

**COUNTY COUNCIL OF
DORCHESTER COUNTY, MARYLAND**

FINANCIAL REPORT

JUNE 30, 2013

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INDEPENDENT AUDITORS' REPORT

County Council of
Dorchester County, Maryland
Cambridge, 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2013, 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 and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

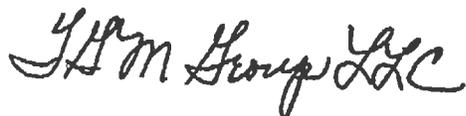
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The additional supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information 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. The 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 additional supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole. The additional supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014 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.

A handwritten signature in black ink that reads "YSM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland
January 13, 2014

Dorchester County, Maryland
Management's Discussion and Analysis
June 30, 2013

Management is pleased to present this narrative overview and analysis of the financial activities of Dorchester County, Maryland (the County) for the fiscal year ended June 30, 2013. The following discussion focuses on the County's primary government and, unless otherwise noted, component unit information is not included.

FINANCIAL HIGHLIGHTS

- The government-wide assets of the County exceeded its liabilities at the close of Fiscal Year 2013 (FY13) by \$51.6 million (total net position). That amount is net of \$11.8 million unrestricted deficit. The deficit occurs because the County issues debt to fund the construction of assets owned by Dorchester County Public Schools and Chesapeake College. Debt outstanding for these entities amounted to \$22.5 million at June 30, 2013. Absent the effect of this relationship, the County would have reported government-wide positive unrestricted net position of \$10.7 million.
- The County's government-wide net position improved by \$.8 million.
- As of the close of FY13, the County's governmental funds reported combined ending fund balances of \$12.1 million, an increase of \$1.1 million from the prior year's ending fund balances. Of the total ending fund balances, \$7.4 million remains in the General Fund of the County as unassigned, which represents approximately 15.4% of total general fund expenditures for fiscal year 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's financial statements, which include government-wide and fund statements, as well as notes to the financial statements.

Government-Wide Financial Statements

Similar to private-sector reporting, government-wide financial statements are designed to provide a broad overview of the financial position of the County. They include a **statement of net position** and a **statement of activities**, which can be found within this report, as listed in the table of contents.

The statement of net position shows the County's assets less its liabilities at June 30, 2013. The difference between the assets and liabilities is reported as net position. Changes in net position over time may be helpful in indicating an improving or deteriorating financial condition. Additionally, nonfinancial factors, such as a change in the County's property tax base or the condition of the County's facilities, should be considered to assess the overall health of the County.

The statement of activities follows the statement of net position and presents information on how the net position changed during the fiscal year. The statement presents all underlying events, which give rise to the change, regardless of the timing of the related cash flows.

Both statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental 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 government-wide financial statements of the County (known as the primary government) include general government, public safety, public works, education, social services, natural resources, recreation/parks, and economic development. The government-wide financial statements also include the legally separate component units for which the County is financially accountable. Financial information for these component units is reported separately from the primary government.

Dorchester County, Maryland
Management's Discussion and Analysis
June 30, 2013

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. Like other state and local governments, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the County government can be divided into three categories: governmental, proprietary and fiduciary.

Governmental funds – Governmental funds, as listed in the table of contents, essentially account for the same functions as those reported under the governmental activities in the government-wide financial statements. However, this set of financial statements focuses on events that produce near-term inflows and outflows of spendable resources as well as on the balances of spendable resources available at the end of the fiscal year and is a narrower focus than the government-wide statements. This information may be useful in evaluating the County's near-term financing requirements and available resources.

By comparing functions between the two sets of statements for governmental funds and governmental activities, readers can discern the long-term impact of near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Governmental funds individually presented in the County's basic financial statements include three major funds: the General Fund, the Special Revenue Grants Fund, and the Capital Fund. The remaining three funds have been combined and presented in one column as "Other Governmental Funds." Combining statements for these other governmental funds are presented as additional supplementary information, as listed in the table of contents.

Proprietary funds – The proprietary funds, as listed in the table of contents, include those business-type activities within the primary government that are intended to be self-supporting. Both of the County's proprietary funds are enterprise funds, which provide services to citizens in exchange for user fees. The County uses enterprise funds to account for solid waste and airport operations, both of which are considered major funds of the County.

Fiduciary funds – The County uses a fiduciary fund to account for resources held for the benefit of parties outside the County government. Although these funds are presented with the fund statements, they do not appear in the government-wide financial statements because the resources of these funds are not available to support the programs of the County. The fiduciary fund can be found within this report, as listed in the table of contents.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in both government-wide and fund financial statements. The notes to the financial statements can be found within this report, as listed in the table of contents.

Other Information

This report also includes supplementary information in the form of combining and individual statements and schedules, which present more detailed views of the General Fund, Special Revenue-Grants Fund, Transfer Tax Fund, Capital Fund, enterprise funds, and fiduciary funds. Additionally included are schedules relating to the funding progress of the County's post-employment benefits trust fund, the Local Management Board, and deferred compensation. This information can be found within this report, as listed in the table of contents.

Dorchester County, Maryland
Management's Discussion and Analysis
June 30, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, changes in net position over time is a useful indicator of financial condition. The County's total net position as of June 30, 2013 was \$51.6 million. Investment in capital assets such as land, roads, bridges, buildings, machinery and equipment accounts for \$63.1 million of net position. The amount is presented less any outstanding debt related to the acquisition and accumulated depreciation of those assets. The County uses capital assets to provide services to the citizens, and consequently, these assets are not available for future spending. Although assets are reported net of related debt, the capital assets themselves cannot be used to liquidate that liability, and other resources will be needed to repay any associated debt.

**Schedule of Net Position
June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	\$20,137,534	\$19,920,582	\$13,297,836	\$12,146,680	\$33,435,370	\$32,067,262
Capital assets	\$49,737,537	\$50,820,869	\$17,043,205	\$17,585,724	\$66,780,742	\$68,406,593
Total assets	\$69,875,071	\$70,741,451	\$30,341,041	\$29,732,404	\$100,216,112	\$100,473,855
Liabilities:						
Long-term liabilities	\$34,335,929	\$35,619,054	\$9,565,747	\$9,271,039	\$43,901,676	\$44,890,093
Other liabilities	\$4,589,276	\$4,676,883	\$122,622	\$64,156	\$4,711,898	\$4,741,039
Total liabilities	\$38,925,205	\$40,295,937	\$9,688,369	\$9,335,195	\$48,613,574	\$49,631,132
Net position:						
Net investment in capital assets	\$46,357,875	\$46,139,662	\$16,700,205	\$17,212,724	\$63,058,080	\$63,352,386
Restricted	\$316,837	\$431,259	\$0	\$0	\$316,837	\$431,259
Unrestricted (deficit)	(\$15,724,846)	(\$16,125,407)	\$3,952,467	\$3,184,485	(\$11,772,379)	(\$12,940,922)
Total net position	\$30,949,866	\$30,445,514	\$20,652,672	\$20,397,209	\$51,602,538	\$50,842,723

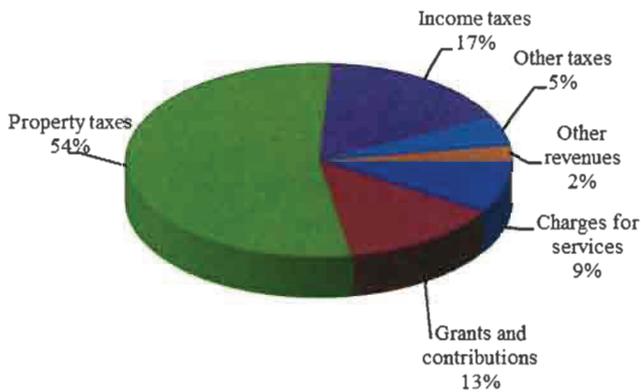
Amounts shown as restricted net position are resources subject to external restriction on how they may be used to meet the County's ongoing obligations to citizens and creditors. As indicated earlier, the County's governmental activities unrestricted net position deficit is primarily attributable to outstanding debt that has been issued to fund constructions costs of assets owned by the Dorchester County Public Schools and Chesapeake College. Counties in the State of Maryland issue and report the debt for school construction; however, the buildings are not owned or reported by the County. All other governmental and business-type activities had positive net asset balances as of June 30, 2013.

As reflected above, the County's government-wide net position increased from \$50.8 million to \$51.6 million, an increase of \$.8 million. This increase is primarily attributable to the \$1.0 million net reduction in long term debt.

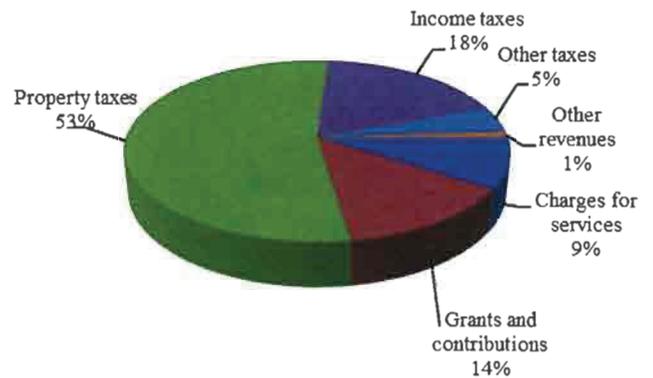
Dorchester County, Maryland
 Management's Discussion and Analysis
 June 30, 2013

The following represents revenues by source and expenses by function of primary government for the years ended June 30, 2013 and June 30, 2012.

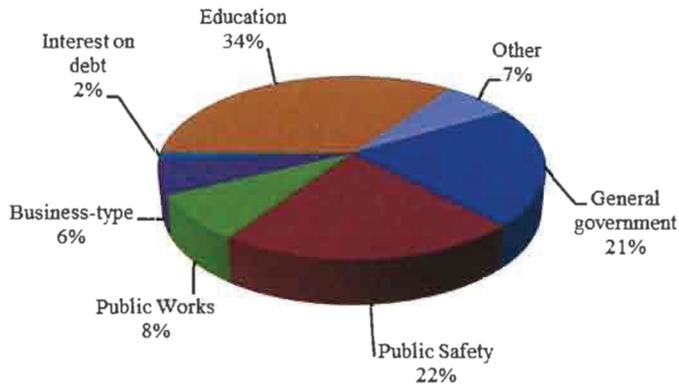
Revenue by Source FY 2013



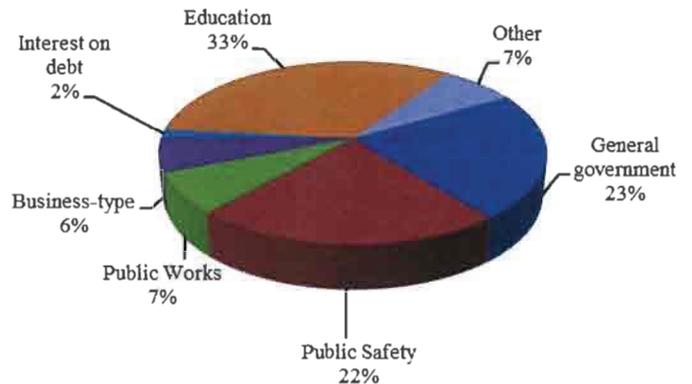
Revenue by Source FY 2012



Expenses by Function FY 2013



Expenses by Function FY 2012



Dorchester County, Maryland
Management's Discussion and Analysis
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**Schedule of Changes in Net Position
For the years ended June 30, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	\$2,173,528	\$2,449,692	\$2,993,807	\$2,892,850	\$5,167,335	\$5,342,542
Operating grants and contributions	\$6,063,369	\$5,224,386	\$0	\$0	\$6,063,369	\$5,224,386
Capital grants and contributions	\$1,580,668	\$2,738,875	\$192,400	\$18,786	\$1,773,068	\$2,757,661
General revenues:						
Property taxes	\$31,202,323	\$31,428,151	\$0	\$0	\$31,202,323	\$31,428,151
Income taxes	\$9,692,631	\$10,767,858	\$0	\$0	\$9,692,631	\$10,767,858
Other taxes	\$2,872,473	\$2,721,398	\$0	\$0	\$2,872,473	\$2,721,398
Other revenues	\$1,414,725	\$576,467	\$52,272	\$30,139	\$1,466,997	\$606,606
Total revenues	\$54,999,717	\$55,906,827	\$3,238,479	\$2,941,775	\$58,238,196	\$58,848,602
Expenses:						
General government	\$12,239,512	\$12,869,275	\$0	\$0	\$12,239,512	\$12,869,275
Public safety	\$12,466,667	\$12,608,644	\$0	\$0	\$12,466,667	\$12,608,644
Social services	\$1,923,862	\$1,975,348	\$0	\$0	\$1,923,862	\$1,975,348
Public works	\$4,732,916	\$4,178,263	\$0	\$0	\$4,732,916	\$4,178,263
Recreation and parks	\$524,196	\$544,837	\$0	\$0	\$524,196	\$544,837
Natural resources	\$563,755	\$772,303	\$0	\$0	\$563,755	\$772,303
Economic development	\$955,231	\$746,774	\$0	\$0	\$955,231	\$746,774
Interest on debt	\$921,345	\$1,005,496	\$0	\$0	\$921,345	\$1,005,496
Education	\$19,719,936	\$18,571,352	\$0	\$0	\$19,719,936	\$18,571,352
Airport	\$0	\$0	\$884,443	\$879,640	\$884,443	\$879,640
Solid waste	\$0	\$0	\$2,546,518	\$2,551,212	\$2,546,518	\$2,551,212
Total expenses	\$54,047,420	\$53,272,292	\$3,430,961	\$3,430,852	\$57,478,381	\$56,703,144
Transfers	(\$447,945)	(\$460,366)	\$447,945	\$460,366	\$0	\$0
Change in net position	\$504,352	\$2,174,169	\$255,463	(\$28,711)	\$759,815	\$2,145,458
Net position – beginning of year	\$30,445,514	\$28,271,345	\$20,397,209	\$20,425,920	\$50,842,723	\$48,697,265
Net position - end of year	\$30,949,866	\$30,445,514	\$20,652,672	\$20,397,209	\$51,602,538	\$50,842,723

Dorchester County, Maryland
Management's Discussion and Analysis
June 30, 2013

Governmental Activities

The County's total revenue from governmental activities decreased from \$55.9 million in FY 2012 to \$55.0 million in FY 2013, a decrease of \$0.9 million or 1.6 percent.

