

**COUNTY COUNCIL OF  
DORCHESTER COUNTY, MARYLAND**

**FINANCIAL REPORT**

**JUNE 30, 2009**

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## INDEPENDENT AUDITORS' REPORT

County Council of  
Dorchester County, Maryland  
Cambridge, Maryland

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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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 financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the 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 standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our 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, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our separate report dated December 11, 2009 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Salisbury, Maryland  
December 11, 2009

**DORCHESTER COUNTY, MARYLAND**  
**Management's Discussion and Analysis**

**INTRODUCTION**

This discussion and analysis (MD&A) is designed to (a) assist readers in understanding Dorchester County, Maryland's (the County's) basic financial statements, the relationship of different types of statements, and the significant differences in the information they provide; (b) assist the reader in focusing on significant financial issues; (c) provide an overview of the County's current financial activity; (d) identify changes in the County's financial position, i.e., its ability to address the next and subsequent year's financial needs, based on currently known facts; (e) identify any material deviations from the approved budget for the fiscal year, and (f) identify individual fund issues or concerns. The MD&A is best understood if read in conjunction with the Transmittal Letter and the County's basic financial statements.

**FINANCIAL HIGHLIGHTS**

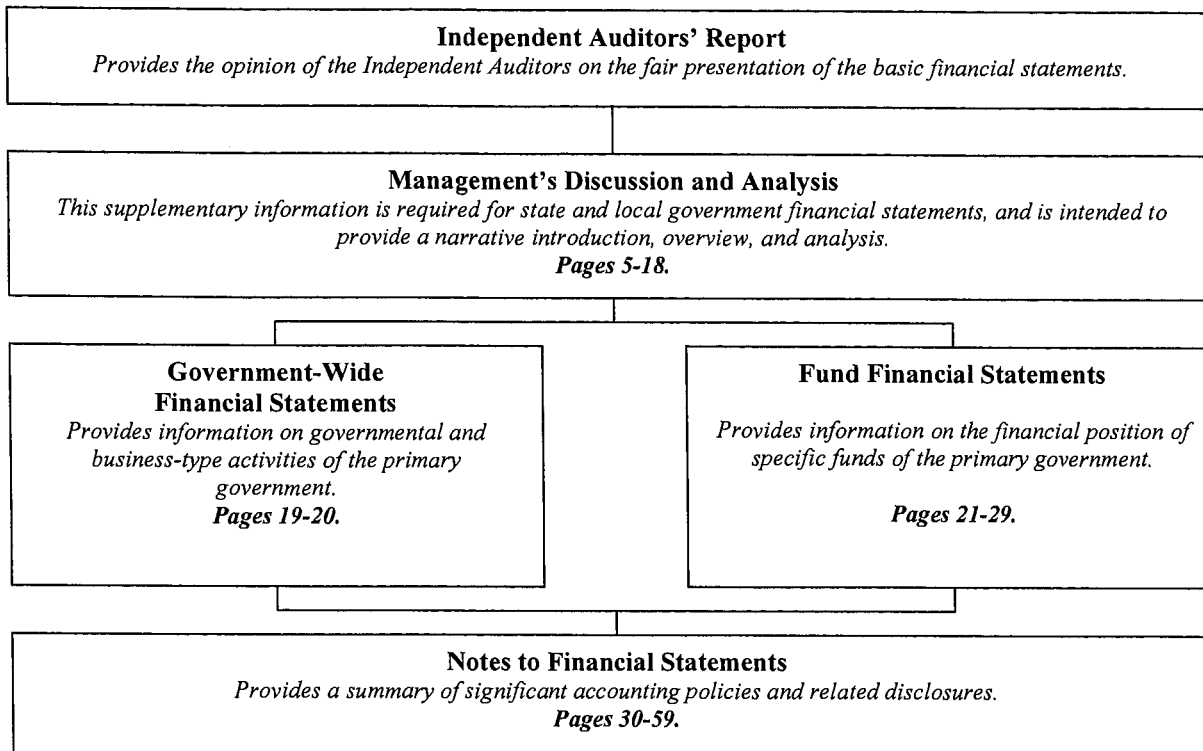
- The government-wide assets of the County exceeded its liabilities at the close of Fiscal Year 2009 (FY09) by \$58.6 million (total net assets). Of this amount, \$10.9 million (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's overall financial position is relatively unchanged from the prior fiscal year. Total net assets increased by \$0.5 million or 0.87%. Contributing factors for this increase are a \$4.0 million decrease in cash, a \$3.6 million increase in net capital assets, a \$1.6 million decrease in receivables, a \$1.0 million decrease in payables, and a \$1.3 million decrease in long-term debt.
- As of the close of FY09, the County's governmental funds reported combined ending fund balances of \$8.2 million, a decrease of \$7.2 million from the prior year's ending fund balances. Of the total ending fund balances, \$5.2 million is unreserved and therefore available for spending at the County's discretion.
- At the end of FY09, unreserved fund balance for the General Fund was \$2.9 million, or 6 percent of total General Fund expenditures.
- The County's government-wide long-term debt decreased by \$1.3 million during FY09. The key factors in this decrease are:
  - The issuance of a \$0.5 million loan from the Maryland Department of Transportation; and
  - The retirement of \$1.8 million in general obligation (GO) bonds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The County's financial statements focus on both the County as a whole (government-wide), and on the major individual funds. "Funds" are resources segregated for the purposes of implementing specific activities or achieving certain objectives in accordance with special regulations, restrictions, or limitations. Both the government-wide and fund perspectives allow users to address relevant questions and understand changes in financial conditions. The structure of the financial statements is presented below.

This MD&A is intended to be an introduction to Dorchester County's basic financial statements. Dorchester County's basic financial statements comprise three components, including government-wide financial statements, fund financial statements, and notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements.

## Organization and Flow of Financial Section Information



### Government-Wide Financial Statements

The government-wide financial statements are designed to be corporate-like in that all governmental and business-type activities are reported in columns which add to a total for the primary government. The focus of the statement of net assets is designed to provide bottom line results for the County's governmental and business-type activities. This statement reports governmental funds' current financial resources (i.e., short-term spendable resources) with capital assets and long-term obligations. All infrastructure assets built or purchased by the County are included in the accompanying government-wide financial statements. The difference between the County's assets and liabilities is reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. Additionally, nonfinancial factors, such as a change in the County's property tax base or the condition of County facilities and infrastructure, should be considered to assess the overall health of the County.

The statement of activities is focused on both the gross and net cost of various functions, including governmental and business-type activities. This is intended to summarize and simplify the users' analysis of the cost of various governmental services and/or subsidy to various business-type activities. The governmental activities included reflect the County's basic services, including general government, public safety, public works and transportation, health and human services, and others. Taxes, including the property and income tax, license and permit fees, intergovernmental revenues, charges for services, fines and forfeitures, and investment income finance the majority of these services. The business-type activities reflect private sector-type operations such as airport activities and solid waste activities where fees for services or products are required or designed to recover the cost of operation, including depreciation.

The government-wide financial statements include not only the County itself (known as the Primary Government), but also legally separate entities known as Component Units. Component units, which are other governmental units over which the County Council can exercise influence and/or may be obligated to provide financial subsidy, are presented as a separate column in the government-wide statements and as individual activities in the basic and fund financial statements. The County has two component units – Dorchester County Public Schools and the Dorchester County Sanitary Districts, Inc.

## **Fund Financial Statements**

Traditional users of governmental financial statements may find the fund financial statement presentation more familiar. Funds are accounting devices that the County uses to keep track of specific sources of funding and spending for particular purposes. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. In the fund financial statements, the focus is on major funds rather than the County as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. The County has the following three types of funds:

Governmental Funds – Most of the County’s basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out, and (2) the balances remaining at year-end that are available for spending. The governmental funds financial statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County’s programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, a reconciliation of the fund financial statements to the government-wide financial statements is presented immediately after the fund financial statements. For example, the fund financial statements will reflect bond proceeds and interfund transfers as other financing sources, as well as capital expenditures and bond principal payments as expenditures. The reconciliation will reflect the elimination of these transactions and will incorporate the capital assets and long-term obligations (bonds and others) that are presented in the governmental activities column (in the government-wide statements). The County has 5 major governmental funds – General, Capital Projects and Special Revenue (3).

Proprietary Funds – The County’s proprietary funds, which consist only of enterprise funds, are used to account for operations that are financed and operated in a manner similar to private business enterprises in which costs are recovered primarily through user charges. Proprietary fund financial statements, like the government-wide financial statements, provide both long-term and short-term financial information. The fund financial statements provide more detail and additional information, such as cash flows, for the County’s enterprise funds. The County has two major enterprise funds – airport and solid waste.

Fiduciary Funds - Fiduciary funds account for assets held by the County in a trustee capacity. The County’s fiduciary fund is the Other Post-Employment Benefits Trust Fund. Trust funds are used to account for assets held by the County as an agent for other funds.

**CONTINUED ON NEXT PAGE**

**FINANCIAL ANALYSIS OF DORCHESTER COUNTY, MARYLAND:  
GOVERNMENT-WIDE FINANCIAL STATEMENTS**

A comparative analysis of government-wide financial information is presented below.

**Statement of Net Assets**

The following presents a summary of the Statements of Net Assets for the County as of June 30, 2009 and 2008:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets:</b>						
Current and other assets	\$17,803,048	\$25,000,232	\$11,940,079	\$9,620,471	\$29,743,127	\$34,620,703
Capital assets	\$48,423,987	\$44,782,434	\$14,335,086	\$14,406,796	\$62,759,073	\$59,189,230
<b>Total assets</b>	<b>\$66,227,035</b>	<b>\$69,782,666</b>	<b>\$26,275,165</b>	<b>\$24,027,267</b>	<b>\$92,502,200</b>	<b>\$93,809,933</b>
<b>Liabilities:</b>						
Long-term debt outstanding	\$18,678,909	\$19,925,568	\$515,785	\$542,161	\$19,194,694	\$20,467,729
Other liabilities	\$5,961,753	\$7,278,304	\$8,769,666	\$7,992,783	\$14,731,419	\$15,271,087
<b>Total liabilities</b>	<b>\$24,640,662</b>	<b>\$27,203,872</b>	<b>\$9,285,451</b>	<b>\$8,534,944</b>	<b>\$33,926,113</b>	<b>\$35,738,816</b>
<b>Net assets:</b>						
Invested in capital assets, net						
of related debt	\$30,854,273	\$25,957,019	\$13,868,086	\$13,908,796	\$44,722,359	\$39,865,815
Restricted	\$2,956,739	\$5,464,635	\$0	\$0	\$2,956,739	\$5,464,635
Unrestricted (deficit)	\$7,775,361	\$11,157,140	\$3,121,628	\$1,583,527	\$10,896,989	\$12,740,667
<b>Total net assets</b>	<b>\$41,586,373</b>	<b>\$42,578,794</b>	<b>\$16,989,714</b>	<b>\$15,492,323</b>	<b>\$58,576,087</b>	<b>\$58,071,117</b>

The County's total assets decreased by \$1.3 million or 1.4 percent over FY08. The County's assets exceeded its liabilities at the close of FY09 by \$58.6 million. The largest portion of the County's net assets reflects its investment in capital assets (e.g., land, buildings, improvements, furniture and equipment, infrastructure), less any related outstanding debt used to construct or acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

It is also important to note that although counties in the state of Maryland issue debt for the construction of schools, those school buildings are owned by each county's Board of Education. The County also funds projects for Chesapeake College in the same fashion. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. Debt outstanding for these entities amounted to \$7.9 million at June 30, 2009. Absent the effect of this relationship, the County would have reported government-wide positive unrestricted net assets of \$18.8 million.



