contributions</i>	44,055	1,694,574	2,880,911	411,084	2,924,966	2,105,658
<b>General Revenues:</b>						
<i>Property taxes</i>	31,747,911	30,860,400	-	-	31,747,911	30,860,400
<i>Income taxes</i>	14,309,614	14,242,779	-	-	14,309,614	14,242,779
<i>Other</i>	4,424,101	677,428	20,766	16,985	4,444,867	694,413
<b>Total Revenues</b>	<b>58,142,318</b>	<b>57,124,727</b>	<b>6,505,589</b>	<b>3,773,162</b>	<b>64,647,907</b>	<b>60,897,889</b>
<b>Program Expenses:</b>						
<i>General government</i>	15,789,103	16,424,856	-	-	15,789,103	16,424,856
<i>Public safety</i>	13,575,822	13,578,853	-	-	13,575,822	13,578,853
<i>Social services</i>	1,647,608	2,170,895	-	-	1,647,608	2,170,895
<i>Recreation and parks</i>	803,660	634,344	-	-	803,660	634,344
<i>Natural resources</i>	497,423	365,985	-	-	497,423	365,985
<i>Economic development</i>	1,072,144	2,537,393	-	-	1,072,144	2,537,393
<i>Education</i>	21,302,863	21,315,283	-	-	21,302,863	21,315,283
<i>Public works</i>	3,315,129	2,026,621	-	-	3,315,129	2,026,621
<i>Interest on long-term debt</i>	773,433	774,807	-	-	773,433	774,807
<b>Business-type Activities:</b>						
<i>Airport</i>	-	-	902,867	930,836	902,867	930,836
<i>Landfill</i>	-	-	2,054,311	2,756,468	2,054,311	2,756,468
<b>Total Expenses</b>	<b>58,777,185</b>	<b>59,829,037</b>	<b>2,957,178</b>	<b>3,687,304</b>	<b>61,734,363</b>	<b>63,516,341</b>
<b>Change in Net Position before transfers</b>	<b>(634,867)</b>	<b>(2,704,310)</b>	<b>3,548,411</b>	<b>85,858</b>	<b>2,913,544</b>	<b>(2,618,452)</b>
<b>Transfers</b>	<b>(567,271)</b>	<b>(334,412)</b>	<b>567,271</b>	<b>334,412</b>	<b>-</b>	<b>-</b>
<b>Change in Net Position</b>	<b>(1,202,138)</b>	<b>(3,038,722)</b>	<b>4,115,682</b>	<b>420,270</b>	<b>2,913,544</b>	<b>(2,618,452)</b>
<b>Net Position – beginning of year</b>	<b>17,841,657</b>	<b>20,880,379</b>	<b>19,860,125</b>	<b>19,439,855</b>	<b>37,701,782</b>	<b>40,320,234</b>
<b>Net Position – End of year</b>	<b>\$ 16,639,519</b>	<b>\$ 17,841,657</b>	<b>\$ 23,975,807</b>	<b>\$ 19,860,125</b>	<b>\$ 40,615,326</b>	<b>\$ 37,701,782</b>

The County's total net position increased by \$2.9 million during fiscal year 2017; total net position as of June 30, 2017 was \$40.6 million, representing a 7.7% increase.

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

Net position in governmental activities decreased by \$1.2 million.

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

Business-type activities increased the County's net position by \$4.1 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 \$10.3 million, a decrease of \$0.4 million. Approximately \$0.3 million is restricted and \$3.5 million is committed.

**Original Budget vs. Final Budget:**

The final budget was virtually unchanged from the original budget.

**Final Budget vs. Actual Results:**

Revenues were under budget by \$1.4 million, expenditures were under budget by \$0.7 million, and transfers out were under budget by \$0.1 million, yielding a \$0.5 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, 2017, amounts to \$69.2 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
	2017	2016	2017	2016	2017	2016	
<i>Land</i>	\$ 18,375,497	\$ 18,364,261	\$ 3,470,486	\$ 3,418,807	\$ 21,845,983	\$ 21,783,068	0%
<i>Construction in progress</i>	776,895	775,316	1,438,054	1,606,170	2,214,949	2,381,486	-7%
<i>Building and improvements</i>	26,471,486	26,212,108	17,169,490	14,142,167	43,640,976	40,354,275	8%
<i>Furniture and equipment</i>	31,286,883	29,640,799	6,170,007	4,326,361	37,456,890	33,967,160	10%
<i>Leasehold improvements</i>	286,572	286,572	-	-	286,572	286,572	0%
<i>Infrastructure assets</i>	45,874,558	45,612,240	-	-	45,874,558	45,612,240	1%
<i>Beulah landfill- cells</i>	-	-	8,511,474	8,511,474	8,511,474	8,511,474	0%
<i>Less: accumulated depreciation</i>	(72,807,812)	(70,177,282)	(17,826,554)	(16,117,876)	(90,634,366)	(86,295,158)	5%
<b>Total</b>	<b>\$ 50,264,079</b>	<b>\$ 50,714,014</b>	<b>\$ 18,932,957</b>	<b>\$ 15,887,103</b>	<b>\$ 69,197,036</b>	<b>\$ 66,601,117</b>	<b>4%</b>

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

Airport parking and apron improvements (\$2.7 million) and acquisition of heavy equipment for the public works department (\$1.1 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 \$57.4 million. This amount was primarily comprised of debt backed by the full faith and credit of the County of \$22.1 million and post-retirement obligations of \$27.4 million. The debt decreased by a net of \$1.9 million, primarily a result of scheduled debt payments.

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

Description	Governmental Activities		Business-type Activities		Total		% Change
	2017	2016	2017	2016	2017	2016	
<b>Bonds and notes payable</b>	\$ 21,869,227	\$ 23,675,006	\$ 217,000	\$ 279,000	\$ 22,086,227	\$ 23,954,006	-8%
<b>Compensated absences</b>	964,331	912,630	52,545	43,222	1,016,876	955,852	6%
<b>Net pension liability</b>	12,844,506	11,524,858	-	-	12,844,506	11,524,858	11%
<b>Pension liability</b>	736,649	729,138	-	-	736,649	729,138	1%
<b>Landfill closure and postclosure care costs</b>	-	-	6,890,180	6,827,156	6,890,180	6,827,156	1%
<b>Other post employment benefits obligation</b>	13,828,375	11,888,916	-	-	13,828,375	11,888,916	16%
<b>Total</b>	<b>\$ 50,243,088</b>	<b>\$ 48,730,548</b>	<b>\$ 7,159,725</b>	<b>\$ 7,149,378</b>	<b>\$ 57,402,813</b>	<b>\$ 55,879,926</b>	<b>3%</b>

The County's credit ratings for fiscal year 2017 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 2018 total budget equals \$57.6 million, an increase of \$500,000 or less than 1% over the FY 2017 budget. The FY 18 capital budget of \$26.3 million represents an increase of \$18.2 million over the FY 17 capital budget – made up of \$11.9 million for the new North Dorchester High School and \$10 million to replace the emergency communication radio system. The Council's priorities in crafting the FY18 budget were maintaining essential services to the public and continuing the revived long term capital investment program while avoiding increasing local tax rates.

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

### Requests for Information

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Dorchester County Government, Department of Finance, 501 Court Lane, Cambridge, Maryland 21613 or sent by email to mspears@docogonet.com.

# DORCHESTER COUNTY, MARYLAND

## Statement of Net Position As of June 30, 2017

	Primary Government			Component Unit		
	Governmental activities	Business-type activities	Total	Board of Education	Sanitary Districts	Total
<b>ASSETS</b>						
Cash and short-term investments	\$ 11,620,500	\$ 9,998,891	\$ 21,619,391	\$ 5,333,005	\$ 2,559,775	\$ 29,512,171
Receivables, net						
State and local property taxes	3,459,789	-	3,459,789	-	-	3,459,789
Federal government	212,772	19,639	232,411	915,579	-	1,147,990
State of Maryland	3,424,967	9,739	3,434,706	1,167,117	-	4,601,823
Other	1,283,264	268,306	1,551,570	308,826	4,848	1,865,244
Internal balances	(1,984,863)	1,984,863	-	-	-	-
Other assets	281,366	62,559	343,925	3,424	76,365	423,714
Nondepreciable capital assets	19,152,392	4,908,540	24,060,932	5,869,570	306,838	30,237,340
Depreciable capital assets, net	31,111,687	14,024,417	45,136,104	74,590,241	10,527,065	130,253,410
<b>TOTAL ASSETS</b>	<b>68,561,874</b>	<b>31,276,954</b>	<b>99,838,828</b>	<b>88,187,762</b>	<b>13,474,891</b>	<b>201,501,481</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Net pension activity	3,218,985	-	3,218,985	1,129,371	12,174	4,360,530
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	2,670,744	141,422	2,812,166	3,164,845	160,108	6,137,119
Due to State of Maryland	310,056	-	310,056	-	-	310,056
Due to delinquent taxpayers	491,682	-	491,682	-	-	491,682
Unearned revenue	800,591	-	800,591	325,440	91,135	1,217,166
Other	305,130	-	305,130	1,443,582	-	1,748,712
Long term liabilities, due within one year:						
Compensated absences	370,876	52,545	423,421	64,078	-	487,499
Bonds and notes payable	1,864,437	31,000	1,895,437	-	35,301	1,930,738
Long term liabilities, due in more than one year:						
Compensated absences	593,455	-	593,455	942,494	-	1,535,949
Bonds and notes payable	20,004,790	186,000	20,190,790	-	1,806,924	21,997,714
Landfill closure and postclosure care costs	-	6,890,180	6,890,180	-	-	6,890,180
Pension liability	736,649	-	736,649	-	-	736,649
Net pension liability	12,844,506	-	12,844,506	3,956,270	37,304	16,838,080
Other post-employment benefits obligation	13,828,375	-	13,828,375	27,942,662	-	41,771,037
<b>TOTAL LIABILITIES</b>	<b>54,821,291</b>	<b>7,301,147</b>	<b>62,122,438</b>	<b>37,839,371</b>	<b>2,130,772</b>	<b>102,092,581</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Net pension activity	320,049	-	320,049	249,716	409	570,174
<b>NET POSITION</b>						
Net investment in capital assets	40,446,859	18,715,957	59,162,816	80,459,811	8,991,678	148,614,305
Restricted	338,465	-	338,465	397,920	-	736,385
Unrestricted	(24,145,805)	5,259,850	(18,885,955)	(29,629,685)	2,364,206	(46,151,434)
<b>TOTAL NET POSITION</b>	<b>\$ 16,639,519</b>	<b>\$ 23,975,807</b>	<b>\$ 40,615,326</b>	<b>\$ 51,228,046</b>	<b>\$ 11,355,884</b>	<b>\$ 103,199,256</b>