Property and income taxes combined comprise 74.4 percent of governmental activities revenues. The property tax rate was 97.6 cents per \$100 of assessed value for FY 2013 and was unchanged from FY 2012. Income taxes decreased by \$1.1 million or 10.0 percent. The local income tax rate was 2.62 percent of the State taxable income for calendar year 2013 and was unchanged from 2012.

The expense of all governmental activities increased from \$53.3 million in FY 2012 to \$54.1 million in FY 2013, an increase of \$0.8 million or 1.5 percent.

The following table presents the cost and program revenues of each of the County's governmental activities as well as each activity's net cost (total cost less fees generated by the activities and activity-specific intergovernmental aid).

	Expenses		Revenues		Net Cost of Services	
	2013	2012	2013	2012	2013	2012
Education	\$19,719,936	\$18,571,352	\$2,282	\$0	\$19,717,654	\$18,571,352
Public safety	\$12,466,667	\$12,608,644	\$2,679,831	\$2,756,358	\$9,786,836	\$9,852,286
Public works	\$4,732,916	\$4,178,263	\$990,212	\$1,302,959	\$3,742,704	\$2,875,304
General government	\$12,239,512	\$12,869,275	\$3,794,129	\$3,270,902	\$8,445,383	\$9,598,373
Social services	\$1,923,862	\$1,975,348	\$1,270,534	\$1,878,271	\$653,328	\$97,077
Interest on Debt	\$921,345	\$1,005,496	\$0	\$0	\$921,345	\$1,005,496
Recreation and parks	\$524,196	\$544,837	\$91,628	\$73,930	\$432,568	\$470,907
Economic Development	\$955,231	\$746,774	\$762,297	\$915,474	\$192,934	(\$168,700)
Natural Resources	\$563,755	\$772,303	\$226,652	\$215,059	\$337,103	\$557,244
Total	\$54,047,420	\$53,272,292	\$9,817,565	\$10,412,953	\$44,229,855	\$42,859,339

A more detailed discussion of the County's revenue and expense results for FY 2013 as compared to what was budgeted can be found in the General Fund Budgetary Highlights section of this analysis.

Business-type Activities

Highlights of the County's business-type activities for FY13 are as follows:

- The net position of business-type activities increased from \$20.40 million to \$20.65 million, an increase of \$0.25 million for FY 2013. Airport activities produced a positive net change in position of \$193,834 and landfill activities resulted in a positive net change in position of \$61,629.
- Charges for services to users comprise 94 percent of total business-type activities revenue, with \$2.6 million (86 percent of charges for services revenue) attributable to solid waste activities and \$0.4 million (14 percent) attributable to airport operations.

Dorchester County, Maryland
Management's Discussion and Analysis
June 30, 2013

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the County's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. In particular, the unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2013, County governmental funds reported total fund balances of \$12.1 million, an increase of \$1.1 million from the end of FY 2012. Unassigned governmental fund balances total \$6.2 million with \$7.4 million from the General Fund and a deficit of (\$1.2) million in the Capital Fund. The unassigned fund balance deficit in the Capital Fund results from a delay in financing Technology Park infrastructure costs. This financing is expected to occur in FY 2014.

The General Fund is the primary operating fund of the County. At June 30, 2013, total fund balance in the general fund was \$9.6 million of which \$7.4 million was unassigned. The general fund balance increased \$1.0 million as a result of current fiscal year operations.

The following key factors were responsible for the changes:

- Total revenues of \$49.8 million exceeded the FY 2013 budget by \$1.1 million or 2.3 percent
- Total expenditures of \$48.0 million exceeded the FY 2013 budget by \$0.3 million or 0.6 percent
- Other financing sources (uses) of (\$0.8) million were below the FY 2013 budget by \$0.2 million

The County implemented Statement of Governmental Accounting Standards (GASB) No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011. GASB 54 requires the County to record its designated revenue stabilization funds as part of the unassigned fund balance. Prior to implementing this standard (2010 and prior) revenue stabilization funds were recorded as a separate special revenue fund called the "Reserve Fund". At the end of fiscal year 2013, the County has designated \$2.6 million of its unassigned governmental fund balance for revenue stabilization. The purpose of the revenue stabilization designation is to provide a fiscal means for the County to respond to potential adversities such as public emergencies, natural disasters, major unanticipated projects or economic downturns.

Other governmental funds of note are the Building Excise Tax Fund and the Transfer Tax Fund.

The Building Excise Tax Fund ended the year with a fund balance of \$1.6 million. This fund was created by Dorchester County Bill Number 2004-6, effective date of September 15, 2004, which established an excise tax on new development. The proceeds of the tax are dedicated for the capital costs associated with new growth specific to schools (\$1.3 million balance), emergency communications (\$0.2 million balance), and Sheriff's Office (\$0.1 million balance).

The Transfer Tax Fund ended the year with a fund balance of \$1.6 million. The purpose of this fund to account for the proceeds of the transfer tax which is dedicated for repairs, maintenance and security of the Circuit Courthouse as well as public school capital facility expenditures.

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Proprietary funds

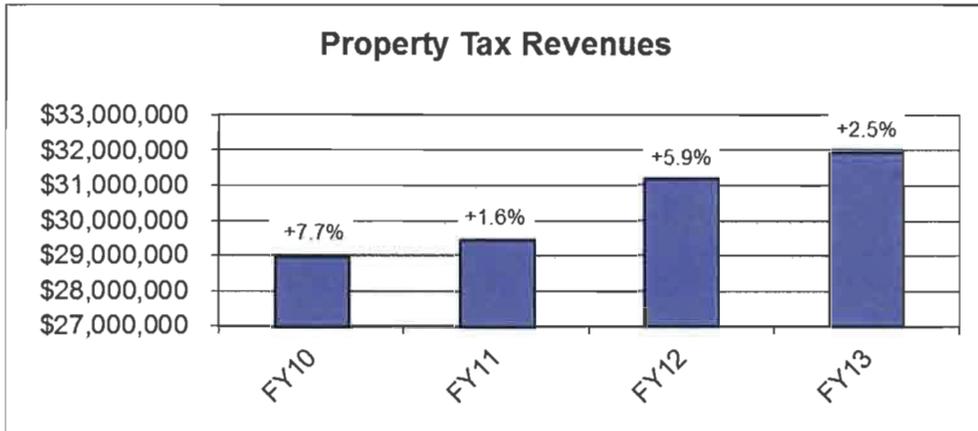
Airport Enterprise Fund – At June 30, 2013, total net position amounted to \$15.3 million, with unrestricted net position of \$2.0 million, and an operating loss of \$0.4 million. After non-operating revenues and transfers of \$0.2 million, the fund ended FY 2013 with an increase in net position of \$0.2 million.

Landfill Enterprise Fund – At June 30, 2013, total net position amounted to \$5.4 million, with unrestricted net assets of \$2.0 million, and an operating income of \$49,539. After non-operating revenues of \$12,090, the fund ended FY 2013 with an increase in net position of \$61,629.

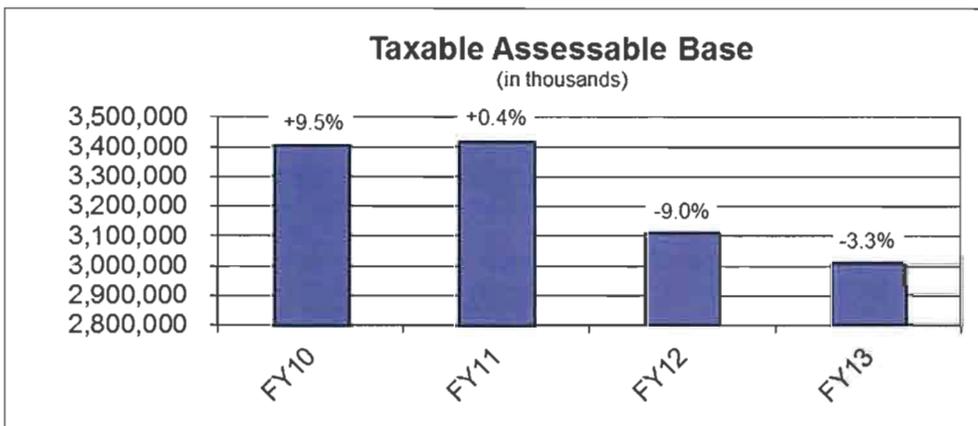
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Budget Variations

Property Taxes - The largest revenue source for the County is property taxes. Net property tax revenue in the General Fund amounted to \$31.9 million, which was above the budget estimate by \$1.2 million or 3.9 percent and \$0.8 million or 2.5 percent above actual revenue in FY 2012. For FY 2013, the real property tax rate was 0.896 per \$100 of assessed value, unchanged from FY 2012. The real property taxable assessable base before including the homestead credit declined by 101.2 million or 3.3 percent; with the homestead credit the decline was 17.7 million or 0.6 percent.

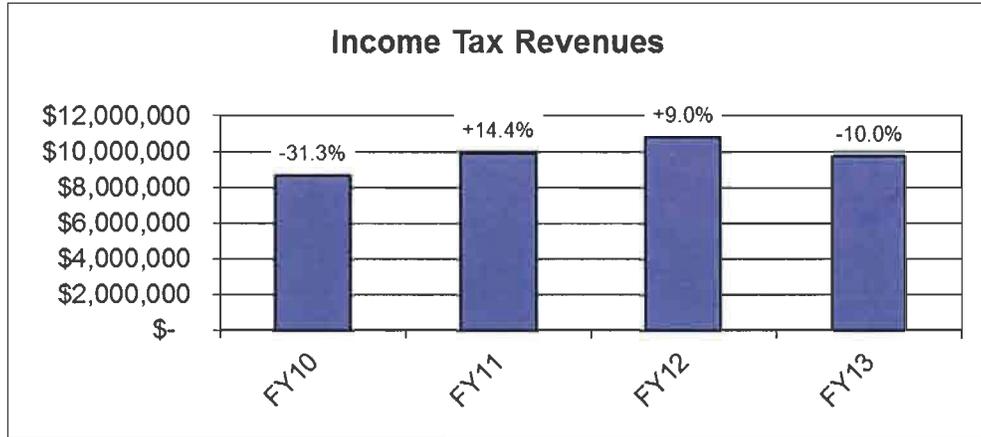


Net property tax revenues increased by \$0.8 million or 2.5 percent with reduction in homestead credit and change in deferred taxes more than offsetting the 3.3 percent reduction in taxable assessable base.

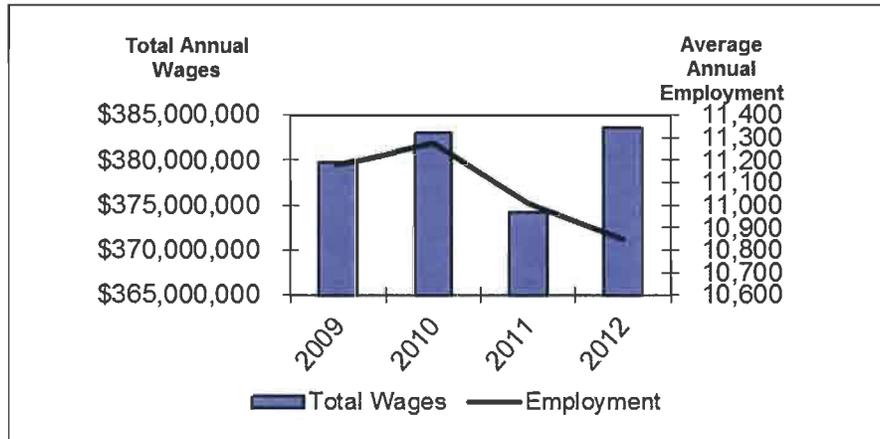


Dorchester County, Maryland
 Management's Discussion and Analysis
 June 30, 2013

Income Taxes - The second largest revenue source for the General Fund is the County income tax. Revenues from the income tax were \$9.7 million which was \$0.5 million or 5.0 percent above budget and \$1.1 million or 10.0 percent below actual revenues in FY 2012. The local income tax rate remained unchanged at 2.62%.