## Statement of Activities

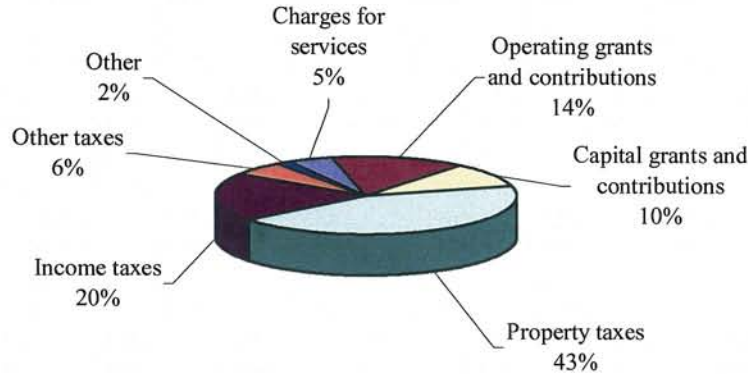
The following table summarizes the County's change in net assets for the years ended June 30, 2009 and 2008:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$2,938,278	\$2,522,653	\$3,574,227	\$5,239,774	\$6,512,505	\$7,762,427
Operating grants and contributions	\$9,123,843	\$9,828,620	\$0	\$0	\$9,123,843	\$9,828,620
Capital grants and contributions	\$6,365,673	\$7,084,445	\$803,670	\$492,917	\$7,169,343	\$7,577,362
General revenues:						
Property taxes	\$27,384,451	\$26,057,854	\$0	\$0	\$27,384,451	\$26,057,854
Income taxes	\$12,561,789	\$11,523,663	\$0	\$0	\$12,561,789	\$11,523,663
Other taxes	\$3,723,559	\$5,484,693	\$0	\$0	\$3,723,559	\$5,484,693
Other	\$1,041,557	\$1,535,431	\$255,626	\$328,735	\$1,297,183	\$1,864,166
Total revenues	\$63,139,150	\$64,037,359	\$4,633,523	\$6,061,426	\$67,772,673	\$70,098,785
Expenses:						
Governmental Activities:						
General government	\$4,181,963	\$5,892,044	\$0	\$0	\$4,181,963	\$5,892,044
Public safety	\$13,361,059	\$13,601,675	\$0	\$0	\$13,361,059	\$13,601,675
Social services	\$2,399,771	\$2,283,980	\$0	\$0	\$2,399,771	\$2,283,980
Public works	\$5,599,955	\$6,149,715	\$0	\$0	\$5,599,955	\$6,149,715
Miscellaneous	\$7,121,020	\$4,618,109	\$0	\$0	\$7,121,020	\$4,618,109
Recreation and parks	\$659,375	\$712,691	\$0	\$0	\$659,375	\$712,691
Natural Resources	\$548,758	\$504,828	\$0	\$0	\$548,758	\$504,828
Economic Development	\$985,235	\$2,693,234	\$0	\$0	\$985,235	\$2,693,234
Interest on Debt	\$642,947	\$731,067	\$0	\$0	\$642,947	\$731,067
Education	\$28,335,473	\$21,257,934	\$0	\$0	\$28,335,473	\$21,257,934
Business-Type Activities:						
Aviation	\$0	\$0	\$893,776	\$1,087,663	\$893,776	\$1,087,663
Solid waste	\$0	\$0	\$2,538,371	\$4,217,208	\$2,538,371	\$4,217,208
Total expenses	\$63,835,556	\$58,445,277	\$3,432,147	\$5,304,871	\$67,267,703	\$63,750,148
Increase (decrease) in net assets						
before transfers	(\$696,406)	\$5,592,082	\$1,201,376	\$756,555	\$504,970	\$6,348,637
Transfers	(\$296,015)	(\$576,083)	\$296,015	\$576,083	\$0	\$0
Increase (decrease) in net assets	(\$992,421)	\$5,015,999	\$1,497,391	\$1,332,638	\$504,970	\$6,348,637
Net assets – beginning of year	\$42,578,794	\$37,562,795	\$15,492,323	\$14,159,685	\$58,071,117	\$51,722,480
Net assets - end of year	\$41,586,373	\$42,578,794	\$16,989,714	\$15,492,323	\$58,576,087	\$58,071,117

**Governmental Activities**

Revenues for the County’s governmental activities were \$63.1 million for FY09. Sources of revenue are comprised of the following items:

**Revenues by Source - Governmental Activities  
For the Fiscal Year Ended June 30, 2009**

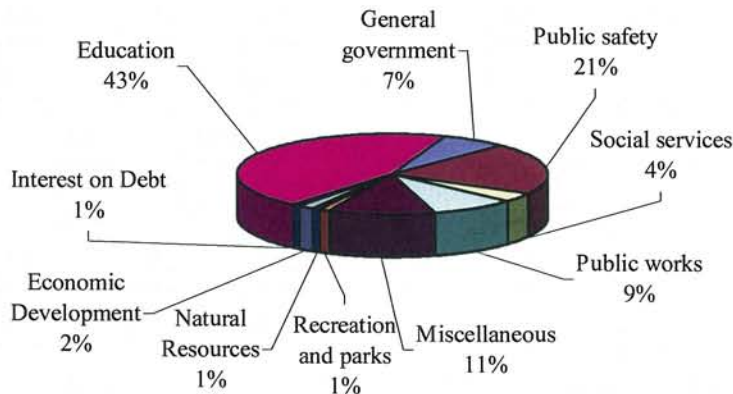


- Taxes constitute the largest source of County revenues, amounting to \$43.7 million for FY09. Property and local income tax combined comprise 63 percent of County governmental activities revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local income tax rate was 2.62 percent of the State taxable income for calendar year 2009 and was unchanged from 2008. There is no local sales tax in the State of Maryland.
- Operating grants and contributions represent primarily grants from the Federal and State governments and State aid programs. The majority of such revenues are received to fund the following County programs: public works (\$3.8 million), general government (\$2.6 million), and social services (\$1.8 million).

A more detailed discussion of the County’s revenue results for FY09 as compared to what was budgeted can be found in the General Fund Budgetary Highlights section of this MD&A.

The cost of all governmental activities for FY09 was \$63.8 million. As the chart below indicates, education constitutes the County’s largest program and highest priority; education expenses totaled \$28.3 million. Public safety expenses totaled \$13.4 million, miscellaneous expenses totaled \$7.1 million and public works expenses, the fourth largest expense for the County totaled \$5.6 million.

**Expenses by Function - Governmental Activities  
For the Fiscal Year Ended June 30, 2009**



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	
	2009	2008	2009	2008	2009	2008
Education	\$28,335,473	\$21,257,934	\$0	\$0	\$28,335,473	\$21,257,934
Public safety	\$13,361,059	\$13,601,675	\$2,910,257	\$3,892,481	\$10,450,802	\$9,709,194
Public works	\$5,599,955	\$6,149,715	\$5,601,263	\$7,885,878	(\$1,308)	(\$1,736,163)
General government	\$4,181,963	\$5,892,044	\$3,035,511	\$3,266,057	\$1,146,452	\$2,625,987
Miscellaneous	\$7,121,020	\$4,618,109	\$0	\$0	\$7,121,020	\$4,618,109
Social services	\$2,399,771	\$2,283,980	\$1,854,188	\$1,908,494	\$545,583	\$375,486
Interest on Debt	\$642,947	\$731,067	\$0	\$0	\$642,947	\$731,067
Recreation and parks	\$659,375	\$712,691	\$166,478	\$322,586	\$492,897	\$390,105
Economic Development	\$985,235	\$2,693,234	\$184,491	\$1,948,174	\$800,744	\$745,060
Natural Resources	\$548,758	\$504,828	\$4,675,606	\$212,048	(\$4,126,848)	\$292,780
<b>Total</b>	<b>\$63,835,556</b>	<b>\$58,445,277</b>	<b>\$18,427,794</b>	<b>\$19,435,718</b>	<b>\$45,407,762</b>	<b>\$39,009,559</b>

Some of the cost of governmental activities was paid by those who directly benefited from the programs (\$2.9 million) and other governments and organizations that subsidized certain programs with grants and contributions (\$9.1 million).

### Business-type Activities

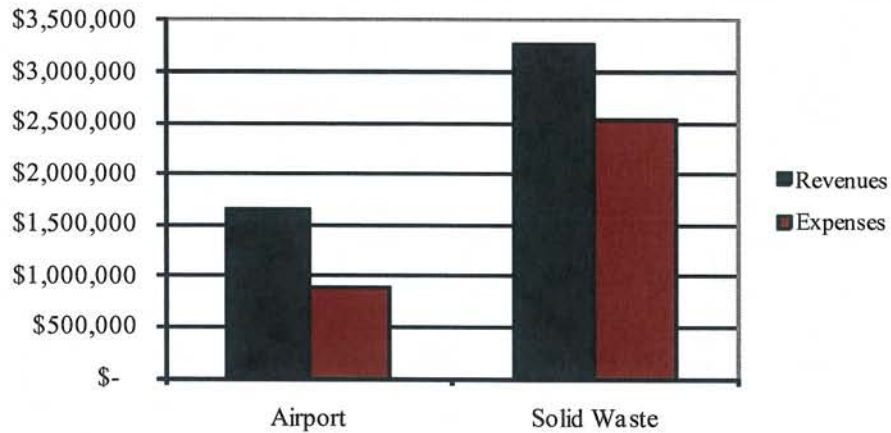
Highlights of the County's business-type activities for FY09 are as follows:

- Business-type activities experienced an increase in net assets of \$1.5 million for FY09. However, this amount is reported after total net transfers in of \$0.3 million, which reflects a \$296,015 operating subsidy from the General Fund to the Airport Enterprise Fund.
- Charges for services to users comprise 73 percent of total business-type activities revenue, with \$3.0 million (85 percent of charges for services revenue) attributable to solid waste activities and \$0.5 million (15 percent) attributable to airport operations.

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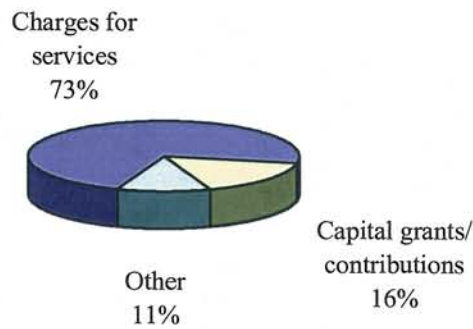
Business-type activities are shown below comparing costs to revenues generated by related services:

**Expenses and Program Revenues - Business-type Activities  
For the Fiscal Year Ended June 30, 2009**



Business-type revenues by source are comprised of the following:

**Revenues by Source - Business-type Activities  
For the Fiscal Year Ended June 30, 2009**



### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### Governmental funds

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

At the end of FY09, the County's governmental funds reported combined ending fund balances of \$8.2 million, a decrease of \$7.2 million from the end of FY08. Of the total ending fund balances, \$5.2 million constitutes the unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balances of \$3.0 million is unavailable for new spending because it has been reserved for prepaid expenditures (\$0.1 million) or other purposes restricted by legislation (\$2.7 million for schools and courthouse; \$0.1 million for public safety communication; \$0.1 million for Sheriff's Office).

The General Fund is the primary operating fund of the County. At the end of FY09, unreserved fund balance of the General Fund was \$2.89 million, while total fund balance was \$2.95 million. As a measure of the General Fund's liquidity, the unreserved fund balance represents 5.3 percent of the total General Fund expenditures and transfers out.

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

The Reserve Fund ended the year with a fund balance of \$5.4 million, which is an increase of \$2.4 million. The purpose of the Reserve Fund 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. Beginning in fiscal year 2006 and for each subsequent fiscal year, the County shall include in the budget bill an appropriation to the Strategic Reserve Fund equal to at least the lesser of \$200,000 or whatever amount is required for the Strategic Reserve Fund balance to equal 5% of the estimated General Fund operating revenues for that fiscal year.

The Building Excise Tax Fund ended the year with a fund balance of \$1.1 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 (\$0.9 million balance), emergency communications (\$0.1 million balance), and Sheriff's Office (\$0.1 million balance).

The Transfer Tax Fund ended the year with a fund balance of \$1.8 million, which is a decrease of \$0.8 million. The purpose of this fund is 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.

### **Proprietary funds**

The County's proprietary funds provide the same type of information found in the government-wide statements, but include more detail.

The Airport Enterprise Fund total net assets amounted to \$11.6 million, with unrestricted net assets of \$1.2 million, and an operating loss of \$323,028. After non-operating revenues of \$783,538 and a subsidy transfer from the General Fund of \$296,015, the fund ended FY09 with an increase in net assets of \$756,525.

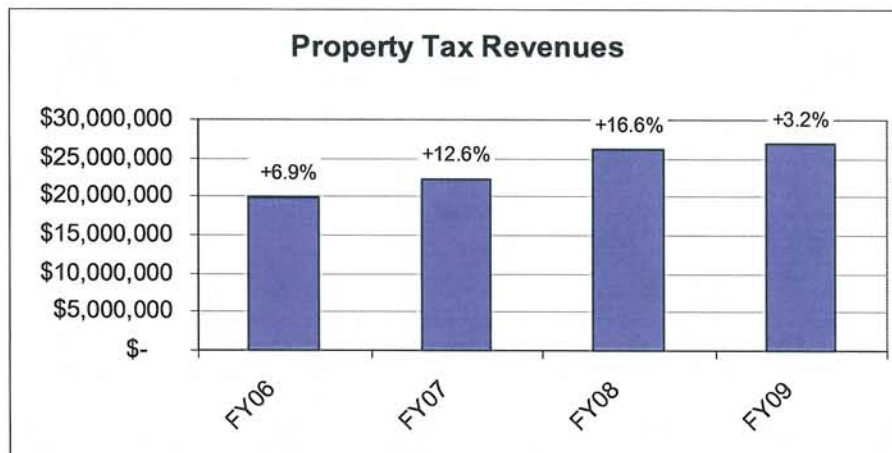
The Landfill Enterprise Fund total net assets amounted to \$5.4 million, with unrestricted net assets of \$1.9 million, and an operating income of \$0.5 million. The fund ended FY09 with an increase in net assets of \$0.7 million

A discussion of enterprise fund long-term debt can be found in the Long-Term Debt section presented later in this MD&A. Other factors concerning the finances of the enterprise funds are addressed in the discussion of the County's business-type activities.