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

**DORCHESTER COUNTY, MARYLAND**

**Statement of Activities  
For the Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
General government	\$ 15,789,103	\$ 275,365	\$ 2,101,466	\$ -
Public safety	13,575,822	1,825,762	805,517	44,055
Social services	1,647,608	-	1,638,283	-
Recreation and parks	803,660	68,666	249,873	-
Natural resources	497,423	-	-	-
Economic development	1,072,144	-	466,032	-
Education	21,302,863	-	-	-
Public works	3,315,129	157,622	28,051	-
Interest on long-term debt	773,433	-	-	-
Total governmental activities	<u>58,777,185</u>	<u>2,327,415</u>	<u>5,289,222</u>	<u>44,055</u>
Business-type activities				
Airport	902,867	328,465	50,000	2,880,911
Landfill	2,054,311	3,225,447	-	-
Total business-type activities	<u>2,957,178</u>	<u>3,553,912</u>	<u>50,000</u>	<u>2,880,911</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 61,734,363</u>	<u>\$ 5,881,327</u>	<u>\$ 5,339,222</u>	<u>\$ 2,924,966</u>
<b>Component unit:</b>				
Board of Education	\$ 82,641,152	\$ 62,575,181	\$ 10,433,835	\$ 5,115,524
Sanitary Districts	1,413,664	1,240,153	68,977	-
Total Component Units	<u>\$ 84,054,816</u>	<u>\$ 63,815,334</u>	<u>\$ 10,502,812</u>	<u>\$ 5,115,524</u>

Property taxes  
Local taxes  
Miscellaneous  
Transfers  
TOTAL GENERAL REVENUE

CHANGE IN NET POSITION

NET POSITION - BEGINNING OF YEAR

NET POSITION - END OF YEAR

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



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

<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>
\$ (13,412,272)	\$ -	\$ (13,412,272)	\$ -	\$ -	\$ (13,412,272)
(10,900,488)	-	(10,900,488)	-	-	(10,900,488)
(9,325)	-	(9,325)	-	-	(9,325)
(485,121)	-	(485,121)	-	-	(485,121)
(497,423)	-	(497,423)	-	-	(497,423)
(606,112)	-	(606,112)	-	-	(606,112)
(21,302,863)	-	(21,302,863)	-	-	(21,302,863)
(3,129,456)	-	(3,129,456)	-	-	(3,129,456)
(773,433)	-	(773,433)	-	-	(773,433)
<u>(51,116,493)</u>	<u>-</u>	<u>(51,116,493)</u>	<u>-</u>	<u>-</u>	<u>(51,116,493)</u>
-	2,356,509	2,356,509	-	-	2,356,509
-	1,171,136	1,171,136	-	-	1,171,136
-	<u>3,527,645</u>	<u>3,527,645</u>	-	-	<u>3,527,645</u>
<u>(51,116,493)</u>	<u>3,527,645</u>	<u>(47,588,848)</u>	-	-	<u>(47,588,848)</u>
-	-	-	(4,516,612)	-	(4,516,612)
-	-	-	-	(104,534)	(104,534)
-	-	-	<u>(4,516,612)</u>	<u>(104,534)</u>	<u>(4,621,146)</u>
31,747,911	-	31,747,911	-	-	31,747,911
14,309,614	-	14,309,614	-	-	14,309,614
4,424,101	20,766	4,444,867	713,235	11,869	5,169,971
(567,271)	567,271	-	-	-	-
<u>49,914,355</u>	<u>588,037</u>	<u>50,502,392</u>	<u>713,235</u>	<u>11,869</u>	<u>51,227,496</u>
(1,202,138)	4,115,682	2,913,544	(3,803,377)	(92,665)	(982,498)
17,841,657	19,860,125	37,701,782	55,031,423	11,448,549	104,181,754
<u>\$ 16,639,519</u>	<u>\$ 23,975,807</u>	<u>\$ 40,615,326</u>	<u>\$ 51,228,046</u>	<u>\$ 11,355,884</u>	<u>\$ 103,199,256</u>

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

**DORCHESTER COUNTY, MARYLAND**

**Balance Sheet – Governmental Funds  
As of June 30, 2017**

	<b>General Fund</b>	<b>Special Revenue Grants Fund</b>	<b>Non-major Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash	\$ 9,042,275	\$ -	\$ 2,578,225	\$ 11,620,500
Receivables:				
State and local property taxes	3,459,789	-	-	3,459,789
Federal government	58,057	154,715	-	212,772
State of Maryland	1,384,046	2,040,921	-	3,424,967
Other	473,478	2,951	132,062	608,491
Interfund	21,123,578	4,667,067	7,107,564	32,898,209
Other assets	281,366	-	-	281,366
<b>TOTAL ASSETS</b>	<b>\$ 35,822,589</b>	<b>\$ 6,865,654</b>	<b>\$ 9,817,851</b>	<b>\$ 52,506,094</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 2,062,542	\$ 776,190	\$ 202,888	\$ 3,041,620
Due to State of Maryland	310,056	-	-	310,056
Due to delinquent taxpayers	491,682	-	-	491,682
Interfund payables	21,427,505	5,507,183	7,273,611	34,208,299
Unearned revenue	501,283	243,816	55,492	800,591
Other	305,130	-	-	305,130
<b>TOTAL LIABILITIES</b>	<b>25,098,198</b>	<b>6,527,189</b>	<b>7,531,991</b>	<b>39,157,378</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	3,063,561	-	-	3,063,561
<b>FUND BALANCES</b>				
Nonspendable	105,944	-	-	105,944
Restricted- grants	-	338,465	-	338,465
Committed for:				
Schools and courthouse	-	-	3,324,737	3,324,737
Public safety communication system	-	-	155,169	155,169
Sheriff	-	-	53,598	53,598
Assigned for future budget	1,617,450	-	16,909	1,634,359
Unassigned	5,937,436	-	(1,264,553)	4,672,883
<b>TOTAL FUND BALANCES</b>	<b>7,660,830</b>	<b>338,465</b>	<b>2,285,860</b>	<b>10,285,155</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 35,822,589</b>	<b>\$ 6,865,654</b>	<b>\$ 9,817,851</b>	<b>\$ 52,506,094</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, 2017**

Fund balance of governmental funds \$ 10,285,155

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:

Capital assets, net 50,264,079

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 3,063,561

Deferred outflow and inflow of resources related net deferred pension activity are not financial resources and therefore are not reported in the funds 2,898,936

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

Compensated absences (593,455)

Bonds and notes payable (21,869,227)

Pension liability (736,649)

Net pension liability (12,844,506)

Other post-employment benefits obligation (13,828,375)

Net position of governmental activities \$ 16,639,519

**DORCHESTER COUNTY, MARYLAND**

**Statement of Revenue, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Grants Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>				
Taxes	\$ 44,747,112	\$ -	\$ 1,193,644	\$ 45,940,756
Licenses and permits	274,720	-	-	274,720
Federal revenue	311,526	1,693,898	-	2,005,424
State revenue	3,899,649	3,380,607	44,055	7,324,311
Service charges and fees	2,052,695	-	-	2,052,695
Miscellaneous revenues	110,176	214,717	102,750	427,643
<b>Total Revenue</b>	<u>51,395,878</u>	<u>5,289,222</u>	<u>1,340,449</u>	<u>58,025,549</u>
<b>EXPENDITURES</b>				
Current				
General government	9,629,606	1,892,451	700,317	12,222,374
Public safety	11,566,980	812,227	-	12,379,207
Social services	-	1,647,258	-	1,647,258
Recreation and parks	453,084	263,399	-	716,483
Natural resources	417,156	-	-	417,156
Economic development	483,808	466,032	-	949,840
Education	21,302,863	-	-	21,302,863
Public works	2,829,145	28,051	-	2,857,196
Debt service				
Principal	1,805,779	-	-	1,805,779
Interest	773,433	-	-	773,433
Capital outlay	31,513	262,318	2,448,120	2,741,951
<b>Total Expenditures</b>	<u>49,293,367</u>	<u>5,371,736</u>	<u>3,148,437</u>	<u>57,813,540</u>
<b>Excess (Deficiency) Of Revenue Over Expenditures</b>	<u>2,102,511</u>	<u>(82,514)</u>	<u>(1,807,988)</u>	<u>212,009</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	78,300	2,009,537	2,087,837
Transfers out	(2,655,108)	-	-	(2,655,108)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,655,108)</u>	<u>78,300</u>	<u>2,009,537</u>	<u>(567,271)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>(552,597)</u>	<u>(4,214)</u>	<u>201,549</u>	<u>(355,262)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>8,213,427</u>	<u>342,679</u>	<u>2,084,311</u>	<u>10,640,417</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 7,660,830</u>	<u>\$ 338,465</u>	<u>\$ 2,285,860</u>	<u>\$ 10,285,155</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, 2017

Net changes in fund balances in governmental funds \$ (355,262)

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

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

Capital outlay capitalized	\$ 2,180,595	
Depreciation and loss on disposal	(2,630,530)	(449,935)

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	\$ (354,351)	
Compensated absences and pension liability	(25,679)	
OPEB liability	(1,939,459)	
Payments of debt principal	1,805,779	(513,710)

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.