The decline in income tax revenue is primarily attributed to reduced non-wage income, as net employment declined by 156 jobs or 1.4 percent and total annual payroll wages increased by \$9.3 million or 2.5 percent in CY 2012. The average weekly wage per worker during CY 2012 increased by \$26 to \$680.



General Fund actual expenditures of \$48.0 million were above the FY 2013 budget by \$0.3 million or 0.6 percent and \$1.4 million or 3.1 percent above actual FY 2012.

Dorchester County, Maryland
Management's Discussion and Analysis
June 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets as of June 30, 2013, amounted to \$66.8 million (net of accumulated depreciation), as summarized below:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$18,364,261	\$18,364,261	\$3,418,807	\$3,418,807	\$21,783,068	\$21,783,068
Buildings and improvements	\$22,458,689	\$22,430,802	\$14,099,391	\$9,840,584	\$36,558,080	\$32,271,386
Furniture, machinery, equipment	\$24,967,252	\$24,356,709	\$4,175,171	\$4,175,171	\$29,142,423	\$28,531,880
Leaschold improvements	\$286,572	\$286,572	\$0	\$0	\$286,572	\$286,572
Infrastructure	\$45,445,338	\$45,445,338	\$8,511,474	\$8,511,474	\$53,956,812	\$53,956,812
Construction in progress	\$1,096,448	\$99,322	\$1,167,146	\$5,051,958	\$2,263,594	\$5,151,280
Total assets	\$112,618,560	\$110,983,004	\$31,371,989	\$30,997,994	\$143,990,549	\$141,980,998
Less: Accumulated depreciation	\$62,881,023	\$60,162,135	\$14,328,784	\$13,412,270	\$77,209,807	\$73,574,405
Total	\$49,737,537	\$50,820,869	\$17,043,205	\$17,585,724	\$66,780,742	\$68,406,593

Changes in the County's capital assets for FY 2013 are summarized as follows:

	Governmental Activities	Business-Type Activities	Total	
	2013	2013	2013	2012
Beginning Balance	\$50,820,869	\$17,585,724	\$68,406,593	\$70,025,481
Additions*	\$1,654,771	\$373,995	\$2,028,766	\$2,408,099
Retirements, net*	\$1,853	\$0	\$1,853	\$41,260
Depreciation expense	\$2,736,250	\$916,514	\$3,652,764	\$3,985,727
Ending Balance	\$49,737,537	\$17,043,205	\$66,780,742	\$68,406,593

*Presented net of transfers from construction in progress; retirements are also net of related accumulated depreciation.

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

- \$0.9 million in construction of roof on an economic development building

Additional information pertaining to the County's capital assets can be found in Notes to Financial Statements.

Dorchester County, Maryland
Management's Discussion and Analysis
June 30, 2013

Long-Term Debt

The following is a summary of the County's gross outstanding long-term debt as of June 30, 2013:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$23,675,000	\$26,320,000	\$0	\$0	\$23,675,000	\$26,320,000
Notes payable	\$2,257,288	\$2,716,016	\$343,000	\$373,000	\$2,600,288	\$3,089,016
Pension liability	\$693,860	\$684,569	\$0	\$0	\$693,860	\$684,569
OPEB Obligation	\$6,776,507	\$4,911,164	\$0	\$0	\$6,776,507	\$4,911,164
Compensated absences	\$933,274	\$987,305	\$44,322	\$43,696	\$977,596	\$1,031,001
Total	\$34,335,929	\$35,619,054	\$387,322	\$416,696	\$34,723,251	\$36,035,750

At June 30, 2013, the County had outstanding general obligation bonds of \$23.7 million. General obligation (GO) bonds are backed by the issuer's pledge of its full faith, credit and taxing power for the payment of the bond. GOs are generally viewed as the most secure type of municipal security and typically finance public projects such as schools, parks, libraries, roads and county buildings. Over the last ten years, the County issued its GO bonds three times totaling \$30.3 million. Dorchester County also issues debt to finance the capital construction of Dorchester County Public Schools and Chesapeake College not otherwise financed by the State of Maryland. The County continues to maintain its status as a stable smaller government issuer of municipal securities, with the third highest credit rating possible for a local government. For its GO bonds, the County is rated A2 from Moody's Investors Service, Inc., and A+ from Standard and Poor's. These bond ratings, by definition, represent the County is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than counties in higher-rated categories. However, the County's capacity to meet its financial commitment on the bonds is still strong.

For purposes of complying with the County's continuing disclosure undertakings, this Annual Financial Report is provided to each nationally recognized municipal securities information repository.

Additional information pertaining to the County's long-term debt can be found in Notes to Financial Statements.

Dorchester County, Maryland
Management's Discussion and Analysis
June 30, 2013

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Dorchester County, like most local jurisdictions around the state, continues to face difficult economic circumstances. Combined with continuing severe reductions in State aid, the top priority of the FY 2014 budget was the preservation of essential services the County provides and funds, not only for the 2014 budget, but for future budgets as well. The County's share of highway user revenues for 2013 continues to reflect a 90% reduction of more than \$4 million, as the State uses these funds to address their own structural deficit.

The adopted FY 2014 total budget equals \$64.3 million, an increase of \$8.5 million or 15.3% compared to the prior year's adopted budget.

The primary goals of the FY 2014 adopted budget were (1.) to maintain essential services, (2.) to maintain or lower the current property tax rates, and (3.) to begin judiciously addressing deferred capital projects. The adopted operating budget met all of the above goals.

Maintenance of Current Property Tax Rates

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

FY 2014 Capital Budget

The adopted capital budget for FY 2014 is \$7.5 million compared to \$0.5 million in FY 2013. \$6.5 million of this amount, or 87 percent, was funded with pay-as-you-go (PAYGO) sources consisting of state aid, federal aid, and existing prior fund balances.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of Dorchester County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information about the County or its component units should be addressed to 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
PRIMARY GOVERNMENT AS OF JUNE 30, 2013
COMPONENT UNITS AS OF JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and short-term investments	\$ 13,761,395	\$ 11,496,741	\$ 25,258,136
Receivables:			
State and local property taxes	3,560,837	-	3,560,837
Accounts receivable, net	-	225,528	225,528
Federal government	1,243,345	181,448	1,424,793
State of Maryland	1,028,194	5,975	1,034,169
Local	238,299	-	238,299
Other	1,083,250	-	1,083,250
Internal balances, net	(1,324,154)	1,324,154	-
Inventories, at cost	-	59,068	59,068
Other	546,368	4,922	551,290
Nondepreciable capital assets	19,460,709	4,585,953	24,046,662
Depreciable capital assets, net	30,276,828	12,457,252	42,734,080
Total assets	69,875,071	30,341,041	100,216,112
LIABILITIES			
Accounts payable and accrued expenses	2,184,900	117,272	2,302,172
Due to State of Maryland	627,417	-	627,417
Due to delinquent taxpayers	483,425	-	483,425
Deferred revenue	1,106,536	5,350	1,111,886
Other	186,998	-	186,998
Long-term liabilities, due within one year:			
Compensated absences	391,314	20,526	411,840
Bonds and notes payable	3,156,928	33,000	3,189,928
Long-term liabilities, due in more than one year:			
Compensated absences	541,960	23,796	565,756
Bonds and notes payable	22,775,360	310,000	23,085,360
Landfill closure and postclosure care costs	-	9,178,425	9,178,425
Pension liability	693,860	-	693,860
Other post-employment benefits obligation	6,776,507	-	6,776,507
Total liabilities	38,925,205	9,688,369	48,613,574
NET POSITION			
Net investment in capital assets	46,357,875	16,700,205	63,058,080
Restricted	316,837	-	316,837
Unrestricted (deficit)	(15,724,846)	3,952,467	(11,772,379)
Total Net Position	\$ 30,949,866	\$ 20,652,672	\$ 51,602,538

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

Component Units	
Board of Education of Dorchester County	Dorchester County Sanitary Districts
\$ 4,448,687	\$ 1,639,661
-	-
-	68,359
523,512	-
732,770	-
229,996	-
413,764	126,355
-	-
12,844	-
-	-
11,208	2,645
87,600,155	11,757,662
<u>93,972,936</u>	<u>13,594,682</u>
3,385,217	36,147
-	-
-	-
683,356	-
15,375	304
51,027	-
-	52,693
926,414	-
-	2,070,851
-	-
-	-
8,349,099	-
<u>13,410,488</u>	<u>2,159,995</u>
87,611,363	9,636,763
293,725	-
(7,342,640)	1,797,924
<u>\$ 80,562,448</u>	<u>\$ 11,434,687</u>

DORCHESTER COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities				
General government	\$ 12,239,512	\$ 311,148	\$ 3,320,879	\$ 162,103
Public safety	12,466,667	1,614,338	505,552	559,941
Social services	1,923,862	-	1,160,200	110,334
Recreation and parks	524,196	45,168	-	46,460
Natural resources	563,755	45,318	181,334	-
Economic development	955,231	-	331,315	430,982
Education	19,719,936	-	2,282	-
Public works	4,732,916	157,556	561,808	270,848
Interest on long-term debt	921,345	-	-	-
Total Governmental Activities	54,047,420	2,173,528	6,063,369	1,580,668
Business-Type Activities				
Airport	884,443	426,794	-	192,400
Landfill	2,546,518	2,567,013	-	-
Total Business-Type Activities	3,430,961	2,993,807	-	192,400
Total Primary Government	\$ 57,478,381	\$ 5,167,335	\$ 6,063,369	\$ 1,773,068
Component Units				
Board of Education of Dorchester County	71,698,934	3,637,856	59,084,329	2,138,394
Dorchester County Sanitary Districts	1,296,961	1,019,571	-	510,411
Total Component Units	\$ 72,995,895	\$ 4,657,427	\$ 59,084,329	\$ 2,648,805

General Revenues (Expenses)

Taxes:

Property

Income

Other

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, Beginning of Year

Net Position, End of Year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Board of Education of Dorchester County	Dorchester County Sanitary Districts
\$ (8,445,382)	\$ -	\$ (8,445,382)	\$ -	\$ -
(9,786,836)	-	(9,786,836)	-	-
(653,328)	-	(653,328)	-	-
(432,568)	-	(432,568)	-	-
(337,104)	-	(337,104)	-	-
(192,934)	-	(192,934)	-	-
(19,717,654)	-	(19,717,654)	-	-
(3,742,704)	-	(3,742,704)	-	-
(921,345)	-	(921,345)	-	-
<u>(44,229,855)</u>	<u>-</u>	<u>(44,229,855)</u>	<u>-</u>	<u>-</u>
-	(265,249)	(265,249)	-	-
-	20,495	20,495	-	-
<u>-</u>	<u>(244,754)</u>	<u>(244,754)</u>	<u>-</u>	<u>-</u>
<u>(44,229,855)</u>	<u>(244,754)</u>	<u>(44,474,609)</u>	<u>-</u>	<u>-</u>
-	-	-	(6,838,355)	-
-	-	-	-	233,021
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,838,355)</u>	<u>233,021</u>
31,202,323	-	31,202,323	-	-
9,692,631	-	9,692,631	-	-
2,872,473	-	2,872,473	-	-
6,545	12,090	18,635	5,236	6,431
1,408,180	40,182	1,448,362	501,611	-
<u>45,182,152</u>	<u>52,272</u>	<u>45,234,424</u>	<u>506,847</u>	<u>6,431</u>
<u>(447,945)</u>	<u>447,945</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>44,734,207</u>	<u>500,217</u>	<u>45,234,424</u>	<u>506,847</u>	<u>6,431</u>
504,352	255,463	759,815	(6,331,508)	239,452
30,445,514	20,397,209	50,842,723	86,893,956	11,195,235
<u>\$ 30,949,866</u>	<u>\$ 20,652,672</u>	<u>\$ 51,602,538</u>	<u>\$ 80,562,448</u>	<u>\$ 11,434,687</u>

DORCHESTER COUNTY, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2013

	General Fund	Special Revenue Grants Fund	Capital Fund
ASSETS			
Cash and short-term investments	\$ 10,034,812	\$ 739,904	\$ 808,557
Receivables:			
State and local property taxes	3,560,837	-	-
Federal government	74,143	1,169,202	-
State of Maryland	-	1,028,194	-
Local	238,299	-	-
Other	1,001,864	11,134	-
Interfund	4,382,160	167,902	338,600
Other	313,629	69,933	162,806
Total assets	\$ 19,605,744	\$ 3,186,269	\$ 1,309,963
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued expenses	\$ 1,736,415	\$ 801,369	\$ 6,679
Due to State of Maryland	627,417	-	-
Due to delinquent taxpayers	483,425	-	-
Interfund payables	3,729,830	1,184,623	2,338,046
Due to others	76,813	-	-
Deferred revenue	3,303,686	801,344	-
Other	98,022	12,163	-
Total liabilities	10,055,608	2,799,499	2,344,725
FUND BALANCES			
Nonspendable	313,629	69,933	162,806
Restricted for:			
Grants	-	316,837	-
Committed for:			
Schools and courthouse	-	-	-
Public safety communication system	-	-	-
Sheriff	-	-	-
Assigned for:			
Future budget	1,826,773	-	-
Unassigned	7,409,734	-	(1,197,568)
Total fund balances	9,550,136	386,770	(1,034,762)
Total liabilities and fund balances	\$ 19,605,744	\$ 3,186,269	\$ 1,309,963