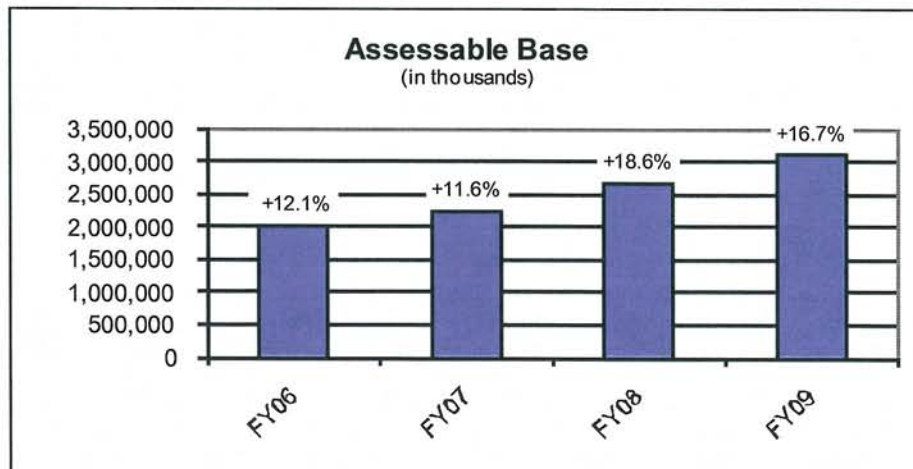
### General Fund Budgetary Highlights

Actual revenues were less than budgeted by \$2.2 million, while actual expenditures & transfers were less than budgeted by \$0.4 million. Highlights of the comparison of final budget to actual figures for revenues and expenditures/transfers for the fiscal year-ended June 30, 2009, include the following:

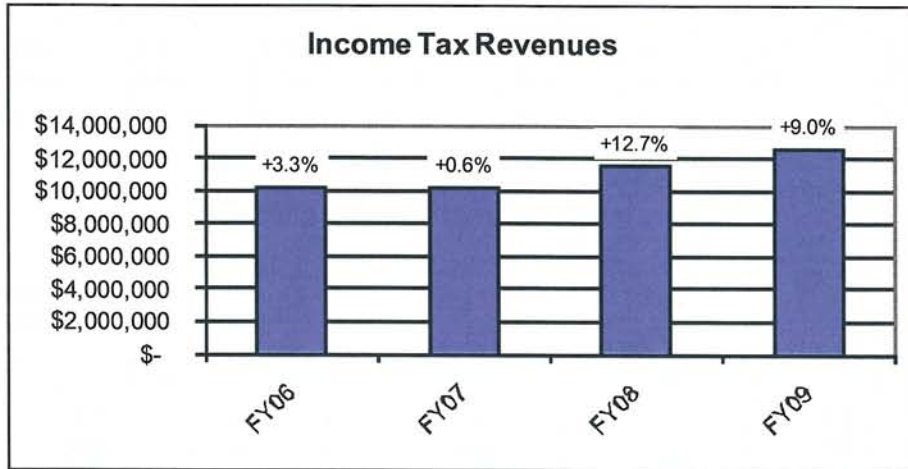
- Overview – Actual revenues for the General Fund totaled \$52.9 million and were \$2.2 million or 4.1 percent below the final budget estimate for the fiscal year and 3.0 percent below actual revenues for FY08. The two major variances between budgeted revenues and actual revenues were the inclusion in the budget, under miscellaneous revenues, of \$1.8 million of prior year fund balance, which is used to fund non-recurring capital expenditures but for accounting purposes does not constitute income; and the \$0.7 million reduction in the County’s share of Highway User Revenue distributions from the State of Maryland.
- Property Taxes – The largest revenue source for the County is property taxes. Net property tax revenue in the General Fund amounted to \$26.9 million, which was below the budget estimate by \$0.4 million or 1.3 percent and \$0.8 million or 3.2 percent above actual revenue in FY08. As there was no change in tax rate, the increase in property tax revenue was the result of a 16.7 percent increase in the assessable base for real property from FY08 to FY09, offset by growth in the homestead credit which limits year to year tax increases on primary residents to 5%.



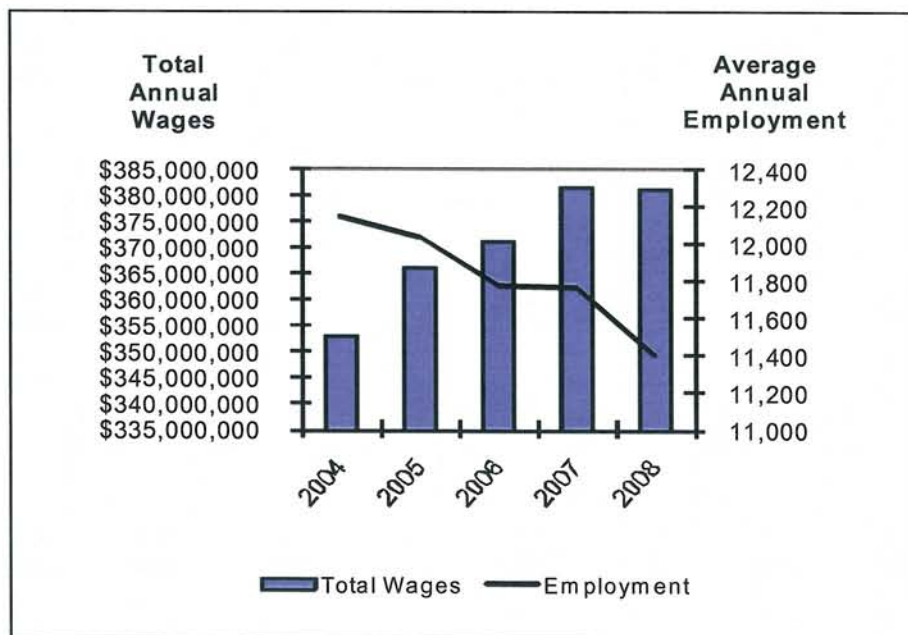
- Assessments of real property continued its strong growth with an increase of a 16.7 percent in FY09, following an increase of 18.6 percent in FY08.



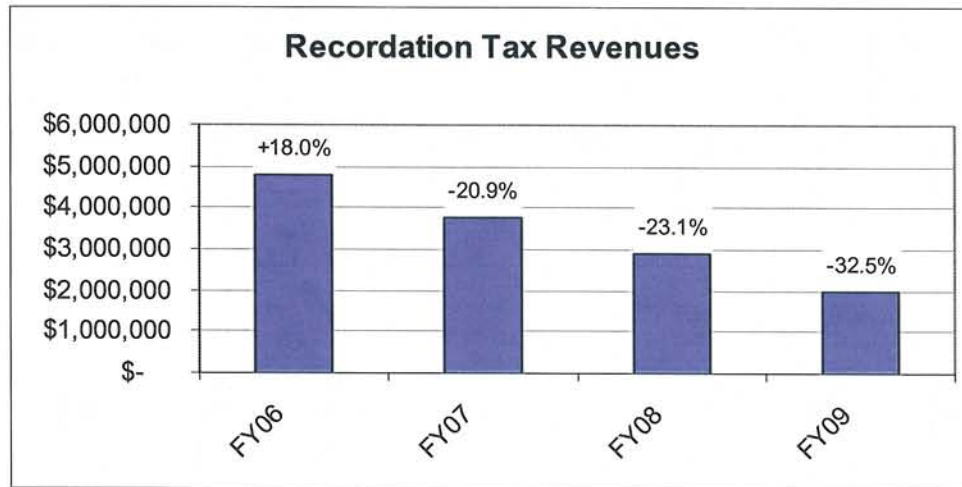
- Income Taxes – The second largest revenue source for the General Fund is the County income tax. Revenues from the income tax were \$12.6 million which were \$0.1 million or 0.5% higher than the final budget estimate and \$1.0 million or 9.0 percent above actual revenues in FY08. Income taxes represent 30 percent of total tax revenues for the General Fund and 24 percent of total General Fund revenues in FY09. The local income tax rate remained unchanged at 2.62%.



- Growth in income tax revenue is attributed to growth in non-wage income, partially offset by a modest net employment loss, which continues a trend begun in calendar year 2005 (CY05). Total annual payroll wages in Dorchester during CY08 was \$381,350,020, which was a decrease of \$0.4 million or 0.09%. During CY08, the average annual employment was 11,396 jobs, which was a decrease of 376 or 3.2%. During that same time span, the average weekly wage per worker grew from \$624 to \$644, an increase of \$20 or 3.2%. The net job loss is attributed to the government sector with 27 jobs gained (of which 22 were in local government), and offset with 403 net jobs lost in the private sector (-333 in goods producing and -70 in service providing).



- Recordation Taxes – The third major revenue category in the County is the real property recordation tax. The tax receipts from this source were \$2.0 million, which was \$0.7 million or 27.1 percent below the budget estimate and \$.9 million or 32.5 percent below actual receipts for FY08. This reduction is a result of the continuing decline in local home sales and the sustained market tightening in the mortgage finance industry. During FY09, the number of residential, improved, arms-length transactions declined by 142 or 36.6% compared to FY08, with the average sale at \$209,543 which was down \$25,645 or 10.9%. This significant contraction in sales continues to be a factor in our above normal residential inventory-to-sales ratio. As of June 2008 this ratio of home sales to buyers was 28.9. As of June 2009, this ratio was 43.1. This means that for every 43 homes listed on the market, there was only one buyer.



- Actual expenditures of \$50.0 million were \$0.7 million less than the final budget, which represents a variance of 1.5 percent from the final budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The County's investment in capital assets as of June 30, 2009, amounted to \$62.8 million (net of accumulated depreciation), as summarized below:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$12,137,815	\$7,636,580	\$3,026,987	\$3,023,987	\$15,164,802	\$10,660,567
Buildings and improvements	\$22,208,613	\$22,090,613	\$9,840,584	\$9,840,584	\$32,049,197	\$31,931,197
Furniture, machinery, equipment	\$20,767,467	\$19,648,457	\$4,118,805	\$3,998,356	\$24,886,272	\$23,646,813
Leasehold improvements	\$286,572	\$286,572	\$0	\$0	\$286,572	\$286,572
Infrastructure	\$42,452,129	\$38,581,763	\$6,323,510	\$6,323,510	\$48,775,639	\$44,905,273
Construction in progress	\$1,982,099	\$4,907,767	\$2,185,005	\$1,337,944	\$4,167,104	\$6,245,711
<b>Total assets</b>	<b>\$99,834,695</b>	<b>\$93,151,752</b>	<b>\$25,494,891</b>	<b>\$24,524,381</b>	<b>\$125,329,586</b>	<b>\$117,676,133</b>
Less: Accumulated						
Depreciation	\$51,410,708	\$48,369,318	\$11,159,805	\$10,117,585	\$62,570,513	\$58,486,903
<b>Total</b>	<b>\$48,423,987</b>	<b>\$44,782,434</b>	<b>\$14,335,086</b>	<b>\$14,406,796</b>	<b>\$62,759,073</b>	<b>\$59,189,230</b>



Changes in the County's capital assets for FY09 are summarized as follows:

	Governmental	Business-Type	Total	
	Activities	Activities	2009	2008
Beginning Balance	\$44,782,434	\$14,406,796	\$59,189,230	\$55,149,513
Additions*	\$6,682,943	\$1,029,328	\$7,712,271	\$8,113,559
Retirements, net*	\$0	\$58,818	\$58,818	\$7,502
Depreciation expense	\$3,041,390	\$1,042,220	\$4,083,610	\$4,066,340
Ending Balance	\$48,423,987	\$14,335,086	\$62,759,073	\$59,189,230

\*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:

- \$4.5 million for acquisition and protection of 392 acres funded entirely by the Federal NOAA Coastal and Estuarine Land Conservation Program
- 5 vehicles in the Sheriff's Office at a cost of \$113,350
- 2 ambulances for Emergency Medical Services at a cost of \$297,456
- \$0.8 million for airport expansion projects funded 95% by the Federal Aviation Administration

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

#### Long-Term Debt

The following is a summary of the County's gross outstanding long-term debt as of June 30, 2009:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$12,660,000	\$14,440,000	\$0	\$0	\$12,660,000	\$14,440,000
Notes payable	\$4,864,562	\$4,306,206	\$467,000	\$498,000	\$5,331,562	\$4,804,206
Capital leases	\$45,152	\$79,209	\$0	\$0	\$45,152	\$79,209
Pension liability	\$637,574	\$622,014	\$0	\$0	\$637,574	\$622,014
Compensated absences	\$1,109,195	\$1,100,153	\$48,785	\$44,161	\$1,157,980	\$1,144,314
Total	\$19,316,483	\$20,547,582	\$515,785	\$542,161	\$19,832,268	\$21,089,743

At June 30, 2009, the County had outstanding general obligation bonds of \$12.7 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 four times totaling \$19.6 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.

The County had no significant bond-related debt activities during FY09.

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

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The following economic factors are reflected in the County's Fiscal Year 2010 budget:

- Recordation taxes were budgeted at \$1.8 million, down \$0.9 million from the FY09 budget in anticipation that home sales and mortgage transactions would continue to decline.
- Highway user revenues were budgeted at \$2.0 million, down \$2.7 million as the State drastically reduced its sharing of revenues derived from fuel taxes and vehicle registrations. In August 2009, the State further reduced this distribution by an additional \$1.7 million. In recognition of the State's pledge that these revenues will be restored for the FY12 budget, our plan is to fund minimum highway operations with successive annual withdrawals of \$1.7 million from our Reserve Fund.
- The County's economic projections in the FY10 budget assume modest growth with the County experiencing steady unemployment, a slight decline in payroll wages, and conservative growth in property assessments.
- The projection in the FY10 budget assumes that taxable personal income will remain relatively stable.