116,769

Change in net position of governmental activities	\$ <u>(1,202,138)</u>
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The accompanying notes are an integral part of this financial statement.

**DORCHESTER COUNTY, MARYLAND**

**Statement of Net Position - Proprietary Funds  
As of June 30, 2017**

	<b>Business-Type Activities</b>		
	<b>Landfill</b>	<b>Airport</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	\$ 9,998,566	\$ 325	\$ 9,998,891
Receivables:			
Accounts, net of \$25,000 allowance (landfill) and \$38,000 allowance (airport)	261,409	6,897	268,306
Federal government	-	19,639	19,639
State of Maryland	-	9,739	9,739
Interfund	3,177,222	6,134,321	9,311,543
Inventories	-	43,214	43,214
Other assets	6,000	13,345	19,345
	<u>13,443,197</u>	<u>6,227,480</u>	<u>19,670,677</u>
<b>Noncurrent Assets</b>			
Capital assets, net	2,973,441	15,959,516	18,932,957
	<u>2,973,441</u>	<u>15,959,516</u>	<u>18,932,957</u>
Total Assets	<u>\$ 16,416,638</u>	<u>\$ 22,186,996</u>	<u>\$ 38,603,634</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	102,278	39,144	141,422
Accrued vacation	39,398	13,147	52,545
Unearned revenue	-	-	-
Interfund payables	3,497,236	3,829,444	7,326,680
Current maturities of long-term debt	-	31,000	31,000
	<u>3,638,912</u>	<u>3,912,735</u>	<u>7,551,647</u>
Total current liabilities	3,638,912	3,912,735	7,551,647
<b>Noncurrent Liabilities</b>			
Landfill- closure and postclosure	6,890,180	-	6,890,180
Long-term debt, less current maturities	-	186,000	186,000
	<u>6,890,180</u>	<u>186,000</u>	<u>7,076,180</u>
Total noncurrent liabilities	6,890,180	186,000	7,076,180
<b>Total Liabilities</b>	<u>10,529,092</u>	<u>4,098,735</u>	<u>14,627,827</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,973,441	15,742,516	18,715,957
Unrestricted	2,914,105	2,345,745	5,259,850
	<u>2,914,105</u>	<u>2,345,745</u>	<u>5,259,850</u>
Total Net Position	<u>\$ 5,887,546</u>	<u>\$ 18,088,261</u>	<u>\$ 23,975,807</u>

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

**DORCHESTER COUNTY, MARYLAND**

**Statement of Revenue, Expenses and Changes in Net Position - Proprietary Funds  
For the Year Ended June 30, 2017**

	<b>Business-Type Activities</b>		
	<b>Landfill</b>	<b>Airport</b>	<b>Totals</b>
<b>OPERATING REVENUE</b>			
Tipping fees	\$ 3,085,078	\$ -	\$ 3,085,078
Permits	140,369	-	140,369
Fuel sales	-	163,230	163,230
Hanger and tie-down rentals	-	165,235	165,235
Miscellaneous	3,711	5,604	9,315
<b>TOTAL OPERATING REVENUE</b>	<b>3,229,158</b>	<b>334,069</b>	<b>3,563,227</b>
<b>OPERATING EXPENSES</b>			
Salaries and related taxes	836,091	191,839	1,027,930
Repairs and maintenance	162,514	45,341	207,855
Rental of land, buildings and equipment	37,683	13,228	50,911
Fuel	113,842	120,835	234,677
Closure and postclosure costs accrual	56,983	-	56,983
Utilities	16,460	74,758	91,218
Depreciation	512,645	357,299	869,944
Other	318,093	90,038	408,131
<b>TOTAL OPERATING EXPENSES</b>	<b>2,054,311</b>	<b>893,338</b>	<b>2,947,649</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,174,847</b>	<b>(559,269)</b>	<b>615,578</b>
<b>OTHER INCOME (EXPENSE)</b>			
Grants- Federal government	-	2,414,237	2,414,237
Grants- state government	-	466,674	466,674
Contributions	-	50,000	50,000
Interest expense	-	(9,529)	(9,529)
Interest income	11,451	-	11,451
<b>TOTAL OTHER INCOME (EXPENSE)</b>	<b>11,451</b>	<b>2,921,382</b>	<b>2,932,833</b>
<b>GAIN BEFORE OPERATING TRANSFERS</b>	<b>1,186,298</b>	<b>2,362,113</b>	<b>3,548,411</b>
<b>OPERATING TRANSFERS</b>	<b>-</b>	<b>235,468</b>	<b>235,468</b>
<b>CAPITAL TRANSFERS</b>	<b>-</b>	<b>331,803</b>	<b>331,803</b>
<b>NET CHANGES IN NET POSITION</b>	<b>1,186,298</b>	<b>2,929,384</b>	<b>4,115,682</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>4,701,248</b>	<b>15,158,877</b>	<b>19,860,125</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$ 5,887,546</b>	<b>\$ 18,088,261</b>	<b>\$ 23,975,807</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, 2017

	<b>Business-Type Activities</b>		
	<b>Landfill</b>	<b>Airport</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 3,085,899	\$ 685,913	\$ 3,771,812
Payments to suppliers	(934,636)	(369,560)	(1,304,196)
Payments to employees	(832,976)	(188,867)	(1,021,843)
<b>Net Cash from Operating Activities</b>	<b>1,318,287</b>	<b>127,486</b>	<b>1,445,773</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Operating contributions	-	2,930,911	2,930,911
Transfers	-	235,468	235,468
Increase (decrease) in due to/from other funds	2,479	(331,236)	(328,757)
<b>Net Cash from Noncapital Financing Activities</b>	<b>2,479</b>	<b>2,835,143</b>	<b>2,837,622</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Interest paid on notes and bond payable	-	(9,529)	(9,529)
Principal paid on long term debt	-	(31,000)	(31,000)
Capital transfers	-	331,803	331,803
Acquisition and construction of capital assets	(817,328)	(3,253,903)	(4,071,231)
<b>Net Cash from Capital and Related Financing Activities</b>	<b>(817,328)</b>	<b>(2,962,629)</b>	<b>(3,779,957)</b>
<b>Cash Flows from Investing Activities</b>			
Interest on investments	11,451	-	11,451
Net change in cash	514,889	-	514,889
Cash, Beginning of Year	9,483,677	325	9,484,002
<b>Cash, End of Year</b>	<b>\$ 9,998,566</b>	<b>\$ 325</b>	<b>\$ 9,998,891</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 1,174,847	\$ (559,269)	\$ 615,578
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	512,645	357,299	869,944
Changes in assets and liabilities:			
Accounts receivable	(143,259)	351,844	208,585
Inventories and other assets	(6,000)	7,089	1,089
Accounts payable and accrued expenses	(286,085)	(32,449)	(318,534)
Accrued vacation	3,115	2,972	6,087
Landfill postclosure costs	63,024	-	63,024
<b>Net Cash from Operating Activities</b>	<b>\$ 1,318,287</b>	<b>\$ 127,486</b>	<b>\$ 1,445,773</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, 2017**

	<u>OPEB Trust</u>
<b>ASSETS</b>	
Cash	\$ 1,065,668
<b>LIABILITIES</b>	
Due to other funds	<u>674,773</u>
<b>NET POSITION</b>	
Held in trust for pension and OPEB	<u>\$ 390,895</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, 2017**

	<u>OPEB Trust</u>
<b>ADDITIONS</b>	
Interest	\$ 47,110
<b>DEDUCTIONS</b>	
Benefits	<u>288,757</u>
<b>CHANGES IN NET POSITION</b>	(241,647)
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>632,542</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 390,895</u></u>

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

# **DORCHESTER COUNTY, MARYLAND**

## **Notes to the Financial Statements**

**June 30, 2017**

### **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, 2017 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, 2017

### 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, 2017**

### **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, 2017

### 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 major governmental funds:

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

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

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

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

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements

June 30, 2017

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

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(continued)

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

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

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

Additionally, the government reports the following fiduciary 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, 2017

### 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, 2017

### 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, 2017

### 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, 2017**

### **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, 2017**

### **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, 2017

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

#### Implementation of New Accounting Principles

The GASB issued Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 77; entitled, *Tax Abatement Disclosures*; GASB Statement No. 80, entitled, *Blending Requirements for Certain Component Units*; GASB Statement No. 82, entitled, *Pension Issues*; GASB Statement No. 83, entitled, *Certain Asset Retirement Obligations*; GASB Statement No. 84, entitled, *Fiduciary Activities*; GASB Statement No. 85, entitled, *Omnibus 2017*; GASB Statement No. 86, entitled, *Certain Debt Extinguishment Issues*; GASB Statement No. 87, entitled, *Leases* which will require adoption in the future, if applicable. The County adopted Statements 74, 77, 80, and 82 during the year end June 30, 2017 with no material effect to the financial statements. The County is analyzing the effects of the remaining pronouncements and plans to adopt them as applicable by their effective date. The County expects GASB statement No. 75 will have a material effect on the County's financial statements and will result in an approximate adjustment of \$10.9 million.