Other Governmental Funds	Total Governmental Funds
\$ 2,178,122	\$ 13,761,395
-	3,560,837
-	1,243,345
-	1,028,194
-	238,299
70,252	1,083,250
1,577,627	6,466,289
-	546,368
<u>\$ 3,826,001</u>	<u>\$ 27,927,977</u>
\$ 31,751	\$ 2,576,214
-	627,417
-	483,425
537,944	7,790,443
-	76,813
45,192	4,150,222
-	110,185
<u>614,887</u>	<u>15,814,719</u>
-	546,368
-	316,837
2,951,680	2,951,680
151,391	151,391
108,043	108,043
-	1,826,773
-	6,212,166
<u>3,211,114</u>	<u>12,113,258</u>
<u>\$ 3,826,001</u>	<u>\$ 27,927,977</u>

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

DORCHESTER COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2013

Total fund balances, governmental funds	\$ 12,113,258
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position.	49,737,537
Certain revenues that do not provide current financial resources are reported as deferred income in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Position.	3,043,686
Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of:	
Bonds and notes payable	(25,932,288)
Pension liability	(693,860)
Compensated absences	(541,960)
Other post-employment benefits obligation	<u>(6,776,507)</u>
Total long-term liabilities	<u>(33,944,615)</u>
Net position of governmental activities in the Statement of Net Position	<u>\$ 30,949,866</u>

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

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2013**

	General Fund	Special Revenue Grants Fund	Capital Fund
REVENUES:			
Taxes	\$ 43,627,330	\$ -	\$ -
Licenses and permits	210,068	-	-
Intergovernmental:			
Federal	121,695	1,526,791	-
State	3,453,634	2,070,696	471,221
Service charges and fees	1,963,459	-	-
Miscellaneous	457,644	864,050	-
Total revenues	49,833,830	4,461,537	471,221
EXPENDITURES:			
Current:			
General government	3,628,962	148,937	28,908
Public safety	10,407,888	167,551	325,321
Social services	129,196	1,794,297	-
Recreation and parks	427,114	4,091	-
Natural resources	403,166	76,009	-
Economic development	529,424	321,717	4,422
Miscellaneous	5,402,969	-	-
Education	19,719,936	-	-
Public works	3,360,821	902,514	28
Debt service:			
Principal	3,020,299	-	-
Interest	909,203	-	-
Capital outlay	25,377	1,166,153	389,745
Total expenditures	47,964,355	4,581,269	748,424
Excess (deficiency) of revenues over expenditures	1,869,475	(119,732)	(277,203)
OTHER FINANCING SOURCES (USES):			
Net change in pension liability	9,291	-	-
Interest and dividends received	2,951	340	1,041
Transfers, net	(861,448)	74,903	338,600
Total other financing sources (uses)	(849,206)	75,243	339,641
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	1,020,269	(44,489)	62,438
Fund balances (deficit), beginning of year	8,529,867	431,259	(1,097,200)
Fund balances (deficit), end of year	\$ 9,550,136	\$ 386,770	\$ (1,034,762)

Other Governmental Funds	Total Governmental Funds
\$ 868,179	\$ 44,495,509
-	210,068
-	1,648,486
-	5,995,551
-	1,963,459
86,486	1,408,180
<u>954,665</u>	<u>55,721,253</u>
422,405	4,229,212
299,387	11,200,147
-	1,923,493
-	431,205
-	479,175
-	855,563
-	5,402,969
-	19,719,936
-	4,263,363
136,500	3,156,799
12,142	921,345
73,496	1,654,771
<u>943,930</u>	<u>54,237,978</u>
<u>10,735</u>	<u>1,483,275</u>
-	9,291
2,213	6,545
-	(447,945)
<u>2,213</u>	<u>(432,109)</u>
12,948	1,051,166
<u>3,198,166</u>	<u>11,062,092</u>
<u>\$ 3,211,114</u>	<u>\$ 12,113,258</u>

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

DORCHESTER COUNTY, MARYLAND

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
Year Ended June 30, 2013**

Net change in fund balances, governmental funds \$ 1,051,166

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

Governmental funds report capital outlays as expenditures. However, in the Statement
of Activities, the cost of those assets is allocated over their estimated useful lives and
reported as depreciation expense. In the current period, these amounts are:

Capital outlay	1,654,771	
Depreciation expense	<u>(2,736,250)</u>	
Excess of depreciation expense over capital outlay		(1,081,479)

Loss on disposal of equipment	(1,853)
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Governmental funds report repayment of debt principal as an expenditure. In
contrast, the Statement of Activities treats such repayments as a reduction in
long-term liabilities.

Principal payments on long-term debt	3,103,728
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Because some revenues will not be collected for several months after the County's
fiscal year ends, they are not considered "available" revenues and are deferred in the
governmental funds. Deferred revenues increased by this amount this year. (728,082)

Some items reported in the Statement of Activities do not require the use of current
financial resources and therefore are not reported as expenditures in governmental
funds. These activities consist of:

Change in pension liability	(9,291)
Change in compensated absences	35,506
Change in other post-employment benefits obligation	<u>(1,865,343)</u>

Change in net position of governmental activities	<u>\$ 504,352</u>
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DORCHESTER COUNTY, MARYLAND
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities		
	Landfill	Airport	Total
ASSETS			
Current assets			
Cash	\$ 11,496,416	\$ 325	\$ 11,496,741
Receivables:			
Accounts, net of \$58,235 allowance (landfill) and \$38,000 allowance (airport)	198,823	26,705	225,528
Federal government	-	181,448	181,448
State of Maryland	-	5,975	5,975
Interfund	(467,334)	1,791,488	1,324,154
Inventories	-	59,068	59,068
Other	-	4,922	4,922
Total current assets	11,227,905	2,069,931	13,297,836
Noncurrent assets			
Capital assets at cost	13,634,508	17,737,481	31,371,989
Less accumulated depreciation	(10,187,846)	(4,140,938)	(14,328,784)
Total noncurrent assets	3,446,662	13,596,543	17,043,205
Total assets	\$ 14,674,567	\$ 15,666,474	\$ 30,341,041
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 65,373	\$ 51,899	\$ 117,272
Accrued vacation	16,955	3,571	20,526
Deferred revenue	-	5,350	5,350
Current maturities long-term debt	2,000	31,000	33,000
Total current liabilities	84,328	91,820	176,148
Noncurrent liabilities			
Accrued vacation	15,674	8,122	23,796
Landfill - closure and postclosure	9,178,425	-	9,178,425
Long-term debt, less current maturities	-	310,000	310,000
Total noncurrent liabilities	9,194,099	318,122	9,512,221
Total liabilities	\$ 9,278,427	\$ 409,942	\$ 9,688,369
NET POSITION			
Net investment in capital assets	\$ 3,444,662	\$ 13,255,543	\$ 16,700,205
Unrestricted	1,951,478	2,000,989	3,952,467
Total net position	\$ 5,396,140	\$ 15,256,532	\$ 20,652,672

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

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2013**

	Business-Type Activities		
	Landfill	Airport	Totals
OPERATING REVENUES:			
Tipping fees	\$ 2,393,634	\$ -	\$ 2,393,634
Permits	173,379	-	173,379
Fuel sales	-	239,542	239,542
Hangar and tie-down rentals	-	187,252	187,252
Other	29,044	11,138	40,182
Total operating revenues	2,596,057	437,932	3,033,989
OPERATING EXPENSES:			
Salaries and related taxes	957,544	215,140	1,172,684
Repairs and maintenance	371,184	60,020	431,204
Rental of land, buildings and equipment	21,277	13,200	34,477
Fuel	164,627	202,727	367,354
Closure and postclosure costs accrual	324,082	-	324,082
Utilities	16,356	74,091	90,447
Depreciation	666,231	250,283	916,514
Other operating	25,217	53,847	79,064
Total operating expenses	2,546,518	869,308	3,415,826
Net operating income (loss)	49,539	(431,376)	(381,837)
NON-OPERATING REVENUES (EXPENSES):			
Grants - Federal government	-	186,425	186,425
Grants - state government	-	5,975	5,975
Interest income	12,090	-	12,090
Interest expense	-	(15,135)	(15,135)
Total non-operating revenues (expenses)	12,090	177,265	189,355
Income (loss) before transfers	61,629	(254,111)	(192,482)
Operating transfers	-	447,945	447,945
Change in net position	61,629	193,834	255,463
Net position beginning of year	5,334,511	15,062,698	20,397,209
Net position end of year	\$ 5,396,140	\$ 15,256,532	\$ 20,652,672

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

DORCHESTER COUNTY, MARYLAND

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2013

	Landfill	Airport	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 2,538,143	\$ 330,142	\$ 2,868,285
Other receipts	29,044	11,138	40,182
Payments to employees	(955,681)	(216,377)	(1,172,058)
Payments for services	(16,356)	(74,091)	(90,447)
Payments for rentals	(21,277)	(13,200)	(34,477)
Payments for materials and supplies	(523,444)	(221,570)	(745,014)
Other payments	(25,217)	(53,847)	(79,064)
Net cash provided (used) by operating activities	<u>1,025,212</u>	<u>(237,805)</u>	<u>787,407</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Decrease in interfund receivable	(276,120)	(145,480)	(421,600)
Operating transfers from General Fund	-	447,945	447,945
Net cash (used) provided by non-capital financing activities	<u>(276,120)</u>	<u>302,465</u>	<u>26,345</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Grant and bond receipts	-	192,400	192,400
Repayment of long-term debt	1,000	(31,000)	(30,000)
Purchases of property and equipment	(163,070)	(210,925)	(373,995)
Interest paid	-	(15,135)	(15,135)
Net cash used by financing activities	<u>(162,070)</u>	<u>(64,660)</u>	<u>(226,730)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest income received	12,090	-	12,090
Net cash provided by investing activities	<u>12,090</u>	<u>-</u>	<u>12,090</u>
Net increase in cash and short-term investments	599,112	-	599,112
Cash and short-term investments, beginning of year	10,897,304	325	10,897,629
Cash and short-term investments, end of year	<u>\$ 11,496,416</u>	<u>\$ 325</u>	<u>\$ 11,496,741</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 49,539	\$ (431,376)	\$ (381,837)
Adjustments:			
Depreciation	666,231	250,283	916,514
Landfill closure and postclosure cost accrual	324,082	-	324,082
(Increase) decrease in assets:			
Accounts receivable	(28,870)	(99,325)	(128,195)
Inventory	-	2,673	2,673
Other	-	(4,922)	(4,922)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	12,367	46,099	58,466
Accrued vacation	1,863	(1,237)	626
Total adjustments	<u>975,673</u>	<u>193,571</u>	<u>1,169,244</u>
Net cash provided (used) by operating activities	<u>\$ 1,025,212</u>	<u>\$ (237,805)</u>	<u>\$ 787,407</u>

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

DORCHESTER COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
June 30, 2013

	Other Post-Employment Benefits Trust Fund
ASSETS	
Cash	\$ 2,235,068
<hr/>	
Total assets	2,235,068
<hr/>	
LIABILITIES	
Due to other funds	481,909
<hr/>	
Total liabilities	481,909
<hr/>	
NET POSITION	
Held in trust for other post-employment benefits	\$ 1,753,159
<hr/>	

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

DORCHESTER COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2013

	Other Post-Employment Benefits Trust Fund
	Fund
ADDITIONS:	
Investment income	
Interest	\$ 4,597
Total additions	4,597
DEDUCTIONS:	
Benefits paid	191,546
Total deductions	191,546
Change in net position	(186,949)
Net position beginning of year	1,940,108
Net position end of year	\$ 1,753,159

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Reporting Entity

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.

Financial Reporting Entity

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

The component unit columns contain 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.

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 body politic and corporate created by the Commissioners of Dorchester County, Maryland, is comprised of a sewer operation, two water districts and a shared facility within the County. The County owns and/or maintains most of the Sanitary Districts facilities and provides a significant portion of its operational funding.

Note 2. Summary of Significant Accounting Policies

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance. The most significant of the County’s accounting policies are described below.

A. 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the County at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program.

Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

Fund Financial Statements

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

B. Fund Accounting

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's governmental funds:

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Capital Funds – The Capital funds account for the purchase, construction or renovation of capital assets, including educational facilities, roads, and similar governmental capital assets (other than those financed by the proprietary funds).

Tax 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.

Proprietary Fund Types

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:

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

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

Fiduciary Fund Types

Fiduciary funds account for assets held by the County in a trustee capacity.