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

**DORCHESTER COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**PRIMARY GOVERNMENT AS OF JUNE 30, 2009**  
**COMPONENT UNITS AS OF JUNE 30, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 11,839,171	\$ 7,828,569	\$ 19,667,740
Receivables:			
State and local property taxes	3,684,144	-	3,684,144
Accounts receivable, net	-	429,631	429,631
Federal government	614,450	733,363	1,347,813
State of Maryland	386,538	19,883	406,421
Local	1,632,918	-	1,632,918
Other	1,464,443	-	1,464,443
Internal balances, net	(2,878,458)	2,878,458	-
Inventories, at cost	-	50,175	50,175
Other	227,209	-	227,209
Prepaid Expenses	832,633	-	832,633
Capital assets, net	48,423,987	14,335,086	62,759,073
<b>Total assets</b>	<b>66,227,035</b>	<b>26,275,165</b>	<b>92,502,200</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,296,952	711,147	3,008,099
Due to State of Maryland	372,693	-	372,693
Due to delinquent taxpayers	426,599	-	426,599
Deferred revenue	2,099,193	5,350	2,104,543
Landfill closure and postclosure care costs	-	8,053,169	8,053,169
Pension liability	637,574	-	637,574
Other	128,742	-	128,742
Long-term liabilities, due within one year:			
Compensated absences	399,938	22,882	422,820
Bonds, notes and capital leases payable	2,455,926	33,000	2,488,926
Long-term liabilities, due in more than one year:			
Compensated absences	709,257	25,903	735,160
Bonds, notes and capital leases payable	15,113,788	434,000	15,547,788
<b>Total liabilities</b>	<b>24,640,662</b>	<b>9,285,451</b>	<b>33,926,113</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	30,854,273	13,868,086	44,722,359
Restricted	2,956,739	-	2,956,739
Unrestricted	7,775,361	3,121,628	10,896,989
<b>Total Net Assets</b>	<b>\$ 41,586,373</b>	<b>\$ 16,989,714</b>	<b>\$ 58,576,087</b>

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

Component Units	
Board of Education of Dorchester County	Dorchester County Sanitary Districts
\$ 5,208,759	\$ 886,204
-	-
-	91,700
610,875	-
71,863	-
358,091	-
-	-
-	-
14,109	-
394,482	-
-	-
<u>69,570,239</u>	<u>3,864,419</u>
<u>76,228,418</u>	<u>4,842,323</u>
2,728,836	186,130
-	-
-	-
1,579,412	-
-	-
-	-
20,500	7,924
-	-
-	26,231
1,351,314	-
-	<u>221,078</u>
<u>5,680,062</u>	<u>441,363</u>
69,570,239	3,617,110
383,565	-
594,552	<u>783,850</u>
<u>\$ 70,548,356</u>	<u>\$ 4,400,960</u>

**DORCHESTER COUNTY, MARYLAND**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2009**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>Governmental Activities</b>				
General government	\$ 4,181,963	\$ 163,863	\$ 2,623,836	\$ 247,812
Public safety	13,361,059	1,892,563	539,176	478,518
Social services	2,399,771	14,475	1,839,713	-
Recreation and parks	659,375	45,722	-	120,756
Natural resources	548,758	25,858	148,513	4,501,235
Economic development	985,235	-	141,858	42,633
Miscellaneous	7,121,020	-	-	-
Education	28,335,473	-	-	-
Public works	5,599,955	795,797	3,830,747	974,720
Interest on long-term debt	642,947	-	-	-
<b>Total Governmental Activities</b>	<b>63,835,556</b>	<b>2,938,278</b>	<b>9,123,843</b>	<b>6,365,673</b>
<b>Business-Type Activities</b>				
Airport	893,776	541,923	-	803,670
Landfill	2,538,371	3,032,304	-	-
<b>Total Business-Type Activities</b>	<b>3,432,147</b>	<b>3,574,227</b>	<b>-</b>	<b>803,670</b>
<b>Total Primary Government</b>	<b>\$ 67,267,703</b>	<b>\$ 6,512,505</b>	<b>\$ 9,123,843</b>	<b>\$ 7,169,343</b>
<b>Component Units</b>				
Board of Education of Dorchester County	63,358,040	3,243,617	74,005,984	-
Dorchester County Sanitary Districts	733,300	673,732	-	10,602
<b>Total Component Units</b>	<b>\$ 64,091,340</b>	<b>\$ 3,917,349</b>	<b>\$ 74,005,984</b>	<b>\$ 10,602</b>

**General Revenues (Expenses)**

Taxes:

Property

Income

Other

Licenses and permits

Interest

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets, Beginning of Year

Net Assets, End of Year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Board of Education of Dorchester County	Dorchester County Sanitary Districts
\$ (1,146,452)	\$ -	\$ (1,146,452)	\$ -	\$ -
(10,450,802)	-	(10,450,802)	-	-
(545,583)	-	(545,583)	-	-
(492,897)	-	(492,897)	-	-
4,126,848	-	4,126,848	-	-
(800,744)	-	(800,744)	-	-
(7,121,020)	-	(7,121,020)	-	-
(28,335,473)	-	(28,335,473)	-	-
1,309	-	1,309	-	-
(642,947)	-	(642,947)	-	-
<u>(45,407,762)</u>	<u>-</u>	<u>(45,407,762)</u>	<u>-</u>	<u>-</u>
-	451,817	451,817	-	-
-	493,933	493,933	-	-
-	945,750	945,750	-	-
<u>(45,407,762)</u>	<u>945,750</u>	<u>(44,462,012)</u>	<u>-</u>	<u>-</u>
-	-	-	13,891,561	-
-	-	-	-	(48,966)
-	-	-	13,891,561	(48,966)
27,384,451	-	27,384,451	-	-
12,561,789	-	12,561,789	-	-
3,723,559	-	3,723,559	-	-
237,134	-	237,134	-	-
228,870	207,921	436,791	58,383	34,089
575,553	47,705	623,258	398,538	-
<u>44,711,356</u>	<u>255,626</u>	<u>44,966,982</u>	<u>456,921</u>	<u>34,089</u>
<u>(296,015)</u>	<u>296,015</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>44,415,341</u>	<u>551,641</u>	<u>44,966,982</u>	<u>456,921</u>	<u>34,089</u>
(992,421)	1,497,391	504,970	14,348,482	(14,877)
<u>42,578,794</u>	<u>15,492,323</u>	<u>58,071,117</u>	<u>56,199,874</u>	<u>4,415,837</u>
<u>\$ 41,586,373</u>	<u>\$ 16,989,714</u>	<u>\$ 58,576,087</u>	<u>\$ 70,548,356</u>	<u>\$ 4,400,960</u>

**DORCHESTER COUNTY, MARYLAND**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**June 30, 2009**

	General Fund	Special Revenue	Capital Projects Funds
<b>ASSETS</b>			
Cash and short-term investments	\$ 3,172,329	\$ -	\$ 945,978
Receivables:			
State and local property taxes	3,684,144	-	-
Federal government	183,610	430,840	-
State of Maryland	-	386,538	-
Local	1,632,918	-	-
Other	1,398,197	-	-
Interfund	8,681,433	1,694,018	549,753
Other	55,746	-	171,463
<b>Total assets</b>	<b>\$ 18,808,377</b>	<b>\$ 2,511,396</b>	<b>\$ 1,667,194</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 1,631,961	\$ 609,230	\$ 156,434
Due to State of Maryland	372,693	-	-
Due to delinquent taxpayers	426,599	-	-
Interfund payables	9,593,539	6,239	4,996,123
Due to others	26,170	-	-
Deferred revenue	3,705,126	1,416,811	-
Other	102,572	-	-
<b>Total liabilities</b>	<b>15,858,660</b>	<b>2,032,280</b>	<b>5,152,557</b>
<b>FUND BALANCES</b>			
Reserved for:			
Prepaid expenditures	55,746	-	-
Schools and courthouse	-	-	-
Public safety communication system	-	-	-
Sheriff	-	-	-
Unreserved:			
Designated for legal indemnification	100,000	-	-
Designated for 2010 expenditures	2,270,161	-	-
Designated for capital projects	-	-	1,007,608
Designated for other purposes	-	479,116	-
Undesignated	523,810	-	(4,492,971)
<b>Total fund balances</b>	<b>2,949,717</b>	<b>479,116</b>	<b>(3,485,363)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,808,377</b>	<b>\$ 2,511,396</b>	<b>\$ 1,667,194</b>

Tax Funds	Reserve Fund	Other Governmental Funds	Total Governmental Funds
\$ 4,595,363	\$ 3,102,318	\$ 23,183	\$ 11,839,171
-	-	-	3,684,144
-	-	-	614,450
-	-	-	386,538
-	-	-	1,632,918
66,246	-	-	1,464,443
2,008,497	2,251,502	22,518	15,207,721
-	-	-	227,209
<u>\$ 6,670,106</u>	<u>\$ 5,353,820</u>	<u>\$ 45,701</u>	<u>\$ 35,056,594</u>
\$ 278,835	\$ -	\$ 20,430	\$ 2,696,890
-	-	-	372,693
-	-	-	426,599
3,490,278	-	-	18,086,179
-	-	-	26,170
-	-	25,271	5,147,208
-	-	-	102,572
<u>3,769,113</u>	<u>-</u>	<u>45,701</u>	<u>26,858,311</u>
-	-	-	55,746
2,663,796	-	-	2,663,796
121,366	-	-	121,366
115,831	-	-	115,831
-	-	-	100,000
-	-	-	2,270,161
-	-	-	1,007,608
-	-	-	479,116
-	5,353,820	-	1,384,659
<u>2,900,993</u>	<u>5,353,820</u>	<u>-</u>	<u>8,198,283</u>
<u>\$ 6,670,106</u>	<u>\$ 5,353,820</u>	<u>\$ 45,701</u>	<u>\$ 35,056,594</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 ASSETS**  
**June 30, 2009**

Total fund balances, governmental funds \$ 8,198,283

Amounts reported for governmental activities in the statement of net assets  
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 Assets. 48,423,987

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 Assets. 3,048,015

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 Assets. Those liabilities consist of:

Bonds, notes and capital leases payable	(17,569,714)
Pension liability	(637,574)
Compensated absences	(709,257)
Other post-employment benefits obligation	<u>832,633</u>

Total long-term liabilities (18,083,912)

Net assets of governmental activities in the Statement of Net Assets \$ 41,586,373

**DORCHESTER COUNTY, MARYLAND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2009**

	General Fund	Special Revenue	Capital Projects Funds
<b>REVENUES:</b>			
Taxes	\$ 41,853,954	\$ -	\$ -
Licenses and permits	237,134	-	-
Intergovernmental:			
Federal	525,887	5,291,381	-
State	6,911,439	2,524,584	236,225
Service charges and fees	2,938,278	-	-
Miscellaneous	404,864	36,815	-
<b>Total revenues</b>	<b>52,871,556</b>	<b>7,852,780</b>	<b>236,225</b>
<b>EXPENDITURES:</b>			
Current:			
General government	3,787,476	52,502	36,707
Public safety	10,932,094	392,323	70,966
Social services	497,466	1,900,425	-
Recreation and parks	509,074	68,506	-
Natural resources	423,918	122,610	-
Economic development	613,882	175,793	7,165
Miscellaneous	6,101,084	-	16,506
Education	19,220,417	-	5,783,877
Public works	4,632,837	417,219	93,323
Debt service:			
Principal	2,160,722	-	-
Interest	613,957	-	-
Capital outlay	482,576	4,759,138	1,441,229
<b>Total expenditures</b>	<b>49,975,503</b>	<b>7,888,516</b>	<b>7,449,773</b>
Excess (deficiency) of revenues over expenditures	2,896,053	(35,736)	(7,213,548)
<b>OTHER FINANCING SOURCES (USES):</b>			
Note proceeds	774,881	-	272,500
Increase in pension liability	15,560	-	-
Interest and dividends received	67,044	17,166	19,233
Transfers, net	(5,009,001)	29,900	2,028,433
<b>Total other financing sources (uses)</b>	<b>(4,151,516)</b>	<b>47,066</b>	<b>2,320,166</b>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(1,255,463)	11,330	(4,893,382)
Fund balances, beginning of year	4,205,180	467,786	1,408,019
<b>Fund balances, end of year</b>	<b>\$ 2,949,717</b>	<b>\$ 479,116</b>	<b>\$ (3,485,363)</b>