### 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, 2017, the carrying amount of the County's deposits was \$22,685,059 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, 2017, the bank deposits were fully insured or collateralized.

## **DORCHESTER COUNTY, MARYLAND**

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

**June 30, 2017**

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

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

As of June 30, 2017, the Board had bank deposits with various commercial banks totaling \$2,128,885 (carrying value \$1,878,630). 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, 2017, the bank deposits were fully insured or collateralized.

Investments consist of \$3,454,375 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, 2017, the Dorchester County Sanitary Districts had bank deposits with various commercial banks totaling \$2,563,667 (carrying value \$2,559,775). Of the bank balance, \$750,000 was covered by federal depository insurance, and \$1,813,667 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, 2017**

**3. CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, was as follows:

**Primary Government**

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 18,364,261	\$ 11,236	\$ -	\$ 18,375,497
Construction in progress	775,316	1,579	-	776,895
Total capital assets, not being depreciated	<u>19,139,577</u>	<u>12,815</u>	<u>-</u>	<u>19,152,392</u>
Capital assets, being depreciated				
Building and improvements	26,212,108	259,378	-	26,471,486
Furniture and equipment	29,640,799	1,646,084	-	31,286,883
Leasehold improvements	286,572	-	-	286,572
Infrastructure assets	45,612,240	262,318	-	45,874,558
Total capital assets, being depreciated	101,751,719	2,167,780	-	103,919,499
Less: accumulated depreciation	<u>(70,177,282)</u>	<u>(2,630,530)</u>	<u>-</u>	<u>(72,807,812)</u>
<b>Net capital assets being depreciated</b>	<u>31,574,437</u>	<u>(462,750)</u>	<u>-</u>	<u>31,111,687</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 50,714,014</u>	<u>\$ (449,935)</u>	<u>\$ -</u>	<u>\$ 50,264,079</u>

**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2017**

**3. CAPITAL ASSETS (continued)**

**Business-type Activities**

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2016</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2017</b>
<b>Business-Type Activities</b>				
<b>Dorchester County Landfill</b>				
Capital assets, not being depreciated				
Land	\$ 875,187	\$ -	\$ -	\$ 875,187
Construction in progress	92,940	37,299	-	130,239
Total capital assets, not being depreciated	968,127	37,299	-	1,005,426
Capital assets, being depreciated:				
Building and improvements	148,740	-	-	148,740
Machinery and equipment	4,934,418	779,929	(152,167)	5,562,180
Beulah landfill- cells	8,511,474	-	-	8,511,474
Total capital assets, being depreciated	13,594,632	779,929	(152,167)	14,222,394
Less: accumulated depreciation	(11,894,001)	(512,545)	152,167	(12,254,379)
<b>Net capital assets being depreciated</b>	<b>1,700,631</b>	<b>267,384</b>	<b>-</b>	<b>1,968,015</b>
<b>Landfill capital assets, net</b>	<b>2,668,758</b>	<b>304,683</b>	<b>-</b>	<b>2,973,441</b>
<b>Dorchester County Airport</b>				
Capital assets, not being depreciated				
Land	2,543,620	51,679	-	2,595,299
Construction in progress	1,366,625	-	(58,810)	1,307,815
Total capital assets, not being depreciated	3,910,245	51,679	(58,810)	3,903,114
Capital assets, being depreciated:				
Building and improvements	13,993,427	3,027,323	-	17,020,750
Machinery and equipment	374,116	233,711	-	607,827
Total capital assets, being depreciated	14,367,543	3,261,034	-	17,628,577
Less: accumulated depreciation	(5,214,876)	(357,299)	-	(5,572,175)
<b>Net capital assets being depreciated</b>	<b>9,152,667</b>	<b>2,903,735</b>	<b>-</b>	<b>12,056,402</b>
<b>Airport capital assets, net</b>	<b>13,062,912</b>	<b>2,955,414</b>	<b>(58,810)</b>	<b>15,959,516</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 15,731,670</b>	<b>\$ 3,260,097</b>	<b>\$ (58,810)</b>	<b>\$ 18,932,957</b>



**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2017**

**3. CAPITAL ASSETS (continued)**

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

**Governmental Activities**

General government	\$ 685,884
Public safety	1,196,615
Social services	350
Recreation and parks	87,177
Natural resources	80,267
Economic development	122,304
Public works	<u>457,933</u>
 Total	 <u><u>\$ 2,630,530</u></u>

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Board of Education of Dorchester County</b>					
<b>Governmental activities</b>					
Capital assets, not being depreciated					
Construction in progress	\$ 1,818,812	\$ 5,275,742	\$ -	\$ (1,224,984)	\$ 5,869,570
Capital assets, being depreciated					
Building and improvements	134,875,318	-	-	1,224,984	136,100,302
Furniture and equipment	2,997,094	-	-	-	2,997,094
Vehicles	1,003,316	266,356	-	-	1,269,672
Total capital assets, being depreciated	138,875,728	266,356	-	1,224,984	140,367,068
Less: accumulated depreciation	(60,915,221)	(4,865,484)	-	-	(65,780,705)
<b>Net capital assets being depreciated</b>	<u>77,960,507</u>	<u>(4,599,128)</u>	<u>-</u>	<u>1,224,984</u>	<u>74,586,363</u>
 <b>Governmental activities, capital assets, net</b>	 <u>79,779,319</u>	 <u>676,614</u>	 <u>-</u>	 <u>-</u>	 <u>80,455,933</u>
 <b>Business-type activities</b>					
Capital assets, being depreciated					
Equipment	36,250	-	-	-	36,250
Less: accumulated depreciation	(31,295)	(1,077)	-	-	(32,372)
 <b>Business-type activities capital assets, net</b>	 <u>4,955</u>	 <u>(1,077)</u>	 <u>-</u>	 <u>-</u>	 <u>3,878</u>
 <b>Board of education capital assets, net</b>	 <u>\$ 79,784,274</u>	 <u>\$ 675,537</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 80,459,811</u>

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2017

### 3. CAPITAL ASSETS (continued)

#### Sanitary Districts

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2016</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	\$ 213,426	\$ 90,767	\$ -	\$ 304,193
Land	2,645	-	-	2,645
Capital assets, being depreciated				
Intangible assets	1,044,000	-	-	1,044,000
Vehicles	93,688	-	-	93,688
Plant and equipment	14,851,310	3,931	-	14,855,241
Total capital assets, being depreciated	15,988,998	3,931	-	15,992,929
Less: accumulated depreciation	(5,093,578)	(372,286)	-	(5,465,864)
<b>Net capital assets being depreciated</b>	<b>10,895,420</b>	<b>(368,355)</b>	<b>-</b>	<b>10,527,065</b>
<b>Sanitary district capital assets, net</b>	<b>11,111,491</b>	<b>(277,588)</b>	<b>-</b>	<b>10,833,903</b>
Total component units capital assets, net	<u>\$ 90,895,765</u>	<u>\$ 397,949</u>	<u>\$ -</u>	<u>\$ 91,293,714</u>

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2017

### 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%	\$ 1,270,000	\$ -	\$ 620,000	\$ 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%	185,000	-	60,000	125,000	60,000
Consolidated Public Improvement Bonds of 2010 due in annual principal installments of \$810,000 to \$1,435,000 through February 1, 2030; interest payable semi-annually, from 1% to 6%	<u>15,815,000</u>	<u>-</u>	<u>895,000</u>	<u>14,920,000</u>	<u>920,000</u>
Total public facilities bonds	<u>17,270,000</u>	<u>-</u>	<u>1,575,000</u>	<u>15,695,000</u>	<u>1,630,000</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	14,333	-	4,780	9,553	4,780
SEC 7-92 - Middle Hoopers Island Causeway; due in annual installments of \$5,516 through July 2020; no interest	27,580	-	5,516	22,064	5,516
SEC 8-92 - McCreedy's Point Road; due in annual installments of \$1,683 through July 2019; no interest	6,738	-	1,683	5,055	1,683
SEC 9-92 Hoopersville Road; due in annual installments of \$2,718 through July 2020; no interest	10,875	-	2,718	8,157	2,718
SEC 03-03 Hoopersville Road; due in annual installments of \$19,245 through July 2033; no interest	346,410	-	19,245	327,165	19,245
SEC 04-02 Hoopers Island Road; due in annual installments of \$5,930 through July 2027; no interest	71,162	-	5,930	65,232	5,930
SEC 05-03 Taylors Island; due in annual installments of \$14,593 through July 2035; no interest	262,682	-	14,593	248,089	14,593
SEC 18-02 Punch Island Road; due in annual installments of \$12,958 through July 2035; no interest	<u>233,237</u>	<u>-</u>	<u>12,958</u>	<u>220,279</u>	<u>12,958</u>
Total SEC loans payable	<u>973,017</u>	<u>-</u>	<u>67,423</u>	<u>905,594</u>	<u>67,423</u>