Other Post-Employment Benefits Trust Fund – Trust funds are used to account for assets that are required to be held in trust for the members and beneficiaries of the postemployment benefit plan.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

D. Basis of Accounting

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

Revenues-Exchange and Non-exchange Transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available is defined as collected within sixty days of the fiscal year end.

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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (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.

Deferred revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there was an enforceable legal claim at June 30, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures – 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.

E. Budgets and Budgetary Accounting

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.

F. Inventory

On government-wide financial statements and the fund financial statements of proprietary funds, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

G. Property Tax

Generally, property taxes are levied as of July 1 and become delinquent on October 1. Owner-occupied residential property owners pay their tax on a semi-annual schedule, with the first and second installments due on September 30 and December 31, respectively. Taxpayers may opt to make both payments on or before September 30. Property taxes are attached as an enforceable lien and are in arrears on October 1 for non-owner occupied properties and January 1 for owner occupied properties. The County bills and collects its own taxes. County property tax revenue is recognized when collected.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The County's infrastructure consists of roads, bridges, ramps, and wharves. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
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

I. 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."

J. 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) ("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 \$20 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

K. Accrued Liabilities and Long-Term Obligations

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

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.

L. Net Position

During fiscal year 2013, the Governmental Accounting Standards Board's Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* was implemented. This statement provides a standardized presentation for deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. Net position represents the difference between assets plus deferred inflows of resources and liabilities plus deferred outflows of resources. 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. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

Restricted resources are applied first when an expense is incurred for purposes for which both restricted and unrestricted net position is available. 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.

M. Fund Balance Reserves

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

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

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

Committed – Amounts that can be used only for specific purposes determined by formal action by the County Council ordinance or resolutions.

Assigned – Amounts that are designated by the Council or management with intent to be used for specific purposes, but are neither restricted or committed by ordinance or resolution.

Unassigned – Amounts not included in other spendable classifications.

Nonspendable fund balances consist of prepaid amounts and unamortized bond issue cost.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for sanitary landfill, airport fuel sales and airport rental fees. For the Board, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund.

O. 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 initially paid for them are not presented on the financial statements.

P. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Cash and Cash Equivalents

For purposes of the statement of cash flows for the proprietary fund, all highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

Note 3. Cash and Short-Term Investments

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

Primary Government

At June 30, 2013, the County had bank deposits with various commercial banks totaling \$25,664,518 (carrying value \$25,258,136). 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. At June 30, 2013, the County was exposed to custodial risk in the amount of \$554,692. Since then the Bank pledged securities to fully collateralize bank deposits.

NOTES TO FINANCIAL STATEMENTS

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

Board of Education of Dorchester County

At June 30, 2013, the Board had bank deposits with various commercial banks totaling \$1,882,142 (carrying value \$1,512,353). 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 Federal Deposit Insurance Corporation (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, 2013, the bank deposits were fully insured or collateralized.

Investments consist of \$2,936,334 of U.S. Government Securities made through the State of Maryland Local Government Investment Pool (MLGIP) which provide local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAAM by Standard and Poors. The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Statutes authorize the Board to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal securities and repurchase agreements, collateralized certificates of deposit, bankers' acceptance or money market funds.

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

Dorchester County Sanitary Districts

At June 30, 2013 the Dorchester County Sanitary Districts had bank deposits with various commercial banks totaling \$1,680,189 (carrying value \$1,639,661). Of the bank balance, \$980,829 was covered by federal depository insurance, and \$699,360 was covered by collateral segregated on the books of local banks, but not in the Sanitary District's name.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balances at June 30, 2012	Additions	Deletions/ Transfers	Balances at June 30, 2013
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated				
Land	\$ 18,364,261	\$ -	\$ -	\$ 18,364,261
Construction in progress	99,322	997,126	-	1,096,448
Total capital assets, not being depreciated	18,463,583	997,126	-	19,460,709
Capital assets, being depreciated				
Buildings and improvements	22,430,802	27,887	-	22,458,689
Furniture and equipment	24,356,709	629,758	(19,215)	24,967,252
Leasehold improvements	286,572	-	-	286,572
Infrastructure assets	45,445,338	-	-	45,445,338
Total capital assets, being depreciated	92,519,421	657,645	(19,215)	93,157,851
Less: accumulated depreciation	(60,162,135)	(2,736,250)	17,362	(62,881,023)
Net capital assets, being depreciated	32,357,286	(2,078,605)	(1,853)	30,276,828
Governmental activities capital assets, net	\$ 50,820,869	\$ (1,081,479)	\$ (1,853)	\$ 49,737,537

Depreciation expense was charged to governmental functions as follows:

General government	\$ 722,569
Public safety	1,266,520
Social services	369
Recreation and parks	92,991
Natural resources	84,580
Economic development	99,668
Public works	469,553
	<u>\$ 2,736,250</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (continued)

	Balances at June 30, 2012	Additions	Deletions/ Transfers	Balances at June 30, 2013
BUSINESS-TYPE ACTIVITIES				
Dorchester County Landfill				
Capital assets, not being depreciated				
Land	\$ 875,187	\$ -	\$ -	\$ 875,187
Construction in progress	35,407	163,070	-	198,477
Total capital assets, not being depreciated	910,594	163,070	-	1,073,664
Capital assets, being depreciated				
Buildings and improvements	148,739	-	-	148,739
Machinery and equipment	3,900,631	-	-	3,900,631
Beulah landfill - cells	8,511,474	-	-	8,511,474
Total capital assets, being depreciated	12,560,844	-	-	12,560,844
Less: accumulated depreciation	(9,521,615)	(666,231)	-	(10,187,846)
Net capital assets, being depreciated	3,039,229	(666,231)	-	2,372,998
Landfill capital assets, net	\$ 3,949,823	\$ (503,161)	\$ -	\$ 3,446,662
Dorchester County Airport				
Capital assets, not being depreciated				
Land	\$ 2,543,620	\$ -	\$ -	\$ 2,543,620
Construction in progress	5,016,551	210,925	(4,258,807)	968,669
Total capital assets, not being depreciated	7,560,171	210,925	(4,258,807)	3,512,289
Capital assets, being depreciated				
Buildings and improvements	9,691,845	-	4,258,807	13,950,652
Machinery and equipment	274,540	-	-	274,540
Total capital assets, being depreciated	9,966,385	-	4,258,807	14,225,192
Less: accumulated depreciation	(3,890,655)	(250,283)	-	(4,140,938)
Net capital assets, being depreciated	6,075,730	(250,283)	4,258,807	10,084,254
Airport capital assets, net	\$ 13,635,901	\$ (39,358)	\$ -	\$ 13,596,543
Business-type activities capital assets, net	\$ 17,585,724	\$ (542,519)	\$ -	\$ 17,043,205

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (continued)

Capital asset activity for the component units for the year ended June 30, 2013 was as follows:

	Balances at June 30, 2012	Additions	Deletions/ Transfers	Balances at June 30, 2013
Board of Education of Dorchester County				
Governmental activities				
Capital assets, not being depreciated				
Construction in progress	\$ 239,600	\$ 1,851,304	\$ (2,079,696)	\$ 11,208
Total capital assets, not being depreciated	239,600	1,851,304	(2,079,696)	11,208
Capital assets, being depreciated				
Buildings and improvements	128,507,740	52,829	2,079,696	130,640,265
Furniture and equipment	2,881,774	80,340	-	2,962,114
Vehicles	842,056	-	(47,794)	794,262
Total capital assets, being depreciated	132,231,570	133,169	2,031,902	134,396,641
Less: accumulated depreciation	(42,204,844)	(4,649,011)	47,794	(46,806,061)
Net capital assets, being depreciated	90,026,726	(4,515,842)	2,079,696	87,590,580
Governmental activities capital assets, net	\$ 90,266,326	\$ (2,664,538)	\$ -	\$ 87,601,788
Business-type activities				
Equipment	\$ 36,250	\$ -	\$ -	\$ 36,250
Accumulated depreciation	(24,672)	(2,003)	-	(26,675)
Business-type activities capital assets, net	\$ 11,578	\$ (2,003)	\$ -	\$ 9,575
Board of Education capital assets, net	\$ 90,277,904	\$ (2,666,541)	\$ -	\$ 87,611,363
Dorchester County Sanitary Districts				
Capital assets, not being depreciated				
Land	\$ 2,645	\$ -	\$ -	\$ 2,645
Total capital assets, not being depreciated	2,645	-	-	2,645
Capital assets, being depreciated				
Intangible assets	1,044,000	-	-	1,044,000
Plant and equipment	14,937,187	72,312	(10,635)	14,998,864
Total capital assets, being depreciated	15,981,187	72,312	(10,635)	16,042,864
Less: accumulated depreciation	(3,965,450)	(330,301)	10,549	(4,285,202)
Net capital assets, being depreciated	12,015,737	(257,989)	(86)	11,757,662
Sanitary Districts capital assets, net	\$ 12,018,382	\$ (257,989)	\$ (86)	\$ 11,760,307
Total component units capital assets, net	\$ 102,296,286	\$ (2,924,530)	\$ (86)	\$ 99,371,670

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt

The following is a summary of long-term debt transactions of the Primary Government for the year ended June 30, 2013:

	Governmental Activities	Business-Type Activities
Amounts payable at June 30, 2012	\$ 35,619,054	\$ 416,696
Borrowings from bonds and notes payable	-	1,000
Increase in pension liability (See also Note 8)	9,291	-
(Decrease) increase in accrued compensated absences	(54,031)	626
Increase in other post-employment benefits obligation (See also Note 9)	1,865,343	-
Repayment of bonds and notes payable	(3,103,728)	(31,000)
Amounts payable at June 30, 2013	\$ 34,335,929	\$ 387,322

The County has agreed to subsidize 76% of the debt service cost associated with the City of Cambridge's USDA loan for the technology park. The County's portion of the principal was \$53,071 and interest was \$23,066 for the year ended June 30, 2013. These costs are included in debt service on the Statement of Revenues, Expenditures and Changes in Fund Balance.

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

Long-term debt consists of the following as of June 30, 2013:

Dorchester County Governmental Activities Long-Term Debt

	Balances at June 30, 2012	Additions	Reductions	Balances at June 30, 2013	Amounts Due in One Year
<u>Public Facilities Bonds</u>					
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%.	\$ 3,450,000	\$ -	\$ (505,000)	\$ 2,945,000	\$ 530,000
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%.	2,830,000	-	(1,050,000)	1,780,000	1,090,000
Public School Capital Improvement Bonds of 2000 due in annual principal installments of \$145,000 to \$300,000 through March 1, 2015; interest, payable semi-annually, from 4.5% to 5.2%.	850,000	-	(270,000)	580,000	280,000
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%.	19,190,000	-	(820,000)	18,370,000	835,000
Total public facilities bonds	\$ 26,320,000	\$ -	\$(2,645,000)	\$ 23,675,000	\$ 2,735,000

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

	Balances at June 30, 2012	Additions	Transfers/ Reductions	Balances at June 30, 2013	Amounts Due in One Year
<u>State of Maryland Department of Natural Resources</u>					
<u>Shore Erosion Control Loans (SEC)</u>					
SEC 3-92 - Hoopersville Road Boat Ramp; due in annual installments of \$4,780 through July 2019; no interest.	\$ 33,452	\$ -	\$ (4,780)	\$ 28,672	\$ 4,780
SEC 7-92 - Middle Hoopers Island Causeway; due in annual installments of \$5,516 through July 2020; no interest.	49,644	-	(5,516)	44,128	5,516
SEC 8-92 - McCready's Point Road; due in annual installments of \$1,683 through July 2019; no interest.	13,470	-	(1,683)	11,787	1,683
SEC 9-92 - Hoopersville Road; due in annual installments of \$2,718 through July 2020; no interest.	21,747	-	(2,718)	19,029	2,718
SEC 2-96 - Rooster Island; due in annual installments of \$8,202 through July 2012; no interest.	8,202	-	(8,202)	-	-
SEC 03-03 - Hoopersville Road; due in annual installments of \$19,245 through July 2033; no interest.	423,390	-	(19,245)	404,145	19,245
SEC 04-02 - Hoopers Island Road; due in annual installments of \$5,930 through July 2027; no interest.	94,882	-	(5,930)	88,952	5,930
SEC 05-03 - Taylors Island; due in annual installments of \$14,593 through July 2035; no interest.	321,054	-	(14,593)	306,461	14,593
SEC 18-02 - Punch Island Road; due in annual installments of \$12,958 through July 2035; no interest.	285,069	-	(12,958)	272,111	12,958
Total SEC loans payable	\$ 1,250,910	\$ -	\$ (75,625)	\$ 1,175,285	\$ 67,423

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

	Balances at June 30, 2012	Additions	Reductions	Balances at June 30, 2013	Amounts Due in One Year
<u>Notes Payable</u>					
County Commissioners of Queen Anne's County loan due in annual principal installments of \$5,500 to \$18,700 through November 2013; interest payable semi-annually at 5.91% (known as the Chesapeake College Economic Development Center).	\$ 36,300	\$ -	\$ (17,600)	\$ 18,700	\$ 18,700
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).	325,000	-	(35,000)	290,000	35,000
County Commissioners of Queen Anne's County loan due in annual principal installments of \$5,096 to \$12,314 through January 2023; interest payable semi-annually at 4%.	107,309	-	(7,583)	99,726	7,947
Note due in quarterly principal installments of \$24,313, plus interest at 5.33% through 2014 (known as the Delmarva Power and Light Building).	205,747	-	(87,920)	117,827	92,858
MDOT due in annual installments of \$200,000 through January 2015 with balance due January 2016; no interest.	755,750	-	(200,000)	555,750	200,000
The Rippons Pier deferred purchase price due in annual principal installments of \$35,000 to \$40,000 through 2012, no interest.	35,000	-	(35,000)	-	-
Total notes payable	1,465,106	-	(383,103)	1,082,003	354,505
Total governmental activities debt	\$29,036,016	\$ -	\$(3,103,728)	\$25,932,288	\$ 3,156,928

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

Dorchester County Business-Type Activities Long-Term Debt

	Balances at			Balances at		Amounts Due
	June 30, 2012	Additions	Reductions	June 30, 2013	in One Year	
Dorchester County Landfill:						
Refuse and bid bonds payable	\$ 1,000	\$ 1,000	\$ -	\$ 2,000	\$	2,000
Dorchester County Airport:						
Airport Improvement Bonds of 2003 issued through BB&T Bank for 15 years with annual payments of \$31,000 through 2018 and a final payment of \$186,000 in 2019; interest payable quarterly at 4.19%.	372,000	-	(31,000)	341,000	\$	31,000
Total enterprise fund debt	\$ 373,000	\$ 1,000	\$ (31,000)	\$ 343,000	\$	33,000

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.