Tax Funds	Reserve Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,334,419	\$ -	\$ -	\$ 43,188,373
-	-	-	237,134
-	-	-	5,817,268
-	-	-	9,672,248
-	-	-	2,938,278
-	-	133,874	575,553
<u>1,334,419</u>	<u>-</u>	<u>133,874</u>	<u>62,428,854</u>
268,774	-	116,035	4,261,494
289,733	-	-	11,685,116
-	-	-	2,397,891
-	-	-	577,580
-	-	-	546,528
-	-	103,577	900,417
-	-	1,003,430	7,121,020
3,331,179	-	-	28,335,473
-	-	-	5,143,379
142,360	-	-	2,303,082
28,990	-	-	642,947
-	-	-	6,682,943
<u>4,061,036</u>	<u>-</u>	<u>1,223,042</u>	<u>70,597,870</u>
<u>(2,726,617)</u>	<u>-</u>	<u>(1,089,168)</u>	<u>(8,169,016)</u>
-	-	-	1,047,381
-	-	-	15,560
26,289	99,138	-	228,870
178,272	2,251,502	224,879	(296,015)
<u>204,561</u>	<u>2,350,640</u>	<u>224,879</u>	<u>995,796</u>
(2,522,056)	2,350,640	(864,289)	(7,173,220)
5,423,049	3,003,180	864,289	15,371,503
<u>\$ 2,900,993</u>	<u>\$ 5,353,820</u>	<u>\$ -</u>	<u>\$ 8,198,283</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, 2009**

Net change in fund balances, governmental funds \$ (7,173,220)

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	6,682,943	
Depreciation expense	<u>(3,041,390)</u>	
Excess of capital outlay over depreciation expense		3,641,553

Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets. In the current period, loans of this amount were issued: (1,047,381)

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 2,303,082

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 decreased by this amount this year. 481,426

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:

Increase in pension liability	(15,560)
Increase in compensated absences	(14,954)
Change in other post-employment benefits obligation	<u>832,633</u>

Change in net assets of governmental activities \$ (992,421)

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

**DORCHESTER COUNTY, MARYLAND**

**STATEMENT OF FUND NET ASSETS**

**PROPRIETARY FUNDS**

**June 30, 2009**

	Business-Type Activities		
	Landfill	Airport	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 7,828,244	\$ 325	\$ 7,828,569
Receivables:			
Accounts, net of \$126,786 allowance (landfill) and \$12,500 allowance (airport)	322,859	106,772	429,631
Federal Government	-	733,363	733,363
State of Maryland	-	19,883	19,883
Interfund	1,931,921	946,537	2,878,458
Inventories	-	50,175	50,175
<b>Total current assets</b>	<b>10,083,024</b>	<b>1,857,055</b>	<b>11,940,079</b>
Noncurrent assets			
Capital assets at cost	11,495,330	13,999,562	25,494,892
Less accumulated depreciation	(8,038,224)	(3,121,582)	(11,159,806)
<b>Total noncurrent assets</b>	<b>3,457,106</b>	<b>10,877,980</b>	<b>14,335,086</b>
<b>Total assets</b>	<b>\$ 13,540,130</b>	<b>\$ 12,735,035</b>	<b>\$ 26,275,165</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 58,263	\$ 652,884	\$ 711,147
Accrued vacation	18,058	4,824	22,882
Deferred revenue	-	5,350	5,350
Interfund payables	-	-	-
Current maturities long-term debt	2,000	31,000	33,000
<b>Total current liabilities</b>	<b>78,321</b>	<b>694,058</b>	<b>772,379</b>
Noncurrent liabilities			
Accrued vacation	22,380	3,523	25,903
Landfill - closure and postclosure	8,053,169	-	8,053,169
Long-term debt, less current maturities	-	434,000	434,000
<b>Total noncurrent liabilities</b>	<b>8,075,549</b>	<b>437,523</b>	<b>8,513,072</b>
<b>Total liabilities</b>	<b>\$ 8,153,870</b>	<b>\$ 1,131,581</b>	<b>\$ 9,285,451</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 3,455,106	\$ 10,412,980	\$ 13,868,086
Unrestricted	1,931,154	1,190,474	3,121,628
<b>Total net assets</b>	<b>\$ 5,386,260</b>	<b>\$ 11,603,454</b>	<b>\$ 16,989,714</b>

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

**DORCHESTER COUNTY, MARYLAND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
 PROPRIETARY FUNDS  
 Year Ended June 30, 2009**

	Business-Type Activities		
	Landfill	Airport	Totals
<b>OPERATING REVENUES:</b>			
Tipping fees	\$ 2,940,163	\$ -	\$ 2,940,163
Permits	92,141	-	92,141
Fuel sales	-	364,920	364,920
Hangar and tie-down rentals	-	177,003	177,003
Other	39,012	8,693	47,705
<b>Total operating revenues</b>	<b>3,071,316</b>	<b>550,616</b>	<b>3,621,932</b>
<b>OPERATING EXPENSES:</b>			
Salaries and related taxes	855,971	142,371	998,342
Repairs and maintenance	200,382	56,273	256,655
Rental of land, buildings and equipment	50,765	12,100	62,865
Fuel	170,258	286,474	456,732
Closure and postclosure costs accrual	285,582	-	285,582
Utilities	17,964	78,236	96,200
Depreciation	779,486	262,734	1,042,220
Other operating	177,963	35,456	213,419
<b>Total operating expenses</b>	<b>2,538,371</b>	<b>873,644</b>	<b>3,412,015</b>
<b>Net operating income (loss)</b>	<b>532,945</b>	<b>(323,028)</b>	<b>209,917</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Grants - Federal government	-	783,063	783,063
Grants - state government	-	20,607	20,607
Interest income	207,921	-	207,921
Interest expense	-	(20,132)	(20,132)
<b>Total non-operating revenues</b>	<b>207,921</b>	<b>783,538</b>	<b>991,459</b>
Income before transfers	740,866	460,510	1,201,376
Operating transfers	-	296,015	296,015
Change in net assets	740,866	756,525	1,497,391
Net assets beginning of year	4,645,394	10,846,929	15,492,323
<b>Net assets end of year</b>	<b>\$ 5,386,260</b>	<b>\$ 11,603,454</b>	<b>\$ 16,989,714</b>

*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, 2009**

	Landfill	Airport	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 3,642,255	\$ 80,559	\$ 3,722,814
Other receipts	39,012	8,693	47,705
Payments to employees	(851,428)	(142,290)	(993,718)
Payments for services	(17,964)	(78,236)	(96,200)
Payments for rentals	(50,765)	(12,100)	(62,865)
Payments for materials and supplies	(445,066)	276,280	(168,786)
Other payments	(177,963)	(35,456)	(213,419)
Net cash provided by operating activities	<u>2,138,081</u>	<u>97,450</u>	<u>2,235,531</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Increase in interfund receivable	(1,286,823)	(321,727)	(1,608,550)
Operating transfers from General Fund	-	296,015	296,015
Net cash used by non-capital financing activities	<u>(1,286,823)</u>	<u>(25,712)</u>	<u>(1,312,535)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Grant and bond receipts	-	803,670	803,670
Repayment of long-term debt	-	(31,000)	(31,000)
Purchases of property and equipment	(205,052)	(824,276)	(1,029,328)
Interest paid	-	(20,132)	(20,132)
Net cash used by financing activities	<u>(205,052)</u>	<u>(71,738)</u>	<u>(276,790)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income received	207,921	-	207,921
Net increase in cash and short-term investments	854,127	-	854,127
Cash and short-term investments, beginning of year	6,974,117	325	6,974,442
Cash and short-term investments, end of year	<u>\$ 7,828,244</u>	<u>\$ 325</u>	<u>\$ 7,828,569</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ 532,945	\$ (323,028)	\$ 209,917
Adjustments:			
Depreciation	779,486	262,734	1,042,220
Loss on disposal of capital asset	58,818	-	58,818
Landfill closure and postclosure cost accrual	285,582	-	285,582
(Increase) decrease in assets:			
Accounts receivable	609,951	(465,170)	144,781
Inventory	-	556	556
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	(130,976)	619,027	488,051
Accrued vacation	4,543	81	4,624
Deferred revenue	-	3,250	3,250
Interfund payable	(2,268)	-	(2,268)
Total adjustments	<u>1,605,136</u>	<u>420,478</u>	<u>2,025,614</u>
Net cash provided by operating activities	<u>\$ 2,138,081</u>	<u>\$ 97,450</u>	<u>\$ 2,235,531</u>

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

**DORCHESTER COUNTY, MARYLAND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**June 30, 2009**

	<u>Other Post-Employment Benefits Trust Fund</u>
<b>ASSETS</b>	
Cash	\$ 2,203,445
<hr/>	
Total assets	2,203,445
<hr/>	
<b>NET ASSETS</b>	
Net assets held in trust for other post-employment benefits	\$ 2,203,445
<hr/>	

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



**DORCHESTER COUNTY, MARYLAND**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**Year Ended June 30, 2009**

	Other Post-Employment Benefits Trust Fund
<b>ADDITIONS:</b>	
Contributions	
Employer	\$ 2,203,430
<span style="float: right;">Total contributions</span> <span style="float: right;">2,203,430</span>	
Investment income	
Interest	15
<span style="float: right;">Total additions</span> <span style="float: right;">2,203,445</span>	
Change in net assets	2,203,445
Net assets beginning of year	-
<span style="float: right;">Net assets end of year</span> <span style="float: right;">\$ 2,203,445</span>	

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

The *Dorchester County Sanitary Districts (DCSD)* 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 DCSD 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 assets 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 assets 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 assets 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. Nonmajor 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 major 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 Dorchester County Reserve Fund, the Special Revenue Grants Fund, which includes Local Management Board (LMB) grant activity, the Commissary Fund, the Transfer Tax Fund and the Tourism Marketing Fund are special revenue funds of the County.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

Capital Projects Funds – The Capital Projects 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.

Reserve Fund – The purpose of the strategic Reserve fund 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.

The Reserve Fund is a major special revenue fund which does not have a legally adopted budget and therefore is not included in the required supplemental information.

#### **Proprietary Fund Types**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, 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 held by the County as an agent for other funds.

## 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 assets.

##### 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 assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. 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.

Nonexchange 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 nonexchange 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, 2009, but which were levied to finance fiscal year 2008 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 assets 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 assets 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	3 - 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 assets. The only interfund balances which remain on the government-wide statement of net assets 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 Assets

Net assets represent the difference between assets and liabilities. Net assets invested 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 assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

#### M. Fund Balance Reserves

The County reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods.

#### 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. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity 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.



## NOTES TO FINANCIAL STATEMENTS

### Note 2. Summary of Significant Accounting Policies (continued)

#### 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.

### 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 acceptances, or money market mutual funds.

#### Primary Government

At June 30, 2009, the Primary Government had bank deposits with various commercial banks totaling \$20,050,550 (carrying value \$19,667,740). As required by law, each depository is required 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 Primary Government's name at several banks. As of June 30, 2009, the County was exposed to custodial risk in the amount of \$3,634,572 in uninsured and/or uncollateralized deposits. On October 15, 2009, the Bank pledged securities to fully collateralize bank deposits.

#### Board of Education of Dorchester County

At June 30, 2009, the Board had bank deposits with various commercial banks totaling \$1,929,299 (carrying value \$1,399,819). As required by law, each depository is to pledge securities in addition to FDIC insurance at least equal to that amount on deposit at all times. The depository banks pledge collateral for specific accounts which are held in the Board's name at the Federal Reserve Bank of Boston. As of June 30, 2009, bank deposits were fully insured or collateralized. Investments of \$3,808,940 consist solely 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, 2009 the Dorchester County Sanitary Districts had bank deposits with various commercial banks totaling \$887,350 (carrying value \$886,204). Of the bank balance, \$554,484 was covered by federal depository insurance, and \$332,866 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, 2009, was as follows:

	Balances at June 30, 2008	Additions	Deletions/ Transfers	Balances at June 30, 2009
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 7,636,580	\$ 4,501,235	\$ -	\$ 12,137,815
Construction in progress	4,907,767	1,125,840	(4,051,508)	1,982,099
<b>Total capital assets, not being depreciated</b>	<b>12,544,347</b>	<b>5,627,075</b>	<b>(4,051,508)</b>	<b>14,119,914</b>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	22,090,613	-	118,000	22,208,613
Furniture and equipment	19,648,457	1,035,060	83,950	20,767,467
Leasehold improvements	286,572	-	-	286,572
Infrastructure assets	38,581,763	20,808	3,849,558	42,452,129
<b>Total capital assets, being depreciated</b>	<b>80,607,405</b>	<b>1,055,868</b>	<b>4,051,508</b>	<b>85,714,781</b>
Less: accumulated depreciation	(48,369,318)	(3,041,390)	-	(51,410,708)
<b>Net capital assets, being depreciated</b>	<b>32,238,087</b>	<b>(1,985,522)</b>	<b>4,051,508</b>	<b>34,304,073</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 44,782,434</b>	<b>\$ 3,641,553</b>	<b>\$ -</b>	<b>\$ 48,423,987</b>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 738,148
Public safety	1,675,943
Social services	1,880
Recreation and parks	81,795
Natural resources	2,230
Economic development	84,818
Public works	456,576
	<u>\$ 3,041,390</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (continued)