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2017

### 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)	\$ 180,000	\$ -	\$ 46,689	\$ 133,311	\$ 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%	74,733	-	9,160	65,573	9,645
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%	1,413,756	-	54,989	1,358,767	57,365
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)	1,000,000	-	25,000	975,000	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)	1,500,000	-	27,518	1,472,482	32,154
Total notes payable	<u>5,431,989</u>	<u>-</u>	<u>163,356</u>	<u>5,268,633</u>	<u>167,014</u>
Total governmental activities debt	<u>23,675,006</u>	<u>-</u>	<u>1,805,779</u>	<u>21,869,227</u>	<u>1,864,437</u>
Other long term liabilities					
Compensated absences	912,630	378,593	326,892	964,331	370,876
Net pension liability	11,524,858	1,319,648	-	12,844,506	-
Pension liability	729,138	7,511	-	736,649	-
Other post employment benefits obligation	11,888,916	1,939,459	-	13,828,375	-
Total other long term liabilities	<u>25,055,542</u>	<u>3,645,211</u>	<u>326,892</u>	<u>28,373,861</u>	<u>370,876</u>
Total governmental long term liabilities	<u>\$ 48,730,548</u>	<u>\$ 3,645,211</u>	<u>\$ 2,132,671</u>	<u>\$ 50,243,088</u>	<u>\$ 2,235,313</u>

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2017

### 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%	\$ 279,000	\$ -	\$ (62,000)	\$ 217,000	\$ 31,000
Total business-type activities debt	<u>279,000</u>	<u>-</u>	<u>(62,000)</u>	<u>217,000</u>	<u>31,000</u>
<b>Other long term liabilities</b>					
Landfill closure and postclosure care costs	6,827,156	63,024	-	6,890,180	-
Total business-type activities long term liabilities	<u>\$ 7,106,156</u>	<u>\$ 63,024</u>	<u>\$ (62,000)</u>	<u>\$ 7,107,180</u>	<u>\$ 31,000</u>

  

Component Units	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Board of Education</b>					
Accrued leave	\$ 1,081,173	\$ 382,310	\$ 456,911	\$ 1,006,572	\$ 64,078
Net pension liability	3,532,417	750,509	326,656	3,956,270	-
Other post employment benefits	22,820,986	7,491,000	2,369,324	27,942,662	-
Total	<u>\$ 27,434,576</u>	<u>\$ 8,623,819</u>	<u>\$ 3,152,891</u>	<u>\$ 32,905,504</u>	<u>\$ 64,078</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.	\$ 1,876,658	-	\$ 34,433	\$ 1,842,225	\$ 35,301

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
2018	\$ 1,864,438	\$ 633,670	\$ 31,000	\$ 8,234	\$ 1,895,438	\$ 641,904
2019	1,253,275	586,651	186,000	1,992	1,439,275	588,643
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
2023-2027	7,955,368	1,754,361	-	-	7,955,368	1,754,361
2028-2032	5,554,511	420,940	-	-	5,554,511	420,940
2033-2035	1,567,537	12,709	-	-	1,567,537	12,709
Total	<u>\$ 21,869,227</u>	<u>\$ 4,955,982</u>	<u>\$ 217,000</u>	<u>\$ 10,226</u>	<u>\$ 22,086,227</u>	<u>\$ 4,966,208</u>

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2017

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

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

### 5. LONG-TERM OPERATING LEASES

#### County

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

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

Expenses under these leases total approximately \$76,000 for the year ended June 30, 2017.

#### 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>
2018	\$ 799,000
2019	299,000
2020	398,000
2021	387,000
2022	339,000
Thereafter	3,589,000

Expenses under these leases total approximately \$467,000 for the year ended June 30, 2017.

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2017

### 6. INTERFUND RECEIVABLES AND PAYABLES

Due to/from other fund balances as of June 30, 2017 are as follows:

<u>Primary Government</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Government activities	\$ 32,898,209	\$ 34,208,299
Fiduciary activities	-	674,773
Business-type activities	9,311,543	7,326,680
Total due to/from other funds	<u>\$ 42,209,752</u>	<u>\$ 42,209,752</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, 2017

#### 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, 2017, 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, 2017.

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 2017 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, 2017, the County reported a liability of approximately \$12.8 million for its proportionate share of the System's net pension liability. The System's net pension liability was measured as of June 30, 2016, 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, 2017, the County's proportion for the System was 0.05 percent, which was substantially the same as its proportion measured as of June 30, 2016.



**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2017**

**7. RETIREMENT PLANS (continued)**

For the year ended June 30, 2017, the County recognized pension expense for the System of approximately \$1.5 million. As of June 30, 2017, the County reported deferred outflows of resources and deferred inflows of resources related to ERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 1,167,634	\$ -
Actual and expected experience	-	320,049
Change in assumptions	502,630	-
Net difference between projected and actual earnings on pension plan investments	<u>1,548,721</u>	<u>-</u>
Total	<u>\$ 3,218,985</u>	<u>\$ 320,049</u>

\$1.2 million reported as deferred outflows of resources related to the System resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the System pension liability in the year ended June 30, 2017. 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>
2018	\$ 401,168
2019	401,168
2020	612,351
2021	337,576
2022	<u>(20,961)</u>
Total	<u>\$ 1,731,302</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 \$12,844,506. 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 \$17,630,192, or 1-percentage-point higher (8.65 percent) is \$8,844,957.

## **DORCHESTER COUNTY, MARYLAND**

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

**June 30, 2017**

#### **8. POST-EMPLOYMENT HEALTH CARE BENEFITS**

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

The County's employees are eligible upon retirement for employees with 30 years of service at any age or employees who have attained age 55 with at least 16 years of service if enrolled in the active medical plan immediately prior to retiring. Participants are eligible for medical and prescription drug benefits. The spouse of an eligible retiree is also eligible to receive benefits from this plan. Benefits continue for the lifetime of the retiree. Surviving spouses after 1996 are eligible for COBRA coverage for 36 months after the death of the retiree or until Medicare eligibility. As of July 1, 2016, the date of the last actuarial valuation, the Plan included 110 retirees and 202 active employees for a total of 312 participants.

The Board's benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' Pension System, which are age 55 with 15 years of service, 30 years of service or age 62 with 5 years of service. The Board is required to perform an actuarial valuation of its post-employment benefits other than pensions at least biennially. As of July 1, 2016, the date of the last actuarial valuation, approximately 327 retirees were receiving benefits, and an 661 active employees are potentially eligible to receive future benefits. The Plan does not issue a stand-alone report.

Funding Policy: The County's eligible employees and their dependents can elect coverage in the Plan. Pre-65 retirees pay the same percentage of the premiums charged as an active for both themselves and their dependents. Post-65 retirees pay 15% of the premiums charged for both themselves and their dependents. Surviving spouses must pay 100% of the premium to continue coverage. For fiscal year 2017, the County contributed \$0 to the Plan for the eligible retirees.

**DORCHESTER COUNTY, MARYLAND**

**Notes to the Financial Statements  
June 30, 2017**

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

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

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

	<u>County</u>	<u>Board</u>
Annual required contribution	\$ 1,669,400	\$ 6,692,000
Interest on net OPEB obligation	832,224	799,000
Amortization of net OPEB obligation	(562,165)	-
Adjustment to annual required contribution	-	(1,020,000)
Annual OPEB cost	<u>1,939,459</u>	<u>6,471,000</u>
Contributions	-	(1,349,324)
Increase in net OPEB obligation	1,939,459	5,121,676
Net OPEB obligation, beginning of year	<u>11,888,916</u>	<u>22,820,986</u>
Net OPEB obligation, end of year	<u>\$ 13,828,375</u>	<u>\$ 27,942,662</u>

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

**County**

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 1,939,459	0.00%	\$ 13,828,375
2016	1,623,533	0.00%	11,888,916
2015	1,865,343	0.00%	8,641,850

**Board**

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 6,471,000	20.85%	\$ 27,942,662
2016	6,104,000	21.29%	22,820,986
2015	6,274,000	20.54%	18,016,373

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2017

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

<u>County</u>							
<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2017	July 1, 2016	\$ 632,542	\$ 28,031,714	\$ (27,399,172)	2.3%	\$ 13,076,598	210%
2015	July 1, 2014	2,239,365	19,465,990	(17,226,625)	11.5%	12,383,711	139%
2014	July 1, 2012	1,510,139	18,503,552	(16,993,413)	8.2%	12,311,498	138%

<u>Board</u>							
<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2017	July 1, 2016	\$ -	\$ 75,164,000	\$ (75,164,000)	0.0%	\$ 34,546,250	218%
2016	July 1, 2015	-	73,135,000	(73,135,000)	0.0%	33,689,148	217%
2015	July 1, 2014	-	73,359,000	(73,359,000)	0.0%	31,967,186	229%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

## **DORCHESTER COUNTY, MARYLAND**

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

**June 30, 2017**

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

In the actuarial valuation for the plan year ending July 1, 2016, the projected unit credit actuarial cost method was used. The actuarial assumptions included an annual healthcare cost trend of 7.35% initially, reduced by decrements to ultimate rate of 4.5%. Assets are valued at their market values. The unfunded actuarial accrued liability (UAAL) is being amortized on an open level dollar amortization over a 30 year period.