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

The annual debt service requirements for all Dorchester County long-term debt through maturity are as follows:

Governmental Activities

Year Ending June 30	Principal	Interest	Totals
2014	\$ 3,156,928	\$ 812,000	\$ 3,968,928
2015	2,490,705	720,388	3,211,093
2016	1,786,909	646,254	2,433,163
2017	1,691,584	596,202	2,287,786
2018	1,752,069	540,851	2,292,920
2019 - 2023	5,594,693	2,151,160	7,745,853
2024 - 2028	6,368,633	1,225,360	7,593,993
2029 - 2033	3,043,983	164,438	3,208,421
2034	46,784	-	46,784
Total governmental activities debt	<u>\$ 25,932,288</u>	<u>\$ 6,856,653</u>	<u>\$ 32,788,941</u>

Business-Type Activities

Year Ending June 30	Principal	Interest	Totals
2014	\$ 33,000	\$ 14,288	\$ 47,288
2015	31,000	12,989	43,989
2016	31,000	11,690	42,690
2017	31,000	10,391	41,391
2018	31,000	9,092	40,092
2019	186,000	7,793	193,793
Total business-type activities debt	<u>\$ 343,000</u>	<u>\$ 66,243</u>	<u>\$ 409,243</u>

Interest expense on all County long-term debt totaled \$936,480 for the year ended June 30, 2013.

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

Long-term debt of the Dorchester County Sanitary Districts at June 30, 2013 consists of the following:

	Balances at June 30, 2012	Additions	Reductions	Balances at June 30, 2013
<u>Dorchester County Sanitary Districts</u>				
Loan payable to the State of Maryland under the Water Quality Loan of 1983. Annual interest rate of 6.6726%. Annual installments of principal and interest of \$9,389 began March 30, 1993 and continue to March 30, 2020.	\$ 56,783	\$ -	\$ (5,600)	\$ 51,183
Loan payable to the State of Maryland under the Water Quality Loan of 1974. Annual interest rate of 6.6726%. Annual installments of principal and interest of \$4,736 began March 30, 1993, and continue to March 30, 2020.	28,645	-	(2,825)	25,820
Loan payable to the State of Maryland under the Water Quality Loan of 1983. Annual interest rate of 6.6726%. Interest only payments of \$8,207 due September 17, 1991 and 1992. Annual installments of principal and interest of \$9,816 began September 17, 1993, and continue to September 17, 2020.	64,853	-	(5,488)	59,365
Loan payable to the State of Maryland under the Water Quality Loan of 1974; due in annual installments of \$2,051 including interest of 6.09956% until October 2012.	1,922	-	(1,922)	-
Loan payable to the State of Maryland under the Water Quality Loan of 1974 due in annual installments of \$6,898 including interest of 8.178824% until July 2014.	17,676	-	(5,452)	12,224
Loan payable to the State of Maryland under the Drinking Water State Water Revolving Fund; due in annual installments of \$4,653 including interest of 3.13% until February 2013.	4,032	-	(4,032)	-
Loan payable in the amount of \$290,000 to the USDA. Due in quarterly installments of \$2,874 including interest of 2.5%, until March 2051.	284,626	-	(4,423)	280,203
Loan payable in the amount of \$1,754,000 to the USDA. Due in quarterly installments of \$17,383 including interest of 2.5%, until March 2051.	1,721,493	-	(26,744)	1,694,749
Total Sanitary Districts' debt	<u>\$ 2,180,030</u>	<u>\$ -</u>	<u>\$ (56,486)</u>	<u>2,123,544</u>
Less: current maturities				<u>52,693</u>
				<u>\$ 2,070,851</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

The annual requirements to amortize all Dorchester County Sanitary Districts' debt outstanding as of June 30, 2013 are as follows:

Year Ending June 30	Principal	Interest	Totals
2014	\$ 52,693	\$ 59,175	\$ 111,868
2015	54,917	56,897	111,814
2016	50,474	54,495	104,969
2017	52,449	52,520	104,969
2018	54,519	50,450	104,969
2019 - 2023	241,897	220,930	462,827
2024 - 2028	215,586	189,554	405,140
2029 - 2033	244,196	160,944	405,140
2034 - 2038	276,604	128,535	405,139
2039 - 2043	313,313	91,827	405,140
2044 - 2048	354,890	48,634	403,524
2049 - 2051	212,006	4,558	216,564
Total Sanitary Districts' debt	<u>\$ 2,123,544</u>	<u>\$ 1,118,519</u>	<u>\$ 3,242,063</u>

Note 6. Long-Term Operating Leases

The County has leases for several vehicles, equipment and properties each with separate terms.

Approximate future minimum lease commitments are as follows:

Year Ending June 30,	
2014	\$ 149,000
2015	99,000
2016	65,000
2017	52,000
2018	52,000

Rent expense under these leases totaled approximately \$222,000 for the year ended June 30, 2013.

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Operating Leases (continued)

Component Unit - 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>	
2014	\$ 413,000
2015	414,000
2016	414,000
2017	414,000
2018	414,000

Expense under these leases totaled approximately \$430,000 for the year ended June 30, 2013.

Note 7. Interfund Receivables and Payables

As a result of its operations, the County affects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2013, appropriate due to/from other funds have been established.

Due to/from other funds balances as of June 30, 2013 were as follows:

<u>Primary Government</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental activities	\$ 6,466,289	\$ 7,790,443
Business-Type activities	-	(1,324,154)
<u>Total due to/from other funds</u>	<u>\$ 6,466,289</u>	<u>\$ 6,466,289</u>

Note 8. Pension Plans

Plan Description

Generally, all regular employees of the County participate in the State of Maryland Employees Retirement and Pension Systems (Employees Systems). Teachers employed by the Board generally participate in the State of Maryland Teachers Retirement and Pensions Systems (Teachers Systems). Both the Employees System and the Teachers Systems (collectively the Systems) are cost sharing multiple-employer public retirement systems sponsored by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly.

The Maryland State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the systems. That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (continued)

Participants in the Systems may retire with full benefits after thirty years of service regardless of age or at various ages with specified years of eligibility service for reduced benefits. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating in the retirement system prior to the specified retirement age are refunded their accumulated contributions plus earned interest or may defer receipt of accumulated contributions until age 60. Participants and their beneficiaries may also be eligible for disability and death benefits based on years of creditable service and average final compensation.

Funding Policy

The State Personnel and Pensions Article requires active members to contribute to the System at the rate of 5% or 7% of their covered salary depending upon the retirement option selected. The combined State contribution rate for the year ending 2013 is established by annual actuarial valuations. The current rate is 13.29% of covered payroll for teachers and 5.46% for classified employees. Except for teachers or other employees whose retirement expense is reimbursed from Federal restricted grants, the State pays virtually all of the employer's annual contribution. The Board remits quarterly payments to the State which represent the amount of retirement expense charged to the Federal restricted programs. On-behalf payments are recognized as revenues and expenditures in the general fund. Beginning in fiscal year 2013, in accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board contributed \$656,543 to the plan. The County and Board have no contingent liability for funding deficits in the system should such occur.

Employers' Payroll and Contributions Under the Plans

The employers' current year payroll for the years ended June 30, 2013, 2012, and 2011, payroll covered under the various state plans, and contributions paid are as follows:

	2013	2012	2011
Total payroll	\$ 42,763,829	\$ 42,100,502	\$ 42,890,662
Payroll covered under the plans	40,854,242	40,202,365	40,766,848
Contributions paid:			
County payments	1,203,809	1,450,002	1,506,436
Board of Education payments	1,293,747	685,972	590,265
State On-Behalf payments:			
Board of Education	3,120,710	4,168,043	4,308,318

Funding Status

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 \$693,860 fund deficit (an increase of \$9,291 over the prior fiscal year) over a period of 40 years. The fiscal year 2013 annual payment was \$40,003 and will increase 5% per year until maturity at December 31, 2035. This liability has been recorded in the governmental activities column on the Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS

Note 8. Pension Plans (continued)

Dorchester County Sanitary Districts

All full-time employees of the Sanitary Districts are considered and treated as employees of the County and as such come under the benefit package of the County including retirement and health benefits. Part-time employees are not considered County employees, are paid by the Sanitary District, and receive no benefits. The Sanitary District reimburses the County for all payroll costs of the full-time employees including pension and post-employment health care benefits. Pension cost for the year ended June 30, 2013, 2012 and 2011 were \$4,702, \$5,582 and \$5,190, respectively. Post-employment health care cost for the year ended June 30, 2013, 2012 and 2011 were \$6,118, \$5,962 and \$6,388, respectively.

Note 9. Post-Employment Health Care Benefits

Plan Description

The County and 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, 2012, the date of the last actuarial valuation, the plan included 75 retirees, 229 active employees and 29 dependents, for a total of 333 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, 2011, the date of the last actuarial valuation, approximately 263 retirees were receiving benefits, and an estimated 588 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 2013, the County contributed \$191,544 to the plan for the eligible retirees.

The Board pays retiree healthcare premiums based on years-of-service ranging from \$3,107 for 15 years of service to \$3,840 for 30 plus years of service until the retiree reaches age 65 up to a maximum of \$5,085 per year based on years of service. The retiree pays the remaining premium, including the cost of eligible dependents. For fiscal year 2013, the Board contributed \$1,083,538 to the plan for 244 eligible retirees.

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Health Care Benefits (continued)

Annual OPEB Cost and Net OPEB Obligation

The County and Board's annual other post-employment 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 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 and Board's net OPEB obligation.

	Board	County
Annual required contribution	\$ 4,549,000	\$ 1,938,927
Interest on net OPEB obligation	173,000	245,558
Amortization of net OPEB obligation	-	(319,142)
Adjustment to annual required contribution	(173,000)	-
Annual OPEB cost (expense)	4,549,000	1,865,343
Contributions made	(1,083,538)	-
Increase (decrease) in net OPEB Obligation	3,465,462	1,865,343
Net OPEB obligation, beginning of year	4,883,637	4,911,164
 Net OPEB obligation, end of year	 \$ 8,349,099	 \$ 6,776,507

The County's and Board's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation was as follows:

County

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation / (Benefit)
2011	\$ 2,614,432	18.26%	\$ 2,589,842
2012	2,614,432	11.21%	4,911,164
2013	1,865,343	0.00%	6,776,507

Board

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 1,542,000	62.43%	\$ 1,624,831
2012	4,273,000	23.73%	4,883,637
2013	4,549,000	23.82%	8,349,099

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Health Care Benefits (continued)

Funding Status and Funding Progress

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>County</u>							
2011	July 1, 2010	\$ 2,224,474	\$ 24,831,086	\$22,606,612	9.0%	\$ 13,203,055	171 %
2012	July 1, 2010	1,940,108	24,831,086	22,890,978	7.8%	12,246,756	187 %
2013	July 1, 2012	1,753,159	18,503,552	16,750,393	9.5%	12,239,706	137 %
<u>Board</u>							
2011	July 1, 2010	-	23,867,000	23,867,000	0.0%	29,687,607	80 %
2012	July 1, 2011	-	55,846,000	55,846,000	0.0%	29,853,746	187 %
2013	July 1, 2011	-	58,473,000	58,473,000	0.0%	30,524,124	192 %

The County's AAL decrease of \$6,327,534 between the July 1, 2010 study, and the July 1, 2012 study, is due to a decrease in the number of plan participants from 368 to 333 and annual per capita cost assumptions were updated to reflect changes in plan experience.

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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to 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.