	Balances at June 30, 2008	Additions	Deletions/ Transfers	Balances at June 30, 2009
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Dorchester County Landfill</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 875,187	\$ -	\$ -	\$ 875,187
Construction in progress	261,720	84,603	(58,818)	287,505
<b>Total capital assets, not being depreciated</b>	<b>1,136,907</b>	<b>84,603</b>	<b>(58,818)</b>	<b>1,162,692</b>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	148,739	-	-	148,739
Machinery and equipment	3,739,940	120,449	-	3,860,389
Beulah landfill - cells	6,323,510	-	-	6,323,510
<b>Total capital assets, being depreciated</b>	<b>10,212,189</b>	<b>120,449</b>	<b>-</b>	<b>10,332,638</b>
Less: accumulated depreciation	(7,258,738)	(779,486)	-	(8,038,224)
<b>Net capital assets, being depreciated</b>	<b>2,953,451</b>	<b>(659,037)</b>	<b>-</b>	<b>2,294,414</b>
<b>Landfill capital assets, net</b>	<b>\$ 4,090,358</b>	<b>\$ (574,434)</b>	<b>\$ (58,818)</b>	<b>\$ 3,457,106</b>
<b>Dorchester County Airport</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 2,148,800	\$ 3,000	\$ -	\$ 2,151,800
Construction in progress	1,076,224	821,276	-	1,897,500
<b>Total capital assets, not being depreciated</b>	<b>3,225,024</b>	<b>824,276</b>	<b>-</b>	<b>4,049,300</b>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	9,691,845	-	-	9,691,845
Machinery and equipment	258,416	-	-	258,416
<b>Total capital assets, being depreciated</b>	<b>9,950,261</b>	<b>-</b>	<b>-</b>	<b>9,950,261</b>
Less: accumulated depreciation	(2,858,847)	(262,734)	-	(3,121,581)
<b>Net capital assets, being depreciated</b>	<b>7,091,414</b>	<b>(262,734)</b>	<b>-</b>	<b>6,828,680</b>
<b>Airport capital assets, net</b>	<b>\$ 10,316,438</b>	<b>\$ 561,542</b>	<b>\$ -</b>	<b>\$ 10,877,980</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 14,406,796</b>	<b>\$ (12,892)</b>	<b>\$ (58,818)</b>	<b>\$ 14,335,086</b>

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (continued)

Capital asset activity for the component units for the year ended June 30, 2009 was as follows:

	Balances at June 30, 2008	Additions	Deletions/ Transfers	Balances at June 30, 2009
<b>Board of Education of Dorchester County</b>				
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated</b>				
Construction in progress	\$ 9,540,763	\$ 16,137,160	\$(23,713,875)	\$ 1,964,048
Total capital assets, not being depreciated	9,540,763	16,137,160	(23,713,875)	1,964,048
<b>Capital assets, being depreciated</b>				
Buildings and improvements	74,342,327	351,640	22,777,462	97,471,429
Furniture and equipment	1,244,708	23,888	936,413	2,205,009
Vehicles	842,399	79,549	(55,350)	866,598
Total capital assets, being depreciated	76,429,434	455,077	23,658,525	100,543,036
Less: accumulated depreciation	(30,727,367)	(2,282,622)	55,350	(32,954,639)
Net capital assets, being depreciated	45,702,067	(1,827,545)	23,713,875	67,588,397
<b>Governmental activities capital assets, net</b>	<b>\$ 55,242,830</b>	<b>\$ 14,309,615</b>	<b>\$ -</b>	<b>\$ 69,552,445</b>
<b>Business-type activities</b>				
Equipment	\$ 559,950	\$ -	\$ -	\$ 559,950
Accumulated depreciation	(539,739)	(2,417)	-	(542,156)
<b>Business-type activities capital assets, net</b>	<b>\$ 20,211</b>	<b>\$ (2,417)</b>	<b>\$ -</b>	<b>\$ 17,794</b>
<b>Board of Education capital assets, net</b>	<b>\$ 55,263,041</b>	<b>\$ 14,307,198</b>	<b>\$ -</b>	<b>\$ 69,570,239</b>
<b>Dorchester County Sanitary Districts</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 2,645	\$ -	\$ -	\$ 2,645
Construction in progress	16,509	202,787	-	219,296
Total capital assets, not being depreciated	19,154	202,787	-	221,941
<b>Capital assets, being depreciated</b>				
Plant and equipment	7,128,907	1,573	-	7,130,480
Total capital assets, being depreciated	7,128,907	1,573	-	7,130,480
Less: accumulated depreciation	(3,326,552)	(161,450)	-	(3,488,002)
Net capital assets, being depreciated	3,802,355	(159,877)	-	3,642,478
<b>Sanitary Districts capital assets, net</b>	<b>\$ 3,821,509</b>	<b>\$ 42,910</b>	<b>\$ -</b>	<b>\$ 3,864,419</b>
<b>Total component units capital assets, net</b>	<b>\$ 59,084,550</b>	<b>\$ 14,350,108</b>	<b>\$ -</b>	<b>\$ 73,434,658</b>

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, 2009:

	Governmental Activities	Business-Type Activities
Amounts payable at June 30, 2008	\$ 20,547,582	\$ 542,161
Borrowings from bonds, notes payable, and capital leases	1,047,381	-
Increase in pension liability (See also Note 9)	15,560	-
Increase in vested vacation benefits and compensatory time	9,042	4,624
Repayment of long-term debt and capital lease obligations	(2,303,082)	(31,000)
Amounts payable at June 30, 2009	\$ 19,316,483	\$ 515,785

Long-term debt consists of the following as of June 30, 2009:

Dorchester County Governmental Activities Long-Term Debt

	Balances at June 30, 2008	Additions	Reductions	Balances at June 30, 2009	Amounts Due in One Year
<u>Capital Leases</u>					
Dell Financial Services capital lease agreement on the computer equipment. Lease due in annual installments of \$39,171 including interest at 6.46% through July 2010.	\$ 79,209	\$ -	\$ (34,057)	\$ 45,152	\$ 36,256
	\$ 79,209	\$ -	\$ (34,057)	\$ 45,152	\$ 36,256

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Long-Term Debt (continued)

	Balances at June 30, 2008	Additions	Reductions	Balances at June 30, 2009	Amounts Due in One Year
<b>Public Facilities Bonds</b>					
1996 Public Facilities Bonds due in annual principal installments of \$190,000 to \$1,065,000 through November 1, 2010; interest, payable semi-annually, from 3.5% to 6.7%.	\$ 665,000	\$ -	\$ (210,000)	\$ 455,000	\$ 225,000
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%.	5,230,000	-	(410,000)	4,820,000	435,000
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%.	6,750,000	-	(940,000)	5,810,000	965,000
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%.	1,795,000	-	(220,000)	1,575,000	230,000
<b>Total public facilities bonds</b>	<b>\$ 14,440,000</b>	<b>\$ -</b>	<b>\$(1,780,000)</b>	<b>\$ 12,660,000</b>	<b>\$ 1,855,000</b>

## NOTES TO FINANCIAL STATEMENTS

### Note 5. Long-Term Debt (continued)

	Balances at June 30, 2008	Additions	Reductions	Balances at June 30, 2009	Amounts Due in One Year
<u>State of Maryland Department of Natural Resources</u>					
<u>Maryland Industrial Land Act Loans (MILA)</u>					
Maryland Industrial Land Act loan due in quarterly installments of \$15,886, including interest at 6.32%, through March 2016, secured by 5.6 acres of land and improvements located in the Chesapeake Industrial Park in Cambridge, Maryland (known as the Regina building).	\$ 363,516	\$ -	\$ (40,858)	\$ 322,658	\$ 42,302
Maryland Industrial Land Act loan due in quarterly installments of \$21,177, including interest at 4.64%, through April 2012. A final balloon payment of \$397,242 is due at maturity (known as the Connelly Building).	549,455	-	(60,252)	489,203	61,691
Total MILA loans payable	\$ 912,971	\$ -	\$ (101,110)	\$ 811,861	\$ 103,993

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

	Balances at June 30, 2008	Additions	Transfers/ Reductions	Balances at June 30, 2009	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.	\$ 52,572	\$ -	\$ (4,780)	\$ 47,792	\$ 4,780
SEC 7-92 - Middle Hoopers Island Causeway; due in annual installments of \$5,516 through July 2020; no interest.	71,708	-	(5,516)	66,192	5,516
SEC 8-92 - McCready's Point Road; due in annual installments of \$1,683 through July 2019; no interest.	20,202	-	(1,683)	18,519	1,683
SEC 9-92 - Hoopersville Road; due in annual installments of \$2,718 through July 2020; no interest.	32,619	-	(2,718)	29,901	2,718
SEC 3-95 - Punch Island Road; due in annual installments of \$3,519 through July 2011; no interest.	14,072	-	(3,519)	10,553	3,519
SEC 2-96 - Rooster Island; due in annual installments of \$8,207 through July 2012; no interest.	41,030	-	(8,207)	32,823	8,207
SEC 03-03 - Hoopersville Road; due in annual installments of \$8,829 through July 2032; no interest.	233,667	232,131	-	465,798	8,829
SEC 04-02 - Hoopers Island Road; due in annual installments of \$6,032 through July 2027; no interest.	118,602	-	(5,930)	112,672	5,930
SEC 05-03 - Taylors Island - \$350,000 total loan to be repaid in 25 annual installments of \$14,000, no interest, to begin July 1 after the completion of the project.	92,333	272,500	-	364,833	14,593
SEC 18-02 - Punch Island Road; \$323,957 total loan to be repaid in 25 annual installments of \$12,958, no interest, to begin July 1 after the completion of the project.	323,957	-	-	323,957	12,958
<b>Total SEC loans payable</b>	<b>\$ 1,000,762</b>	<b>\$ 504,631</b>	<b>\$ (32,353)</b>	<b>\$ 1,473,040</b>	<b>\$ 68,733</b>



NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

	Balances at			Balances at		Amounts Due
	June 30, 2008	Additions	Reductions	June 30, 2009		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).	\$ 95,700	\$ -	\$ (13,200)	\$ 82,500	\$	14,300
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).	440,000	-	(25,000)	415,000		30,000
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%.	134,122	-	(6,188)	127,934		6,551
Note due in quarterly principal installments of \$24,313, plus interest at 5.33% through 2014 (known as the Delmarva Power and Light Building).	514,651	-	(71,174)	443,477		75,135
MDOT due in annual installments of \$200,000 to January 2013; no interest.	1,013,000	542,750	(200,000)	1,355,750		225,958
The Rippons Pier deferred purchase price due in annual principal installments of \$35,000 to \$40,000 through 2012, no interest.	195,000	-	(40,000)	155,000		40,000
Total notes payable	2,392,473	542,750	(355,562)	2,579,661		391,944
Total governmental activities debt	\$ 18,825,415	\$ 1,047,381	\$ (2,303,082)	\$ 17,569,714	\$	2,455,926

NOTES TO FINANCIAL STATEMENTS

**Note 5. Long-Term Debt (continued)**

Dorchester County Business-Type Activities Long-Term Debt

	Balances at June 30, 2008	Additions	Reductions	Balances at June 30, 2009	Amounts Due in One Year
<b>Dorchester County Landfill:</b>					
Refuse and bid bonds payable	\$ 2,000	\$ -	\$ -	\$ 2,000	\$ 2,000
<b>Dorchester County Airport:</b>					
Airport Improvement Bonds of 2003 issued through M&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%.	496,000	-	(31,000)	465,000	31,000
Total enterprise fund debt	\$ 498,000	\$ -	\$ (31,000)	\$ 467,000	\$ 33,000

Payments on bonds, notes payable, loans payable, and capital leases 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
2010	\$ 2,455,926	\$ 569,174	\$ 3,025,100
2011	2,504,484	486,558	2,991,042
2012	2,647,985	396,195	3,044,180
2013	2,360,386	317,828	2,678,214
2014	2,401,428	238,736	2,640,164
2015 - 2019	4,329,360	352,491	4,681,851
2020 - 2024	376,062	7,815	383,877
2025 - 2029	258,898	-	258,898
2030 - 2034	235,185	-	235,185
<b>Total governmental activities debt</b>	<b>\$ 17,569,714</b>	<b>\$ 2,368,797</b>	<b>\$ 19,938,511</b>

Business-Type Activities

Year Ending June 30	Principal	Interest	Totals
2010	\$ 33,000	\$ 19,483	\$ 52,483
2011	31,000	18,185	49,185
2012	31,000	16,886	47,886
2013	31,000	15,587	46,587
2014	31,000	14,287	45,287
2015 - 2019	310,000	51,957	361,957
<b>Total business-type activities debt</b>	<b>\$ 467,000</b>	<b>\$ 136,385</b>	<b>\$ 603,385</b>

Interest expense on all County long-term debt totaled \$663,079 for the year ended June 30, 2009.