#### **Board of Education**

In the actuarial valuation for the plan year ending June 30, 2016, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.5% investment rate of return (net of administrative expenses) based on the Board's own investments, an annual healthcare cost trend of 5.9% initially, decreasing gradually to 4.1%, and payroll growth of 4%. The UAAL is being amortized on a closed level of percentage of payroll basis over a 30 year period. The remaining amortization period as of July 1, 2016, was 22 years.

#### **GASB 74**

GASB Statement No. 74 replaced current accounting standards for reporting Other Postemployment Benefits Plan information beginning in fiscal year 2017. Employer accounting for OPEB continues to be based on previously-existing standards (GASB Statement No. 45). GASB Statement No. 75, which will affect employer OPEB accounting beginning in fiscal year 2018, will use the assumptions and methods included in Statement No. 74. The significant provisions of GASB Statement No. 74 include:

- Reporting a Total OPEB Liability (TOL), similar to an accrued actuarial liability, and basing future employer funding on the amortization of this amount;
- Using a blended discount rate to calculate future liabilities for accounting purposes, to the extent that assets attributable to current members are not sufficient to make all benefit payments; and
- Using the market value of assets to calculate the net OPEB liability, similar to the unfunded actuarial accrued liability.

The TOL at the beginning of the measurement year is measured as of a valuation date of July 1, 2016. The TOL at the end of the measurement year, June 30, 2017, is measured as of a valuation date of July 1, 2016, rolled forward to June 30, 2017.

The components of the net OPEB liability are: TOL: \$28,031,714; Plan Fiduciary Net Position: \$390,895; Employer net OPEB liability: \$24,759,349; and Plan Fiduciary Net Position as a percentage of the total OPEB liability: 1.55%.

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements June 30, 2017

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

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 3.58% as of June 30, 2017. 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 (3.58%). The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	Discount Rate		
	2.58%	3.58%	4.58%
Net OPEB Liability	\$ 30,763,321	\$ 24,759,349	\$ 20,237,576

	Healthcare Trend Rate		
	1% Decrease	Current	1% Increase
Net OPEB Liability	\$ 19,986,125	\$ 24,759,349	\$ 31,084,217

The Board currently does not have a trust for its OPEB plan and therefore GASB 74 is not applicable.

### 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.

# DORCHESTER COUNTY, MARYLAND

## Notes to the Financial Statements

June 30, 2017

### 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.

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

	<u>2016</u>	<u>Current Year Additions (Deductions)</u>	<u>2017</u>
Secretary landfill			
Postclosure care costs	\$ 324,000	\$ -	\$ 324,000
Golden Hill landfill			
Postclosure care costs	424,500	-	424,500
Old Beulah landfill			
Closure costs	150,000	(150,000)	-
Postclosure care costs	594,000	-	594,000
	<u>744,000</u>	<u>(150,000)</u>	<u>594,000</u>
New Beulah landfill- cells 1-4			
Closure costs	3,006,830	47,164	3,053,994
Postclosure care costs	2,327,826	165,860	2,493,686
	<u>5,334,656</u>	<u>213,024</u>	<u>5,547,680</u>
Total closure and post closure care costs	<u>\$ 6,827,156</u>	<u>\$ 63,024</u>	<u>\$ 6,890,180</u>

## **DORCHESTER COUNTY, MARYLAND**

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

**June 30, 2017**

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

The above estimates are based on estimated current costs to perform all closure and post-closure care as of June 30, 2017. 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, 2017, 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. 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, 2017 are estimated to be \$3,053,994 and \$2,493,686, respectively.

#### **11. COMMITMENTS AND CONTINGENCIES**

##### **County**

##### *Grants*

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

##### *Risk Management*

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

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



## **DORCHESTER COUNTY, MARYLAND**

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

**June 30, 2017**

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

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 Sanitary District**

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

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

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

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

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

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**REQUIRED SUPPLEMENTARY INFORMATION**

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Funding Progress and Contributions - OPEB  
June 30, 2017**

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

<u>Year Ended June 30,</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2017	July 1, 2016	\$ 632,542	\$ 28,031,714	\$ (27,399,172)	2.3%	\$ 13,076,598	210%
2015	July 1, 2014	2,239,365	19,465,990	(17,226,625)	11.5%	12,383,711	139%
2014	July 1, 2012	1,510,139	18,503,552	(16,993,413)	8.2%	12,311,498	138%

**Schedule of Contributions**

<u>Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 1,939,459	0.0%	\$ 13,828,375
2016	1,623,533	0.0%	11,888,916
2015	1,865,343	0.0%	8,641,850

*Note- Contributions under GASB 74 are not available.*

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Funding Progress and Contributions - OPEB  
June 30, 2017**

**Schedule of Changes in Net OPEB Liability and Related Ratios**

	<u>2017</u>
<b>Change in Total OPEB Liability</b>	
Total OPEB Liability, beginning of year	\$ 28,031,714
Service cost	882,738
Interest	794,789
Difference between expected and actual experience	(63,842)
Benefits paid	(288,757)
Changes in assumptions	(4,206,398)
Total OPEB Liability, end of year	<u>25,150,244</u>
Change in Fiduciary Net Position	
Fiduciary Net Position, beginning of year	632,542
Net investment income	47,110
Benefits paid	(288,757)
Fiduciary Net Position, end of year	<u>390,895</u>
Net OPEB Liability, end of year	<u>\$ 24,759,349</u>
Plan Fiduciary Net Position as a percentage of the total OPEB liability	<u>1.55%</u>
Covered employee payroll	<u>\$ 13,076,598</u>
Plan net OPEB liability as a percent of covered-employee payroll	<u>189%</u>

*Note- Schedule is intended to show information for 10 years. Additional years will be displayed as they become 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, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the System net pension liability (asset)	0.005%	0.005%	0.005%
County's proportionate share of the System net pension liability (asset)	<u>\$ 12,844,506</u>	<u>\$11,524,858</u>	<u>\$ 8,892,812</u>
Total	<u>\$ 12,844,506</u>	<u>\$11,524,858</u>	<u>\$ 8,892,812</u>
County's covered-employee payroll	\$ 10,510,098	\$10,084,750	\$10,490,392
County's proportionate share of the net pension liability (asset) as a percentage of its	122.21%	114.28%	84.77%
Plan fiduciary net position as a percentage of the total pension liability	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, 2017**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,167,734	\$ 1,060,530	\$ 1,167,734
Contributions in relation to the contractually required contribution	<u>(1,167,734)</u>	<u>(1,060,530)</u>	<u>(1,167,734)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
County's covered-employee payroll	\$ 10,510,098	\$ 10,084,750	\$10,490,392
Contributions as a percentage of covered-employee payroll	11.11%	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.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS**

**DORCHESTER COUNTY, MARYLAND**

**Combining Balance Sheet – Non-Major Governmental Funds  
As of June 30, 2017**

	<u>Capital Projects</u>	<u>Building Excise Tax Fund</u>	<u>Transfer Tax Fund</u>	<u>Commissary Fund</u>	<u>Total Non-major Funds</u>
<b>ASSETS</b>					
Cash	\$ 269,900	\$ 2,235,924	\$ -	\$ 72,401	\$ 2,578,225
Accounts receivable	-	-	132,062	-	132,062
Due from other funds	4,311,247	-	2,796,317	-	7,107,564
<b>TOTAL ASSETS</b>	<u>\$ 4,581,147</u>	<u>\$ 2,235,924</u>	<u>\$ 2,928,379</u>	<u>\$ 72,401</u>	<u>\$ 9,817,851</u>
<b>LIABILITIES, AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 140,215	\$ -	\$ 62,673	\$ -	\$ 202,888
Due to other funds	5,705,485	982,202	585,924	-	7,273,611
Unearned revenue	-	-	-	55,492	55,492
<b>TOTAL LIABILITIES</b>	<u>5,845,700</u>	<u>982,202</u>	<u>648,597</u>	<u>55,492</u>	<u>7,531,991</u>
<b>FUND BALANCES</b>					
Committed for:					
Schools and courthouse		1,044,955	2,279,782	-	3,324,737
Public safety communication system	-	155,169	-	-	155,169
Sheriff	-	53,598	-	-	53,598
Assigned	-	-	-	16,909	16,909
Unassigned	(1,264,553)	-	-	-	(1,264,553)
<b>TOTAL FUND BALANCES</b>	<u>(1,264,553)</u>	<u>1,253,722</u>	<u>2,279,782</u>	<u>16,909</u>	<u>2,285,860</u>
<b>TOTAL LIABILITIES, AND FUND BALANCES</b>	<u>\$ 4,581,147</u>	<u>\$ 2,235,924</u>	<u>\$ 2,928,379</u>	<u>\$ 72,401</u>	<u>\$ 9,817,851</u>

**DORCHESTER COUNTY, MARYLAND**

**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances – Non-Major Governmental Funds  
For the Year Ended June 30, 2017**