In the July 1, 2012 actuarial valuation of the County, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a funded rate of 5%; an annual healthcare cost trend of 7.69% initially, reduced by decrements to ultimate rate of 5.0%. Assets are valued at their market values. The UAAL is being amortized on a closed level dollar amortization over a 30 year period. The remaining amortization period at July 1, 2012 was 26 years.

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Health Care Benefits (continued)

In the July 1, 2011 actuarial valuation of the Board, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4 percent investment rate of return (net of administrative expenses) based on the Board's own investments; an annual healthcare cost trend rate of 7.5% decreasing gradually to 5.40% by 2050; and payroll growth of 4%. The UAAL is being amortized on a closed level of percentage of payroll basis over a 30 year period. The remaining amortization period at July 1, 2012 was 26 years.

Note 10. Deferred Compensation

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

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

The County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. In accordance with GASB Statement No. 32, adopted by the County in 1998, the plan's assets are not reported on the combined balance sheet of the County. A summary of the activity in the plan is presented in the additional supplementary information for the year ended June 30, 2013.

Note 11. Landfill Closure and Post-closure Care Costs

State and Federal laws and regulations require the County to place a final cover on Dorchester County landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites for 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.

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

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

The Old Beulah landfill stopped accepting waste in 1996. The cost to cap the landfill is expected to be approximately \$4,489,000. The County is currently awaiting final approval of its plan of closure from the Maryland Department of the Environment. Post-closure care costs for this location are currently estimated to be approximately \$19,800 each year for the next thirty years.

NOTES TO FINANCIAL STATEMENTS

Note 11. Landfill Closure and Postclosure Care Costs (continued)

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

<u>Secretary landfill</u>	
Postclosure care costs	\$ 324,000
<u>Golden Hill landfill</u>	
Postclosure care costs	424,500
<u>Old Beulah landfill</u>	
Closure costs	4,489,036
Postclosure care costs	594,000
	5,083,036
<u>New Beulah landfill - cells 1 - 4</u>	
Closure costs	3,089,819
Postclosure care costs	257,070
	3,346,889
Total closure and postclosure care costs	\$ 9,178,425

The above amounts are based on the current costs to perform all closure and post-closure care as of June 30, 2013. However, actual costs may ultimately be higher than estimated costs due to inflation, changes in technology, or changes in regulations.

Though there are currently no legal restrictions on available funds, the County has approximately \$11,496,000 of currently available assets for landfill closure and post-closure care costs. The shortfalls, if any, may need to be covered by any combination of charges to future landfill users, future tax revenues, or additional borrowings.

The New Beulah landfill will consist of six cells. Cells 1 & 2 began accepting waste in November 1995 and were completely filled in 2003. Accruals of closure and post-closure care costs have been recognized. Total closure and post-closure care costs for Cells 1 & 2 are estimated to be approximately \$1,427,000 and \$119,000, respectively.

New Beulah landfill cell 3 was completed and began accepting waste in 2003. Accrual of closure and post-closure care costs have been recognized based on the estimated capacity used to date (89%). Total closure and post-closure care costs for Cell 3 are estimated to be approximately \$1,057,000 and \$88,000, respectively.

New Beulah landfill cell 4 was completed and began accepting waste in 2007. Accrual of closure and post-closure care costs have been recognized based on the estimated capacity used to date (51%). Total closure and post-closure care costs for Cell 4 are estimated to be approximately \$423,000 and \$35,000, respectively.

New Beulah landfill cell 5 was completed and began accepting waste in 2011. Accrual of closure and post-closure care costs have been recognized based on the estimated capacity used to date (23%). Total closure and post-closure care costs for Cell 5 are estimated to be approximately \$183,000 and \$15,000, respectively.

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments and Contingencies

Dorchester County

Grants

The County receives Federal and State grants for specific purposes that are subject to review and audit by Federal and state agencies. Such audits could result in a request for reimbursement by the Federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of County management, such disallowances, if any, will not be significant to the County's combined financial statements.

Risk Management

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments and Contingencies (continued)

Board of Education of Dorchester County

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. In the opinion of the Board, there are no approved contracts that would have a material effect on the financial statements. The Board receives a substantial amount of its support from Federal, State and local agencies in the form of grants. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2013 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The Board is a defendant in 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.

Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 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 participating 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.

In September 2001, the Board joined the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 8% of total premiums. Currently, ESMEC keeps on hand 16% as a recommended conservative reserve. As of December 31, 2012 the Board's funds held by ESMEC exceeded the recommended conservative reserve by \$3,147,127. All funds held by ESMEC are restricted to being used only for health care expenses.

NOTES TO FINANCIAL STATEMENTS

Note 13. Individual Fund Disclosures

The following funds had an excess of expenditures over appropriations for the year ended June 30, 2013.

Fund	Budgeted Expenditures	Actual Expenditures	Excess of Actual Over Budgeted Expenditures
General Fund	\$ 47,693,526	\$ 47,964,355	\$ 270,829
Special Revenue Grants	2,433,068	4,581,269	2,148,201
Transfer Tax	719,115	822,444	103,329
Capital	338,600	748,424	409,824

Funds to provide for the excess expenditures were made available from additional tax revenue or funding sources within the fund.

REQUIRED SUPPLEMENTARY INFORMATION

DORCHESTER COUNTY, MARYLAND
REVENUE AND EXPENDITURES DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Taxes:				
Property taxes	\$ 30,725,976	\$ 30,725,975	\$ 31,930,405	\$ 1,204,430
Income taxes	9,227,702	9,227,702	9,692,631	464,929
Other taxes	2,060,386	2,160,386	2,004,294	(156,092)
Total taxes	42,014,064	42,114,063	43,627,330	1,513,267
Licenses and permits	205,550	205,550	210,068	4,518
Intergovernmental:				
Federal	96,943	96,943	121,695	24,752
State	3,462,372	3,462,372	3,453,634	(8,738)
Service charges	1,891,090	1,891,090	1,963,459	72,369
Miscellaneous	901,382	930,582	457,644	(472,938)
Total revenues	48,571,401	48,700,600	49,833,830	1,133,230
EXPENDITURES:				
General government				
County council				
Operating personnel	273,228	273,228	274,020	(792)
Other	31,568	31,568	24,589	6,979
	304,796	304,796	298,609	6,187
Circuit court				
Operating personnel	95,675	95,675	84,330	11,345
Other	61,848	61,848	79,784	(17,936)
	157,523	157,523	164,114	(6,591)
Orphan's court				
Operating personnel	14,100	14,100	14,100	-
Other	6,123	6,123	6,618	(495)
	20,223	20,223	20,718	(495)
State's attorney				
Operating personnel	621,414	621,414	620,062	1,352
Other	90,340	90,340	94,087	(3,747)
	711,754	711,754	714,149	(2,395)
Elections				
Operating personnel	15,400	15,400	31,165	(15,765)
Other	351,800	351,800	342,153	9,647
	367,200	367,200	373,318	(6,118)
Finance & treasurer				
Operating personnel	354,772	354,772	354,266	506
Other	91,661	91,661	94,160	(2,499)
	446,433	446,433	448,426	(1,993)

DORCHESTER COUNTY, MARYLAND
REVENUE AND EXPENDITURES DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2013
(continued)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government (continued)				
Human resources				
Operating personnel	\$ 53,570	\$ 53,570	\$ 53,729	\$ (159)
Other	29,525	29,525	14,650	14,875
	<u>83,095</u>	<u>83,095</u>	<u>68,379</u>	<u>14,716</u>
Information technology				
Operating personnel	169,998	169,998	159,114	10,884
Other	38,355	38,355	39,484	(1,129)
	<u>208,353</u>	<u>208,353</u>	<u>198,598</u>	<u>9,755</u>
Other general government				
Operating personnel	40,460	40,460	38,048	2,412
Other	721,176	721,176	638,265	82,911
	<u>761,636</u>	<u>761,636</u>	<u>676,313</u>	<u>85,323</u>
Planning and zoning				
Operating personnel	275,832	267,807	266,009	1,798
Other	86,169	94,194	89,117	5,077
	<u>362,001</u>	<u>362,001</u>	<u>355,126</u>	<u>6,875</u>
Maintenance				
Operating personnel	140,747	140,747	159,407	(18,660)
Other	145,975	145,975	151,805	(5,830)
	<u>286,722</u>	<u>286,722</u>	<u>311,212</u>	<u>(24,490)</u>
Total general government	<u>3,709,736</u>	<u>3,709,736</u>	<u>3,628,962</u>	<u>80,774</u>
Public safety				
Sheriff				
Operating personnel	1,865,186	1,865,186	1,977,676	(112,490)
Other	590,070	585,485	704,661	(119,176)
	<u>2,455,256</u>	<u>2,450,671</u>	<u>2,682,337</u>	<u>(231,666)</u>
Volunteer fire and life support				
Other	725,697	725,697	651,715	73,982
	<u>725,697</u>	<u>725,697</u>	<u>651,715</u>	<u>73,982</u>
EMS				
Operating personnel	1,756,603	1,756,603	1,858,956	(102,353)
Other	601,140	601,140	600,817	323
	<u>2,357,743</u>	<u>2,357,743</u>	<u>2,459,773</u>	<u>(102,030)</u>
Detention center				
Operating personnel	2,237,202	2,237,202	2,141,767	95,435
Other	1,289,600	1,289,600	1,272,699	16,901
	<u>3,526,802</u>	<u>3,526,802</u>	<u>3,414,466</u>	<u>112,336</u>

DORCHESTER COUNTY, MARYLAND
REVENUE AND EXPENDITURES DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2013
(continued)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Public safety (continued)				
911 emergency communications				
Operating personnel	\$ 649,963	\$ 649,963	\$ 624,869	\$ 25,094
Other	447,570	447,570	410,693	36,877
	<u>1,097,533</u>	<u>1,097,533</u>	<u>1,035,562</u>	<u>61,971</u>
Emergency management				
Other	30,594	30,594	27,279	3,315
	<u>30,594</u>	<u>30,594</u>	<u>27,279</u>	<u>3,315</u>
Animal control				
Operating personnel	57,264	57,264	70,892	(13,628)
Other	106,360	106,360	65,864	40,496
	<u>163,624</u>	<u>163,624</u>	<u>136,756</u>	<u>26,868</u>
Total public safety	<u>10,357,249</u>	<u>10,352,664</u>	<u>10,407,888</u>	<u>(55,224)</u>
Social services				
Other				
Other	173,814	173,814	129,196	44,618
	<u>173,814</u>	<u>173,814</u>	<u>129,196</u>	<u>44,618</u>
Total social services	<u>173,814</u>	<u>173,814</u>	<u>129,196</u>	<u>44,618</u>
Public works				
Highways & streets				
Operating personnel	1,217,949	1,217,949	991,080	226,869
Other	2,010,805	2,010,805	2,231,167	(220,362)
	<u>3,228,754</u>	<u>3,228,754</u>	<u>3,222,247</u>	<u>6,507</u>
Engineering				
Operating personnel	116,503	116,503	133,788	(17,285)
Other	7,523	7,523	4,786	2,737
	<u>124,026</u>	<u>124,026</u>	<u>138,574</u>	<u>(14,548)</u>
Total public works	<u>3,352,780</u>	<u>3,352,780</u>	<u>3,360,821</u>	<u>(8,041)</u>
Miscellaneous				
Other	4,855,857	4,855,856	5,402,969	(547,113)
Total miscellaneous	<u>4,855,857</u>	<u>4,855,856</u>	<u>5,402,969</u>	<u>(547,113)</u>
Recreation and parks				
Recreation and parks				
Operating personnel	307,530	309,430	296,439	12,991
Other	150,100	141,596	130,675	10,921
Total recreation and parks	<u>457,630</u>	<u>451,026</u>	<u>427,114</u>	<u>23,912</u>

DORCHESTER COUNTY, MARYLAND
REVENUE AND EXPENDITURES DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2013
(continued)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Natural resources				
Cooperative extension service				
Other	\$ 133,000	\$ 133,000	\$ 133,000	\$ -
	133,000	133,000	133,000	-
Other				
Operating personnel	229,559	229,559	260,790	(31,231)
Other	10,440	10,440	9,376	1,064
	239,999	239,999	270,166	(30,167)
Total natural resources	372,999	372,999	403,166	(30,167)
Economic development				
Economic development				
Operating personnel	142,836	142,836	136,927	5,909
Other	119,565	247,565	164,561	83,004
	262,401	390,401	301,488	88,913
Other				
Other	15,000	15,000	13,253	1,747
	15,000	15,000	13,253	1,747
Tourism				
Operating personnel	91,529	91,529	96,950	(5,421)
Other	95,562	96,762	117,733	(20,971)
	187,091	188,291	214,683	(26,392)
Total economic development	464,492	593,692	529,424	64,268
Education				
Board of Education	18,476,318	18,476,318	18,476,318	-
Chesapeake College	1,291,818	1,291,818	1,243,618	48,200
Total education	19,768,136	19,768,136	19,719,936	48,200
Debt service				
Principal	3,059,464	3,059,464	3,020,299	39,165
Interest	1,003,359	1,003,359	909,203	94,156
Capital outlay	-	-	25,377	(25,377)
Total expenditures	47,575,516	47,693,526	47,964,355	(270,829)
Excess (deficiency) of revenues over expenditures	995,885	1,007,074	1,869,475	862,401