NOTES TO FINANCIAL STATEMENTS

**Note 5. Long-Term Debt (continued)**

Long-term debt of the Dorchester County Sanitary Districts at June 30, 2009 consists of the following:

	Balances at June 30, 2008	Additions	Reductions	Balances at June 30, 2009
<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.	\$ 75,892	\$ -	\$ (4,325)	\$ 71,567
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.	38,285	-	(2,182)	36,103
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.	83,582	-	(4,238)	79,344
Loan payable to Bank of Eastern Shore due in monthly installments of \$488 including interest of 6.4% until April, 2010. Collateralized by a certificate of deposit held at the Bank of the Eastern Shore.	9,663	-	(4,937)	4,726
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.	8,609	-	(1,527)	7,082
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.	35,663	-	(3,981)	31,682
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.	20,807	-	(4,002)	16,805
Total Sanitary Districts' debt	\$ 272,501	\$ -	\$ (25,192)	247,309
Less: current maturities				26,231
				\$ 221,078

## 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, 2009 are as follows:

Year Ending June 30	Principal	Interest	Totals
2010	\$ 26,231	\$ 16,178	\$ 42,409
2011	22,767	14,785	37,552
2012	24,200	13,343	37,543
2013	24,871	11,800	36,671
2014	20,647	10,193	30,840
2015 - 2019	97,535	29,852	127,387
2020 - 2021	31,058	2,687	33,745
Total sanitary districts debt	\$ 247,309	\$ 98,838	\$ 346,147

### Note 6. Capital Leases

#### Primary Government

The County entered into a lease agreement in July 2007, for the purpose of acquiring computer equipment. The original cost of the equipment acquired under the capital lease agreement was \$124,830, which included \$6,450 of capitalized shipping cost. Accumulated depreciation on the equipment as of June 30, 2009 was \$49,932. Since the lease is a financing arrangement that transfers ownership at the end of the lease, the County has recorded the present value of the future minimum lease payments and the related assets in the appropriate funds.

<u>Year Ending June 30,</u>	
2010	39,171
2011	9,470
	48,641
Less amounts representing interest	(3,489)
Present value of net minimum lease payments	\$ 45,152

NOTES TO FINANCIAL STATEMENTS

**Note 7. Long-Term Operating Lease**

In July 2008, the County entered into a 2-year non-cancelable operating lease for its sanitary landfill site #2, commonly referred to as the "Golden Hill Landfill". Lease expense for 2009 was \$6,000. A final minimum lease payment of \$6,000 is due for the year ending June 30, 2010.

Component Unit - Board of Education

The Board of Education of Dorchester County 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>	
2010	\$ 521,842
2011	521,348
2012	376,372
2013	374,247
2014	267,551

Expenses under these leases, totaled approximately \$500,000 for the year ended June 30, 2009.

**Note 8. 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, 2009, appropriate due to/from other funds have been established.

Due to/from other funds balances as of June 30, 2009 were as follows:

<u>Primary Government</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental activities	\$ 15,207,721	\$ 18,086,179
Business-Type activities	2,878,458	-
Total due to/from other funds	\$ 18,086,179	\$ 18,086,179

**Note 9. 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 9. 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 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 2%, 5% or 7% of their covered salary depending upon the retirement option selected. The combined State contribution rate for the year ending 2009 is established by annual actuarial valuations. The current rate is 11.7% of covered payroll for teachers and 3.84% for classified employees. On-behalf payments consist of pension contributions made by the State of Maryland to the State Retirement System for applicable employees of the Board of Education. The amounts recognized as revenue and expenditures for the fiscal year ended June 30, 2009 was \$3,146,098 for the Board of Education.

**Employers' Payroll and Contributions Under the Plans**

The employers' current year payroll for the years ended June 30, 2009, 2008, and 2007, payroll covered under the various state plans, and contributions paid are as follows:

	2009	2008	2007
Total payroll	\$ 45,183,285	\$ 46,233,135	\$ 41,407,611
Payroll covered under the plans	40,963,901	42,528,763	38,687,276
Contributions paid:			
County payments	730,777	865,543	822,465
Board of Education payments	545,587	579,697	441,306
State On-Behalf payments:			
Board of Education	3,146,098	2,957,761	2,414,577

**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 \$637,574 fund deficit (an increase of \$15,560 over the prior fiscal year) over a period of 40 years. The fiscal year 2009 annual payment was \$32,910 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 Assets.

## NOTES TO FINANCIAL STATEMENTS

### Note 9. 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, 2009 and 2008 were \$5,220 and \$5,992, respectively. Post-employment health care cost for the year ended June 30, 2009 and 2008 were \$2,867 and \$3,802, respectively.

### Note 10. 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. As of July 1, 2008, the date of the last actuarial valuation, approximately 67 retirees were receiving benefits, and an estimated 262 active employees are potentially eligible to receive future benefits.

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. As of January 1, 2007, the date of the last actuarial valuation, approximately 209 retirees were receiving benefits, and an estimated 579 active employees are potentially eligible to receive future benefits.

#### **Funding Policy**

The County's retired employees who complete 16 years of service will receive full health care benefits (including dependents) of which the employer pays 85%. Employees with less than 16 years of service will pay on a pro-rata basis. Surviving spouses must pay 100% of the premium to continue coverage. As of July 1, 2008, the date of the last actuarial valuation, approximately 67 retirees were receiving benefits, and an estimated 262 active employees are potentially eligible to receive future benefits. For fiscal year 2009, the County contributed \$334,121 to the plan for 67 eligible retirees.

The Board pays retiree healthcare premiums based on years-of-service ranging from \$2,801 for 15 years of service to \$3,534 for 30 plus years of service until the retiree reaches age 65 up to a maximum of \$4,513 per year based on years of service. The retiree pays the remaining premium, including the cost of eligible dependents. For fiscal year 2009, the Board contributed \$779,746 to the plan for 216 eligible retirees.



NOTES TO FINANCIAL STATEMENTS

**Note 10. 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 County and Board are implementing GASB Statement 45 prospectively in fiscal year 2009, therefore the net OPEB obligation at the beginning of the fiscal year is zero. The County and Board pay 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.

	<b>Board</b>	<b>County</b>
Annual required contribution	\$ 1,174,000	\$ 1,704,933
Interest on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (expense)	1,174,000	1,704,933
Payments to retirees from general fund	-	(334,121)
Contribution made	(779,746)	(2,203,445)
Increase (decrease) in net OPEB Obligation	394,254	(832,633)
Net OPEB obligation, beginning of year	-	-
Net OPEB obligation, end of year	\$ 394,254	\$ (832,633)

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 1,704,933	148.84%	\$ (832,633)

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

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 1,174,000	66.42%	\$ 394,254

## NOTES TO FINANCIAL STATEMENTS

### Note 10. Post-Employment Health Care Benefits (continued)

#### Funding Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date of the County, the plan was zero percent funded. The actuarial accrued liability for benefits was \$15,302,442, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$13,581,270, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 113 percent.

As of January 1, 2007, the most recent actuarial valuation date of the Board, the plan was zero percent funded. The actuarial accrued liability for benefits was \$18,101,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$29,061,884, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 62 percent.

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, 2008 actuarial valuation of the County, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a funded rate of 7%; an annual healthcare cost trend of 9.48% 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, 2008 was 30 years.

In the January 1, 2007 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 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after five years of medical and drug insurance. The UAAL is being amortized on a level of percentage of payroll basis over a 30 year period. The remaining amortization period at July 1, 2008 was 30 years.

## NOTES TO FINANCIAL STATEMENTS

### **Note 11. 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 supplementary information for the year ended June 30, 2009.

### **Note 12. Reserved and Designated Fund Equity and Restricted Retained Earnings**

Reservations of fund equity show amounts that are not available for current appropriations or are legally restricted for specific uses. Within unreserved fund equity, designations are used to show the amounts within unreserved equity, which are intended to be used for specific purposes, but are not legally restricted. The purpose for each reservation or designation is indicated by the account title on the face of the balance sheet.

### **Note 13. Landfill Closure and Postclosure 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 postclosure care costs associated with it, currently estimated to be approximately \$10,900 each year for the next thirty years.

The Golden Hill landfill stopped accepting waste in 1991. The landfill has been capped and only has postclosure care costs associated with it, currently estimated to be approximately \$14,200 each year for the next thirty years.

The Old Beulah landfill stopped accepting waste in February 1996. The landfill is expected to be covered during fiscal year 2010 at an estimated total cost of approximately \$3,988,000. The County is currently waiting final approval of its plan of closure from the Maryland Department of the Environment. Postclosure care costs for this location are currently estimated to be approximately \$20,100 each year for the next thirty years.

NOTES TO FINANCIAL STATEMENTS

**Note 13. Landfill Closure and Postclosure Care Costs (continued)**

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

Secretary landfill

Postclosure care costs	\$ 328,224
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Golden Hill landfill

Postclosure care costs	425,280
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Old Beulah landfill

Closure costs	3,988,450
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Postclosure care costs	602,616
------------------------	---------

	4,591,066
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New Beulah landfill - cells 1 - 4

Closure costs	2,444,949
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Postclosure care costs	263,650
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	2,708,599
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Total closure and postclosure care costs	\$ 8,053,169
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The above amounts are based on the current costs to perform all closure and postclosure care as of June 30, 2009. As noted above, the County expects to cap the Old Beulah landfill over the next fiscal year. 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 \$7,828,000 of currently available assets for landfill closure and postclosure care costs. The shortfalls 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 postclosure care costs have been recognized. Total closure and postclosure care costs for Cells 1 & 2 are estimated to be approximately \$1,268,000 and \$137,000, respectively.

New Beulah landfill cell 3 was completed and began accepting waste in October 2002. Accrual of closure and postclosure care costs have been recognized based on the estimated capacity used to date (88.87%). Total closure and postclosure care costs for Cell 3 are estimated to be approximately \$939,000 and \$101,000, respectively.

New Beulah landfill cell 4 was completed and began accepting waste in January 2007. Accrual of closure and postclosure care costs have been recognized based on the estimated capacity used to date (32.41%). Total closure and postclosure care costs for Cell 4 are estimated to be approximately \$238,000 and \$26,000, respectively.

## NOTES TO FINANCIAL STATEMENTS

### Note 14. 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.

##### Conduit Debt

In August 1999, the County issued Economic Development Revenue Bonds in the amount of \$5,000,000 to fund plant expansions at Hi-Tech Plastics in Cambridge, Maryland. While the bonds were issued through the County, there is no liability or responsibility on behalf of the County for repayment of the debt.

##### 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 coverages, 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.

## NOTES TO FINANCIAL STATEMENTS

### Note 14. 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 collectibility of any related receivable at June 30, 2009 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 a lawsuit. After considering all relevant facts and the opinion of legal counsel, it is management's opinion that such litigation will not have a material adverse effect on the financial position of the Board.

The Board has active construction projects as of June 30, 2009. These projects are additions and/or renovations to school buildings. At June 30, 2009, the Board's commitments with contractors are as follows:

Projects	Expenditures to Date	Remaining Commitments
North Dorchester Middle School	\$ 19,653,963	\$ 2,195,904
Dorchester School of Technology	1,290,790	1,076,710

#### 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 5% for medical insurance and 15% for prescription coverage. In fiscal year 2009, ESMEC made payments on behalf of the Board in the amount of \$228,000 which is recognized as a revenue and expenditure/expense (included in fixed charges) in the financial statements.

## NOTES TO FINANCIAL STATEMENTS

### Note 14. Commitments and Contingencies (continued)

#### Dorchester County Sanitary Districts

The County Council of Dorchester County has guaranteed certain obligations of the Dorchester County Sanitary Districts, Inc. in the amount of \$16,805.

### Note 15. Individual Fund Disclosures

The following funds had an excess of expenditures over appropriations for the year ended June 30, 2009.

Fund	Budgeted Expenditures	Actual Expenditures	Excess of Actual Over Budgeted Expenditures
Special Revenue	\$ 2,595,095	\$ 7,888,516	\$ 5,293,421
Building Excise Tax	616,823	2,195,738	1,578,915
Transfer Tax	1,200,357	1,865,298	664,941

See revenue and expenditure detail special revenue grants fund for detailed breakout of cost.

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

During 2009 legislation was passed to maintain the "other post-employment benefits trust fund" (a fiduciary fund). All activities for the special revenue fund entitled "GASB 45 trust fund" are now being recorded in the fiduciary fund.

There are no longer legal requirements to maintain a debt service fund. Starting in 2009 all debt service activities are being recorded in the general fund.

During 2009 the economic development fund was no longer used and all activities are being recorded in the general fund.