	<u>Capital Projects</u>	<u>Building Excise Tax Fund</u>	<u>Transfer Tax Fund</u>	<u>Commissary Fund</u>	<u>Total Non-major Funds</u>
<b>REVENUE</b>					
Taxes	\$ -	\$ -	\$ 1,193,644	\$ -	\$ 1,193,644
State revenue	44,055	-	-	-	44,055
Miscellaneous revenues	269	2,191	-	100,290	102,750
<b>TOTAL REVENUE</b>	<u>44,324</u>	<u>2,191</u>	<u>1,193,644</u>	<u>100,290</u>	<u>1,340,449</u>
<b>EXPENDITURES</b>					
General government	-	-	601,400	98,917	700,317
Capital outlay	2,448,120	-	-	-	2,448,120
<b>TOTAL EXPENDITURES</b>	<u>2,448,120</u>	<u>-</u>	<u>601,400</u>	<u>98,917</u>	<u>3,148,437</u>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	(2,403,796)	2,191	592,244	1,373	(1,807,988)
<b>OTHER FINANCING SOURCES</b>					
Transfers in	2,009,537	-	-	-	2,009,537
<b>NET CHANGES IN FUND BALANCES</b>	<u>(394,259)</u>	<u>2,191</u>	<u>592,244</u>	<u>1,373</u>	<u>201,549</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>(870,294)</u>	<u>1,251,531</u>	<u>1,687,538</u>	<u>15,536</u>	<u>2,084,311</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ (1,264,553)</u>	<u>\$ 1,253,722</u>	<u>\$ 2,279,782</u>	<u>\$ 16,909</u>	<u>\$ 2,285,860</u>

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## **BUDGET AND ACTUAL SCHEDULE**

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
General Fund  
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUE</b>				
Taxes:				
Property taxes	\$ 29,469,789	\$ 29,469,789	\$ 29,331,729	\$ (138,060)
Income and other taxes	14,767,137	14,767,137	15,415,383	648,246
Total taxes	<u>44,236,926</u>	<u>44,236,926</u>	<u>44,747,112</u>	<u>510,186</u>
Licenses and permits	209,750	209,750	274,720	64,970
Intergovernmental				
Federal	60,000	60,000	311,526	251,526
State	3,701,008	3,701,008	3,899,649	198,641
Service charges	1,956,862	1,956,862	2,052,695	95,833
Miscellaneous	<u>2,598,042</u>	<u>2,607,538</u>	<u>110,176</u>	<u>(2,497,362)</u>
Total revenues	<u>52,762,588</u>	<u>52,772,084</u>	<u>51,395,878</u>	<u>(1,376,206)</u>
<b>EXPENDITURES</b>				
<b>General Government</b>				
County council				
Operating personnel	323,706	323,706	295,095	28,611
Other	<u>31,568</u>	<u>31,568</u>	<u>35,654</u>	<u>(4,086)</u>
Total county council	<u>355,274</u>	<u>355,274</u>	<u>330,749</u>	<u>24,525</u>
Circuit court				
Operating personnel	111,764	111,764	112,171	(407)
Other	<u>75,798</u>	<u>78,949</u>	<u>55,436</u>	<u>23,513</u>
Total circuit court	<u>187,562</u>	<u>190,713</u>	<u>167,607</u>	<u>23,106</u>
Orphan's court				
Operating personnel	17,700	17,700	15,241	2,459
Other	<u>2,523</u>	<u>2,523</u>	<u>3,380</u>	<u>(857)</u>
Total orphan's court	<u>20,223</u>	<u>20,223</u>	<u>18,621</u>	<u>1,602</u>
State's attorney				
Operating personnel	677,196	677,196	656,366	20,830
Other	<u>43,700</u>	<u>43,700</u>	<u>61,606</u>	<u>(17,906)</u>
Total state's attorney	<u>720,896</u>	<u>720,896</u>	<u>717,972</u>	<u>2,924</u>
Elections				
Operating personnel	43,300	41,500	42,000	(500)
Other	<u>522,075</u>	<u>523,875</u>	<u>485,051</u>	<u>38,824</u>
Total elections	<u>565,375</u>	<u>565,375</u>	<u>527,051</u>	<u>38,324</u>
Finance & treasurer				
Operating personnel	382,126	385,126	383,517	1,609
Other	<u>99,180</u>	<u>96,180</u>	<u>91,701</u>	<u>4,479</u>
Total finance & treasurer	<u>481,306</u>	<u>481,306</u>	<u>475,218</u>	<u>6,088</u>
Human resources				
Operating personnel	57,701	57,701	58,120	(419)
Other	<u>18,775</u>	<u>18,775</u>	<u>19,106</u>	<u>(331)</u>
Total human resources	<u>76,476</u>	<u>76,476</u>	<u>77,226</u>	<u>(750)</u>
Information technology				
Operating personnel	183,105	183,105	186,042	(2,937)
Other	<u>80,175</u>	<u>80,175</u>	<u>41,334</u>	<u>38,841</u>
Total information technology	<u>263,280</u>	<u>263,280</u>	<u>227,376</u>	<u>35,904</u>
Other general government				
Operating personnel	52,769	52,769	13,210	39,559
Other	<u>677,932</u>	<u>674,781</u>	<u>647,900</u>	<u>26,881</u>
Total other government	<u>730,701</u>	<u>727,550</u>	<u>661,110</u>	<u>66,440</u>
Planning and zoning				
Operating personnel	367,011	367,011	362,490	4,521
Other	<u>51,300</u>	<u>51,300</u>	<u>72,091</u>	<u>(20,791)</u>
Total planning and zoning	<u>418,311</u>	<u>418,311</u>	<u>434,581</u>	<u>(16,270)</u>
Maintenance				
Operating personnel	117,410	117,410	116,341	1,069
Other	<u>11,325</u>	<u>11,325</u>	<u>10,202</u>	<u>1,123</u>
Total maintenance	<u>128,735</u>	<u>128,735</u>	<u>126,543</u>	<u>2,192</u>
<b>Total general government</b>	<u>3,948,139</u>	<u>3,948,139</u>	<u>3,764,054</u>	<u>184,085</u>

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
General Fund  
For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Public Safety</b>				
Sheriff				
Operating personnel	\$ 2,077,561	\$ 2,077,561	\$ 2,144,666	\$ (67,105)
Other	741,050	741,050	869,953	(128,903)
Total sheriff	2,818,611	2,818,611	3,014,619	(196,008)
Volunteer fire and life support				
Other	857,758	857,758	873,227	(15,469)
Total volunteer fire and life support	857,758	857,758	873,227	(15,469)
EMS				
Operating personnel	1,987,085	1,987,085	2,084,731	(97,646)
Other	603,631	603,631	520,749	82,882
Total EMS	2,590,716	2,590,716	2,605,480	(14,764)
Emergency Services				
Operating personnel	77,643	77,643	78,992	(1,349)
Other	-	-	-	-
Total Emergency Services	77,643	77,643	78,992	(1,349)
Detention center				
Operating personnel	2,235,831	2,235,831	2,188,755	47,076
Other	1,404,862	1,404,862	1,358,783	46,079
Total detention center	3,640,693	3,640,693	3,547,538	93,155
911 emergency communications				
Operating personnel	822,477	822,477	793,327	29,150
Other	492,248	492,248	479,111	13,137
Total 911 emergency communications	1,314,725	1,314,725	1,272,438	42,287
Emergency management				
Operating personnel	-	-	-	-
Other	26,806	26,806	23,159	3,647
Total emergency management	26,806	26,806	23,159	3,647
Animal control				
Operating personnel	100,293	100,293	91,202	9,091
Other	91,579	91,579	60,325	31,254
Total animal control	191,872	191,872	151,527	40,345
<b>Total public safety</b>	<b>11,518,824</b>	<b>11,518,824</b>	<b>11,566,980</b>	<b>(48,156)</b>
<b>Public Works</b>				
Highways & streets				
Operating personnel	1,137,083	1,137,083	990,989	146,094
Other	1,864,063	1,864,063	1,743,227	120,836
Total highways & streets	3,001,146	3,001,146	2,734,216	266,930
Engineering				
Operating personnel	102,523	102,523	91,972	10,551
Other	13,100	13,100	2,957	10,143
Total engineering	115,623	115,623	94,929	20,694
<b>Total public works</b>	<b>3,116,769</b>	<b>3,116,769</b>	<b>2,829,145</b>	<b>287,624</b>
<b>Recreation and parks</b>				
Operating personnel	308,192	308,192	313,753	(5,561)
Other	158,750	158,750	139,331	19,419
<b>Total recreation and parks</b>	<b>466,942</b>	<b>466,942</b>	<b>453,084</b>	<b>13,858</b>
<b>Natural resources</b>				
Cooperative extension service				
Other	137,444	137,444	137,444	-
Other				
Operating personnel	290,991	290,991	236,626	54,365
Other	41,745	41,745	43,086	(1,341)
Total other	332,736	332,736	279,712	53,024
<b>Total natural resources</b>	<b>470,180</b>	<b>470,180</b>	<b>417,156</b>	<b>53,024</b>

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
General Fund  
For the Year Ended June 30, 2017**

	<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	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-
Total other	-	-	-	-
<b>Total social services</b>	-	-	-	-
Economic development				
Operating personnel	266,410	266,410	192,743	73,667
Other	317,809	327,305	291,065	36,240
Total other	584,219	593,715	483,808	109,907
<b>Total economic development</b>	584,219	593,715	483,808	109,907
<b>Education</b>				
Board of education	18,938,559	18,938,559	18,938,559	-
Chesapeake college	1,137,308	1,137,308	1,132,534	4,774
Public library	533,520	533,520	533,520	-
County health department	698,250	698,250	698,250	-
<b>Total education</b>	21,307,637	21,307,637	21,302,863	4,774
<b>Debt service</b>				
Principal	1,861,815	1,861,815	1,805,779	56,036
Interest	700,289	700,289	773,433	(73,144)
<b>Total debt service</b>	2,562,104	2,562,104	2,579,212	(17,108)
<b>Miscellaneous</b>	6,030,586	6,030,586	5,897,065	133,521
<b>Total expenditures</b>	50,005,400	50,014,896	49,293,367	721,529
Excess (deficiency) of revenue over expenditures	2,757,188	2,757,188	2,102,511	(654,677)
<b>OTHER FINANCING SOURCES (USES)</b>				
Note proceeds	-	-	-	-
Transfers out	(2,757,188)	(2,757,188)	(2,655,108)	102,080
<b>Total other financing sources (uses)</b>	(2,757,188)	(2,757,188)	(2,655,108)	102,080
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ (552,597)	\$ (552,597)