DORCHESTER COUNTY, MARYLAND
REVENUE AND EXPENDITURES DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2013
(continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
OTHER FINANCING SOURCES (USES):				
Increase in pension liability	\$ (52,907)	\$ (52,907)	\$ 9,291	\$ 62,198
Interest and dividend	-	-	2,951	2,951
Transfers, net	(942,978)	(954,167)	(861,448)	92,719
Total other financing sources (uses)	(995,885)	(1,007,074)	(849,206)	157,868
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ 1,020,269	\$ 1,020,269

DORCHESTER COUNTY, MARYLAND
REVENUE AND EXPENDITURES DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
REVENUES:				
Intergovernmental Federal	\$ 70,731	\$ 638,825	\$ 1,526,791	\$ 887,966
Intergovernmental state	1,737,548	1,716,621	2,070,696	354,075
Miscellaneous	-	-	864,050	864,050
Total revenues	1,808,279	2,355,446	4,461,537	2,106,091
EXPENDITURES:				
General government				
Salaries	39,113	39,113	31,645	7,468
Other	-	-	117,292	(117,292)
Total general government	39,113	39,113	148,937	(109,824)
Public safety				
Salaries	45,970	50,975	98,336	(47,361)
Other	100,631	673,310	69,215	604,095
Total public safety	146,601	724,285	167,551	556,734
Social services				
Salaries	121,722	121,096	126,941	(5,845)
Other	1,325,956	1,300,650	1,667,356	(366,706)
Total social services	1,447,678	1,421,746	1,794,297	(372,551)
Recreation and parks				
Other	55,000	61,604	4,091	57,513
Total recreation and parks	55,000	61,604	4,091	57,513
Natural resources				
Salaries	36,320	36,320	63,884	(27,564)
Other	-	-	12,125	(12,125)
Total natural resources	36,320	36,320	76,009	(39,689)
Economic development				
Salaries	-	-	72,375	(72,375)
Other	150,000	150,000	249,342	(99,342)
Total economic development	150,000	150,000	321,717	(171,717)

DORCHESTER COUNTY, MARYLAND
REVENUE AND EXPENDITURES DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2013
(continued)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Public works				
Salaries	\$ -	\$ -	\$ 62,607	\$ (62,607)
Other	-	-	839,907	(839,907)
Total public works	-	-	902,514	(902,514)
Capital outlay	-	-	1,166,153	(1,166,153)
Total expenditures	1,874,712	2,433,068	4,581,269	(2,148,201)
Excess (deficiency) of revenues over expenditures	(66,433)	(77,622)	(119,732)	(42,110)
OTHER FINANCING SOURCES (USES):				
Interest and dividend received	-	-	340	340
Transfers in	66,433	77,622	74,903	(2,719)
Total other financing sources (uses)	66,433	77,622	75,243	(2,379)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ (44,489)	\$ (44,489)

DORCHESTER COUNTY, MARYLAND

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2011	July 1, 2010	\$2,224,474	\$24,831,086	\$22,606,612	9.0%	\$13,203,055	171%
2012	July 1, 2010	1,940,108	24,831,086	22,890,978	7.8%	12,246,756	187%
2013	July 1, 2012	1,753,159	18,503,552	16,750,393	9.5%	12,239,706	137%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$ 2,614,432	18.3%	\$2,589,842
2012	2,614,432	11.2%	4,911,164
2013	1,865,343	0.0%	6,776,507

ADDITIONAL SUPPLEMENTARY INFORMATION

DORCHESTER COUNTY, MARYLAND

**REVENUE AND EXPENDITURE DETAIL
BUDGET AND ACTUAL
TRANSFER TAX FUND
Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
County transfer tax	\$ 719,115	\$ 719,115	\$ 619,002	\$ (100,113)
EXPENDITURES:				
General government				
Salaries/other	75,720	75,720	86,792	(11,072)
Other expenses	190,882	190,882	249,127	(58,245)
Total general government	266,602	266,602	335,919	(69,317)
Public safety				
Salaries/other	263,738	263,738	276,627	(12,889)
Other expenses	40,137	40,137	22,760	17,377
Total public safety	303,875	303,875	299,387	4,488
Debt service:				
Principal	136,500	136,500	136,500	-
Interest	12,138	12,138	12,142	(4)
Capital outlay	-	-	38,496	(38,496)
Total expenditures	719,115	719,115	822,444	(103,329)
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ (203,442)	\$ (203,442)

DORCHESTER COUNTY, MARYLAND

**REVENUE AND EXPENDITURE DETAIL
BUDGET AND ACTUAL
BUILDING EXCISE TAX
Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
REVENUES:				
Building excise tax	\$ -	\$ -	\$ 249,177	\$ 249,177
EXPENDITURES:				
Education	35,000	35,000	-	35,000
Capital outlay	-	-	35,000	(35,000)
Total expenditures	35,000	35,000	35,000	-
Excess (deficiency) of revenues over expenditures	(35,000)	(35,000)	214,177	249,177
OTHER FINANCING SOURCES (USES):				
Interest and dividend received	-	-	2,213	2,213
Appropriated prior year surplus	35,000	35,000	-	(35,000)
Total other financing sources (uses)	35,000	35,000	2,213	(32,787)
Excess (deficiency) of revenues over expenditures and other financing sources	\$ -	\$ -	\$ 216,390	\$ 216,390

DORCHESTER COUNTY, MARYLAND
REVENUE AND EXPENDITURE DETAIL
BUDGET AND ACTUAL
CAPITAL FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
REVENUES:				
Emergency Numbers Systems Board	\$ -	\$ -	\$ 471,221	\$ 471,221
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Total revenues	-	-	471,221	471,221
EXPENDITURES:				
Current:				
General government	-	-	28,908	(28,908)
Public Safety	113,600	113,600	325,321	(211,721)
Economic development	-	-	4,422	(4,422)
Public works	225,000	225,000	28	224,972
Capital outlay	-	-	389,745	(389,745)
Total expenditures	338,600	338,600	748,424	(409,824)
Excess (deficiency) of revenues over expenditures	(338,600)	(338,600)	(277,203)	61,397
OTHER FINANCING SOURCES (USES):				
Interest	-	-	1,041	1,041
Operating transfers in	338,600	338,600	338,600	-
Total other financing sources (uses)	338,600	338,600	339,641	1,041
Excess (deficiency) of revenues over expenditures and other financing sources	\$ -	\$ -	\$ 62,438	\$ 62,438

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
AIRPORT ENTERPRISE FUND
Year Ended June 30, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
OPERATING REVENUES:				
Fuel sales	\$ 275,000	\$ 275,000	\$ 239,542	\$ (35,458)
Hanger and tie-down rentals	177,000	177,000	187,252	10,252
Other	23,200	23,200	11,138	(12,062)
Total operating revenues	475,200	475,200	437,932	(37,268)
OPERATING EXPENSES:				
Salaries and related taxes	224,927	224,927	215,140	9,787
Repairs and maintenance	38,000	38,000	60,020	(22,020)
Rental of land, buildings and equipment	13,200	13,200	13,200	-
Fuel	215,000	215,000	202,727	12,273
Utilities	80,600	80,600	74,091	6,509
Depreciation	250,000	250,000	250,283	(283)
Other operating	86,600	86,600	53,847	32,753
Total operating expenses	908,327	908,327	869,308	39,019
Net operating income (loss)	(433,127)	(433,127)	(431,376)	1,751
NON-OPERATING REVENUES (EXPENSES):				
Grants - Federal government	-	-	186,425	186,425
Grants - state government	-	-	5,975	5,975
Interest expense	(14,818)	(14,818)	(15,135)	(317)
Total non-operating revenues (expenses)	(14,818)	(14,818)	177,265	192,083
Income (loss) before transfers	(447,945)	(447,945)	(254,111)	193,834
Operating transfers	447,945	447,945	447,945	-
Change in net position	\$ -	\$ -	\$ 193,834	\$ 193,834

DORCHESTER COUNTY, MARYLAND
STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
LANDFILL ENTERPRISE FUND
Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
OPERATING REVENUES:				
Tipping fees	\$ 1,925,538	\$ 1,965,538	\$ 2,393,634	\$ 428,096
Permits	149,000	149,000	173,379	24,379
Other	751,699	751,699	29,044	(722,655)
Total operating revenues	2,826,237	2,866,237	2,596,057	(270,180)
OPERATING EXPENSES:				
Salaries and related taxes	1,166,237	1,146,237	957,544	188,693
Repairs and maintenance	271,000	358,500	371,184	(12,684)
Rental of land, buildings and equipment	59,000	24,000	21,277	2,723
Fuel	162,000	172,000	164,627	7,373
Closure and postclosure costs accrual	326,000	326,000	324,082	1,918
Utilities	18,500	16,000	16,356	(356)
Depreciation	810,000	810,000	666,231	143,769
Other operating	33,500	33,500	25,217	8,283
Total operating expenses	2,846,237	2,886,237	2,546,518	339,719
Net operating income (loss)	(20,000)	(20,000)	49,539	69,539
NON-OPERATING REVENUES (EXPENSES):				
Interest income	20,000	20,000	12,090	(7,910)
Total non-operating revenues (expenses)	20,000	20,000	12,090	(7,910)
Change in net position	\$ -	\$ -	\$ 61,629	\$ 61,629

DORCHESTER COUNTY, MARYLAND

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS**

June 30, 2013

	Other Governmental Funds			Total
	Building Excise Tax Fund	Transfer Tax Fund	Commissary Fund	
ASSETS				
Cash and investments	\$ 2,132,930	\$ -	\$ 45,192	\$ 2,178,122
Accounts receivable	-	70,252	-	70,252
Interfund receivables	-	1,577,627	-	1,577,627
Total assets	\$ 2,132,930	\$ 1,647,879	\$ 45,192	\$ 3,826,001
LIABILITIES				
Accounts payable and accrued expenses	\$ -	\$ 31,751	\$ -	\$ 31,751
Deferred revenues	-	-	45,192	45,192
Interfund payables	537,944	-	-	537,944
Total liabilities	537,944	31,751	45,192	614,887
FUND BALANCES				
Committed for:				
Schools and courthouse	1,335,552	1,616,128	-	2,951,680
Public safety communication system	151,391	-	-	151,391
Sheriff	108,043	-	-	108,043
Total fund equity	1,594,986	1,616,128	-	3,211,114
Total liabilities and fund balances	\$ 2,132,930	\$ 1,647,879	\$ 45,192	\$ 3,826,001

DORCHESTER COUNTY, MARYLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2013**

	Other Governmental Funds			Total
	Building Excise Tax Fund	Transfer Tax Fund	Commissary Fund	
REVENUES				
Taxes	\$ 249,177	\$ 619,002	\$ -	\$ 868,179
Miscellaneous	-	-	86,486	86,486
Total revenues	249,177	619,002	86,486	954,665
EXPENDITURES				
General government	-	335,919	86,486	422,405
Public safety	-	299,387	-	299,387
Debt service:				
Principal	-	136,500	-	136,500
Interest	-	12,142	-	12,142
Capital outlay	35,000	38,496	-	73,496
Total expenditures	35,000	822,444	86,486	943,930
Excess (deficiency) of revenues over expenditures	214,177	(203,442)	-	10,735
OTHER FINANCING SOURCES:				
Interest and dividends received	2,213	-	-	2,213
Total other financing sources	2,213	-	-	2,213
Excess (deficiency) of revenues and other financing sources over expenditures	216,390	(203,442)	-	12,948
Fund balances, beginning of year	1,378,596	1,819,570	-	3,198,166
Fund balances, end of year	\$ 1,594,986	\$ 1,616,128	\$ -	\$ 3,211,114

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DEFERRED COMPENSATION PLAN**

Year Ended June 30, 2013

	Balances, June 30, <u>2012</u>	<u>Employee</u> <u>Contributions</u>	Earnings on <u>Investments</u>	<u>Distributions</u>	<u>Gains/Losses</u>	Balances, June 30, <u>2013</u>
Assets:						
Investments	\$ 1,382,552	\$ 85,052	\$ 28,467	\$ (127,484)	\$ 76,636	\$ 1,445,223
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Liabilities:						
Due to participants	\$ 1,382,552	\$ 85,052	\$ 28,467	\$ (127,484)	\$ 76,636	\$ 1,445,223
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DORCHESTER COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENDITURES -
AS REQUIRED BY THE GOC FOR LMB OFFICES
ON BEHALF OF THE CHILDREN'S CABINET
Year Ended June 30, 2013**

REVENUES

Intergovernmental:	
State	\$ 1,200
Local	357,124
Total GOC revenues	358,324

EXPENDITURES

Public safety	
Substance abuse prevention	17,889
Total public safety	17,889
Social services	
After school program	83,898
Youth services bureau	61,537
School based behavioral health	80,000
Girls circle	50,000
Administration	65,000
Total social services	340,435
Total GOC expenditures	358,324

Excess (deficiency) of GOC revenues over expenditures \$ -

This schedule represents the GOC monies recorded within the Special Revenue Grants Fund reflected on the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds of these financial statements.