**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
Special Revenue Fund  
For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>		<b>Final Budget - Positive (Negative)</b>
<b>REVENUE</b>				
Intergovernmental				
Federal	\$ 588,121	\$ 588,121	\$ 1,693,898	\$ 1,105,777
State	2,327,212	2,327,212	3,380,607	1,053,395
Miscellaneous	125,000	125,000	214,717	89,717
Total revenues	<u>3,040,333</u>	<u>3,040,333</u>	<u>5,289,222</u>	<u>2,248,889</u>
<b>EXPENDITURES</b>				
General government				
Salaries	53,300	53,300	66,300	(13,000)
Other	72,121	72,121	2,088,469	(2,016,348)
Total general government	<u>125,421</u>	<u>125,421</u>	<u>2,154,769</u>	<u>(2,029,348)</u>
Public safety				
Salaries	41,810	41,810	296,182	(254,372)
Other	284,500	284,500	516,045	(231,545)
Total public safety	<u>326,310</u>	<u>326,310</u>	<u>812,227</u>	<u>(485,917)</u>
Social services				
Salaries	123,303	123,303	53,016	70,287
Other	1,439,099	1,439,099	1,594,242	(155,143)
Total social services	<u>1,562,402</u>	<u>1,562,402</u>	<u>1,647,258</u>	<u>(84,856)</u>
Recreation and parks				
Other	-	-	263,399	(263,399)
Total recreation and parks	<u>-</u>	<u>-</u>	<u>263,399</u>	<u>(263,399)</u>
Economic development				
Operating personnel	-	-	54,478	(54,478)
Other	200,000	200,000	411,554	(211,554)
Total economic development	<u>200,000</u>	<u>200,000</u>	<u>466,032</u>	<u>(266,032)</u>
Public works				
Other	789,000	789,000	28,051	760,949
Total public works	<u>789,000</u>	<u>789,000</u>	<u>28,051</u>	<u>760,949</u>
<b>Total expenditures</b>	<u>3,003,133</u>	<u>3,003,133</u>	<u>5,371,736</u>	<u>(2,368,603)</u>
Excess (deficiency) of revenue over expenditures	<u>37,200</u>	<u>37,200</u>	<u>(82,514)</u>	<u>4,617,492</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	93,300	93,300	78,300	(15,000)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>93,300</u>	<u>93,300</u>	<u>78,300</u>	<u>(15,000)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ 130,500</u>	<u>\$ 130,500</u>	<u>\$ (4,214)</u>	<u>\$ 4,602,492</u>

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
Capital Projects  
For the Year Ended June 30, 2017**

	<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	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)
State	478,286	478,286	44,055	(434,231)
Miscellaneous	25,000	25,000	269	(24,731)
Total revenues	<u>653,286</u>	<u>653,286</u>	<u>44,324</u>	<u>(608,962)</u>
<b>EXPENDITURES</b>				
Current				
General government	119,942	119,942	122,273	(2,331)
Public safety	784,756	784,756	656,836	127,920
Recreation and parks	201,100	201,100	41,038	160,062
Economic development	60,000	60,000	20,046	39,954
Education	102,125	102,125	102,125	-
Public works	4,416,335	4,416,335	1,505,802	2,910,533
Total expenditures	<u>5,684,258</u>	<u>5,684,258</u>	<u>2,448,120</u>	<u>3,236,138</u>
Excess (deficiency) of revenue over expenditures	<u>(5,030,972)</u>	<u>(5,030,972)</u>	<u>(2,403,796)</u>	<u>(3,845,100)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Note proceeds	3,021,435	3,021,435	-	(3,021,435)
Transfers in	2,009,537	2,009,537	2,009,537	-
<b>Total other financing sources (uses)</b>	<u>5,030,972</u>	<u>5,030,972</u>	<u>2,009,537</u>	<u>(3,021,435)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (394,259)</u>	<u>\$ (6,866,535)</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, 2017**

	<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	-	-	2,192	2,192
Excess (deficiency) of revenues over expenditures and other	\$ -	\$ -	\$ 2,192	\$ 2,192

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
Transfer Tax  
For the Year Ended June 30, 2017**

	<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	\$ 693,375	\$ 693,375	\$ 1,193,644	\$ 500,269
Miscellaneous	260,000	260,000	-	(260,000)
Total revenues	<u>953,375</u>	<u>953,375</u>	<u>1,193,644</u>	<u>240,269</u>
<b>EXPENDITURES</b>				
General government				
Salaries	411,591	411,591	251,968	159,623
Other	541,784	541,784	349,432	192,352
<b>Total expenditures</b>	<u>953,375</u>	<u>953,375</u>	<u>601,400</u>	<u>351,975</u>
Excess (deficiency) of revenue over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 592,244</u>	<u>\$ (111,706)</u>

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
Airport Fund  
For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>OPERATING REVENUE</b>				
Fuel sales	\$ 236,000	\$ 236,000	\$ 163,230	\$ (72,770)
Hanger and tie-down rentals	178,000	178,000	165,235	(12,765)
Other	11,000	11,000	5,604	(5,396)
Total revenues	<u>425,000</u>	<u>425,000</u>	<u>334,069</u>	<u>(90,931)</u>
<b>OPERATING EXPENSES</b>				
Salaries, benefits, and taxes	233,717	233,717	191,839	41,878
Repairs and maintenance	54,000	52,255	45,341	6,914
Rental of land, buildings and equipment	13,600	13,600	13,228	372
Fuel	201,500	203,245	120,835	82,410
Utilities	84,600	84,600	74,758	9,842
Depreciation	-	-	357,299	(357,299)
Other	1,460,151	1,460,151	90,038	1,370,113
Total operating expenses	<u>2,047,568</u>	<u>2,047,568</u>	<u>893,338</u>	<u>1,154,230</u>
Net operating income (loss)	<u>(1,622,568)</u>	<u>(1,622,568)</u>	<u>(559,269)</u>	<u>1,063,299</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Grants- Federal government	963,289	963,289	2,414,237	1,450,948
Grants- state government	104,928	104,928	466,674	361,746
Contributions	-	-	50,000	50,000
Total non-operating revenues (expenses)	<u>1,068,217</u>	<u>1,068,217</u>	<u>2,930,911</u>	<u>1,862,694</u>
Income (loss) before transfers	<u>(554,351)</u>	<u>(554,351)</u>	<u>2,371,642</u>	<u>2,925,993</u>
Operating transfers	235,468	235,468	235,468	-
Capital transfers	318,883	318,883	331,803	12,920
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,938,913</u>	<u>\$ 2,938,913</u>

**DORCHESTER COUNTY, MARYLAND**

**Schedule of Revenue, Expenditures, and Changes in Fund Balance-Budget and Actual  
Landfill Fund  
For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>OPERATING REVENUE</b>				
Tipping fees	\$ 2,355,079	\$ 2,355,079	\$ 3,085,078	\$ 729,999
Permits	140,000	140,000	140,369	369
Other	6,000	6,000	3,711	(2,289)
Total revenues	<u>2,501,079</u>	<u>2,501,079</u>	<u>3,229,158</u>	<u>728,079</u>
<b>OPERATING EXPENSES</b>				
Salaries, benefits, and taxes	869,456	860,456	836,091	24,365
Repairs and maintenance	190,000	140,000	162,514	(22,514)
Rental of land, buildings and equipment	26,000	380,000	37,683	342,317
Fuel	150,000	150,000	113,842	36,158
Closure and postclosure costs accrual	326,000	326,000	56,983	269,017
Utilities	16,500	16,500	16,460	40
Depreciation	674,068	674,068	512,645	161,423
Other	994,355	699,355	318,093	381,262
Total operating expenses	<u>3,246,379</u>	<u>3,246,379</u>	<u>2,054,311</u>	<u>1,192,068</u>
Net operating income (loss)	<u>(745,300)</u>	<u>(745,300)</u>	<u>1,174,847</u>	<u>1,920,147</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Use of net position	740,000	740,000	-	(740,000)
Interest income	5,300	5,300	11,451	6,151
Total non-operating revenues (expenses)	<u>745,300</u>	<u>745,300</u>	<u>11,451</u>	<u>(733,849)</u>
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,186,298</u>	<u>\$ 1,186,298</u>

**DORCHESTER COUNTY, MARYLAND**

**Local Management Board - Schedule of Revenue and Expenditures  
For the Year Ended June 30, 2017**

**REVENUE**

Intergovernmental	
State	<u>\$ 1,476,231</u>

**EXPENDITURES**

Public safety	
Substance abuse prevention	163,830
Social services	
Healthy families	363,132
Wellness centers	403,823
Connect for success	209,684
Adventure diversion	74,055
Afterschool	1,081
Other	8,800
Administration	<u>251,826</u>
Total social services	<u>1,312,401</u>

<b>TOTAL EXPENDITURES</b>	<u>1,476,231</u>
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<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES</b>	<u><u>\$ -</u></u>
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