**REQUIRED SUPPLEMENTARY INFORMATION**



**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 27,269,547	\$ 27,269,547	\$ 26,903,025	\$ (366,522)
Income taxes	10,248,498	12,500,000	12,561,789	61,789
Other taxes	3,208,000	3,208,000	2,389,140	(818,860)
<b>Total taxes</b>	<b>40,726,045</b>	<b>42,977,547</b>	<b>41,853,954</b>	<b>(1,123,593)</b>
Licenses and permits	276,350	276,350	237,134	(39,216)
Intergovernmental:				
Federal	170,361	170,361	525,887	355,526
State	6,980,998	6,980,998	6,911,439	(69,559)
Service charges	2,535,452	2,535,452	2,938,278	402,826
Miscellaneous	2,155,699	2,177,492	404,864	(1,772,628)
<b>Total revenues</b>	<b>52,844,905</b>	<b>55,118,200</b>	<b>52,871,556</b>	<b>(2,246,644)</b>
<b>EXPENDITURES:</b>				
General government				
County council				
Operating personnel	306,079	306,079	278,690	27,389
Other	55,850	55,850	30,520	25,330
	361,929	361,929	309,210	52,719
Circuit court				
Operating personnel	94,728	94,728	99,353	(4,625)
Other	72,110	72,110	66,185	5,925
	166,838	166,838	165,538	1,300
Orphan's court				
Operating personnel	14,100	14,100	14,100	-
Other	7,210	7,210	6,652	558
	21,310	21,310	20,752	558
State's attorney				
Operating personnel	611,747	606,797	581,095	25,702
Other	130,228	135,178	112,658	22,520
	741,975	741,975	693,753	48,222
Elections				
Operating personnel	17,800	17,800	24,564	(6,764)
Other	385,292	385,292	333,536	51,756
	403,092	403,092	358,100	44,992
Finance & treasurer				
Operating personnel	383,780	383,780	385,743	(1,963)
Other	112,275	112,275	113,063	(788)
	496,055	496,055	498,806	(2,751)

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2009**  
**(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government (continued)				
Human resources				
Operating personnel	\$ 53,040	\$ 53,040	\$ 53,256	\$ (216)
Other	39,100	39,100	14,386	24,714
	<u>92,140</u>	<u>92,140</u>	<u>67,642</u>	<u>24,498</u>
Information technology				
Operating personnel	190,867	190,867	205,116	(14,249)
Other	66,300	66,300	24,114	42,186
	<u>257,167</u>	<u>257,167</u>	<u>229,230</u>	<u>27,937</u>
Other general government				
Operating personnel	85,663	85,663	84,388	1,275
Other	497,650	497,650	500,997	(3,347)
	<u>583,313</u>	<u>583,313</u>	<u>585,385</u>	<u>(2,072)</u>
Planning and zoning				
Operating personnel	448,864	448,864	453,447	(4,583)
Other	116,676	116,676	78,105	38,571
	<u>565,540</u>	<u>565,540</u>	<u>531,552</u>	<u>33,988</u>
Maintenance				
Operating personnel	174,911	174,911	174,763	148
Other	155,500	155,500	152,745	2,755
	<u>330,411</u>	<u>330,411</u>	<u>327,508</u>	<u>2,903</u>
<b>Total general government</b>	<u>4,019,770</u>	<u>4,019,770</u>	<u>3,787,476</u>	<u>232,294</u>
Public safety				
Sheriff				
Operating personnel	2,033,657	2,033,657	2,022,010	11,647
Other	623,500	623,500	604,817	18,683
	<u>2,657,157</u>	<u>2,657,157</u>	<u>2,626,827</u>	<u>30,330</u>
Volunteer fire and life support				
Other	754,991	754,991	684,039	70,952
	<u>754,991</u>	<u>754,991</u>	<u>684,039</u>	<u>70,952</u>
EMS				
Operating personnel	1,052,701	1,052,701	1,162,808	(110,107)
Other	1,278,116	1,278,116	1,225,121	52,995
	<u>2,330,817</u>	<u>2,330,817</u>	<u>2,387,929</u>	<u>(57,112)</u>
Detention center				
Operating personnel	2,484,164	2,484,164	2,457,405	26,759
Other	1,384,480	1,384,480	1,343,679	40,801
	<u>3,868,644</u>	<u>3,868,644</u>	<u>3,801,084</u>	<u>67,560</u>

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2009**  
**(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Public safety (continued)				
911 emergency communications				
Operating personnel	\$ 744,071	\$ 744,071	\$ 761,555	\$ (17,484)
Other	547,650	547,650	430,035	117,615
	<u>1,291,721</u>	<u>1,291,721</u>	<u>1,191,590</u>	<u>100,131</u>
Emergency management				
Operating personnel	45,039	45,039	45,223	(184)
Other	31,140	31,140	31,081	59
	<u>76,179</u>	<u>76,179</u>	<u>76,304</u>	<u>(125)</u>
Animal control				
Operating personnel	58,134	58,134	59,865	(1,731)
Other	97,450	97,450	104,456	(7,006)
	<u>155,584</u>	<u>155,584</u>	<u>164,321</u>	<u>(8,737)</u>
Total public safety	<u>11,135,093</u>	<u>11,135,093</u>	<u>10,932,094</u>	<u>202,999</u>
Social services				
Youth services				
Operating personnel	245,848	245,848	248,361	(2,513)
Other	24,000	24,000	12,675	11,325
	<u>269,848</u>	<u>269,848</u>	<u>261,036</u>	<u>8,812</u>
Other				
Other	266,576	266,576	236,430	30,146
	<u>266,576</u>	<u>266,576</u>	<u>236,430</u>	<u>30,146</u>
Total social services	<u>536,424</u>	<u>536,424</u>	<u>497,466</u>	<u>38,958</u>
Public works				
Highways & streets				
Operating personnel	1,611,072	1,611,072	1,623,996	(12,924)
Other	2,957,190	2,957,190	2,795,957	161,233
	<u>4,568,262</u>	<u>4,568,262</u>	<u>4,419,953</u>	<u>148,309</u>
Engineering				
Operating personnel	189,397	189,397	203,578	(14,181)
Other	15,000	15,000	9,306	5,694
	<u>204,397</u>	<u>204,397</u>	<u>212,884</u>	<u>(8,487)</u>
Total public works	<u>4,772,659</u>	<u>4,772,659</u>	<u>4,632,837</u>	<u>139,822</u>
Miscellaneous				
Other	6,489,741	6,292,051	6,101,084	190,967
Total miscellaneous	<u>6,489,741</u>	<u>6,292,051</u>	<u>6,101,084</u>	<u>190,967</u>

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2009**  
**(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Recreation and parks				
Recreation and parks				
Operating personnel	\$ 392,487	\$ 379,187	\$ 347,980	\$ 31,207
Other	150,950	164,250	161,094	3,156
Total recreation and parks	543,437	543,437	509,074	34,363
Natural resources				
Cooperative extension service				
Other	146,311	146,311	146,311	-
Other	146,311	146,311	146,311	-
Operating personnel	270,551	270,551	238,893	31,658
Other	32,725	32,725	38,714	(5,989)
Total natural resources	449,587	449,587	423,918	25,669
Economic development				
Economic development				
Operating personnel	152,055	176,586	172,846	3,740
Other	141,000	155,150	143,667	11,483
Other	293,055	331,736	316,513	15,223
Other	32,305	32,305	32,055	250
Tourism	32,305	32,305	32,055	250
Operating personnel	164,827	164,827	159,615	5,212
Other	113,200	123,343	105,699	17,644
Total economic development	603,387	652,211	613,882	38,329
Education				
Board of education	18,020,384	18,020,384	18,020,384	-
Chesapeake college	1,200,033	1,200,033	1,200,033	-
Total education	19,220,417	19,220,417	19,220,417	-
Debt service				
Principal	2,207,315	2,407,315	2,160,722	246,593
Interest	660,648	660,648	613,957	46,691
Capital outlay	32,000	32,000	482,576	(450,576)
Total expenditures	50,670,478	50,721,612	49,975,503	746,109
Excess (deficiency) of revenues over expenditures	2,174,427	4,396,588	2,896,053	(1,500,535)

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2009**  
**(continued)**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>OTHER FINANCING SOURCES (USES):</b>				
Note proceeds	\$ -	\$ -	\$ 774,881	\$ 774,881
Increase in pension liability	-	-	15,560	15,560
Interest and dividend	300,912	300,912	67,044	(233,868)
Transfers, net	(2,475,339)	(4,697,500)	(5,009,001)	(311,501)
Total other financing sources (uses)	(2,174,427)	(4,396,588)	(4,151,516)	245,072
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ (1,255,463)	\$ (1,255,463)

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE - GRANTS FUND**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
<b>REVENUES:</b>				
Intergovernmental Federal	\$ 44,174	\$ 104,174	\$ 5,291,381	\$ 5,187,207
Intergovernmental state	2,602,721	2,456,521	2,524,584	68,063
Miscellaneous	-	4,500	36,815	32,315
Total revenues	2,646,895	2,565,195	7,852,780	5,287,585
<b>EXPENDITURES:</b>				
General government				
Salaries	-	-	38,725	(38,725)
Other	-	-	13,777	(13,777)
Total general government	-	-	52,502	(52,502)
Public safety				
Salaries	55,866	55,866	120,917	(65,051)
Other	36,564	58,564	271,406	(212,842)
Total public safety	92,430	114,430	392,323	(277,893)
Social services				
Salaries	312,444	259,873	354,830	(94,957)
Other	1,596,247	1,519,661	1,545,595	(25,934)
Total social services	1,908,691	1,779,534	1,900,425	(120,891)
Recreation and parks				
Salaries	44,500	28,200	28,449	(249)
Other	76,665	58,422	40,057	18,365
Total recreation and parks	121,165	86,622	68,506	18,116
Natural resources				
Salaries	94,913	94,913	30,295	64,618
Other	199,261	199,261	92,315	106,946
Total natural resources	294,174	294,174	122,610	171,564
Economic development				
Salaries	-	45,511	74,166	(28,655)
Other	140,000	154,489	101,627	52,862
Total economic development	140,000	200,000	175,793	24,207
Public works				
Capital outlay	120,335	120,335	4,759,138	(4,638,803)
Total expenditures	2,676,795	2,595,095	7,888,516	(5,293,421)
Excess (deficiency) of revenues over expenditures	(29,900)	(29,900)	(35,736)	(5,836)

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE - GRANTS FUND**  
**Year Ended June 30, 2009**  
**(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES):</b>				
Interest and dividend received	\$ -	\$ -	\$ 17,166	\$ 17,166
Transfers in	29,900	29,900	29,900	-
Total other financing sources (uses)	29,900	29,900	47,066	17,166
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ 11,330	\$ 11,330

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL**  
**BUILDING EXCISE TAX**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
<b>REVENUES:</b>				
Building excise tax	\$ -	\$ -	\$ 472,224	\$ 472,224
<b>EXPENDITURES:</b>				
EDUCATION	616,823	616,823	2,195,738	(1,578,915)
Total expenditures	616,823	616,823	2,195,738	(1,578,915)
Deficiency of revenues over expenditures	(616,823)	(616,823)	(1,723,514)	(1,106,691)
<b>OTHER FINANCING SOURCES:</b>				
Interest and dividend received	-	-	26,289	26,289
Appropriated prior year surplus	616,823	616,823	-	(616,823)
Total other financing sources	616,823	616,823	26,289	(590,534)
Deficiency of revenues over expenditures and other financing sources	\$ -	\$ -	\$ (1,697,225)	\$ (1,697,225)



**DORCHESTER COUNTY, MARYLAND**

**REVENUE AND EXPENDITURE DETAIL**

**BUDGET AND ACTUAL**

**TRANSFER TAX FUND**

**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
<b>REVENUES:</b>				
County transfer tax	\$ 1,200,357	\$ 1,200,357	\$ 862,195	\$ (338,162)
<b>EXPENDITURES:</b>				
General government				
Salaries/other	80,864	80,864	96,767	(15,903)
Other expenses	138,000	138,000	172,007	(34,007)
Total general government	218,864	218,864	268,774	(49,910)
Public safety				
Salaries/other	254,580	254,580	254,913	(333)
Other expenses	4,828	4,828	34,820	(29,992)
Total public safety	259,408	259,408	289,733	(30,325)
<b>EDUCATION</b>	550,000	550,000	1,135,441	(585,441)
Debt service:				
Principal	142,969	142,969	142,360	609
Interest	29,116	29,116	28,990	126
Total expenditures	1,200,357	1,200,357	1,865,298	(664,941)
Deficiency of revenues over expenditures	-	-	(1,003,103)	(1,003,103)
<b>OTHER FINANCING SOURCES:</b>				
Transfers in	-	-	178,272	178,272
Total other financing sources	-	-	178,272	178,272
Deficiency of revenues over expenditures and other financing sources	\$ -	\$ -	\$ (824,831)	\$ (824,831)

**DORCHESTER COUNTY, MARYLAND**

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS**

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)
July 1, 2008	-	15,302,442	15,302,442	0.0%	13,581,270	113%

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 1,704,933	148.84%	\$ (832,633)

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL**  
**CAPITAL FUND**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Federal bridge revenue	\$ 3,208,000	\$ 3,208,000	\$ -	\$ (3,208,000)
Emergency Numbers Systems Board	6,250	6,250	236,225	229,975
Total revenues	3,214,250	3,214,250	236,225	(2,978,025)
<b>EXPENDITURES:</b>				
General government	116,688	116,688	72,419	44,269
Public Safety	541,089	541,089	896,697	(355,608)
Recreation and parks	7,600	7,600	15,800	(8,200)
Economic development	3,687,150	3,687,150	134,539	3,552,611
Education	2,621,386	2,621,386	5,783,877	(3,162,491)
Public works	5,925,604	5,925,604	522,730	5,402,874
Miscellaneous	-	-	16,506	(16,506)
Total expenditures	12,899,517	12,899,517	7,442,568	5,456,949
Excess (deficiency) of revenues over expenditures	(9,685,267)	(9,685,267)	(7,206,343)	2,478,924
<b>OTHER FINANCING SOURCES (USES):</b>				
Note proceeds	7,656,834	7,656,834	272,500	(7,384,334)
Interest	-	-	16,750	16,750
Operating transfers in	2,028,433	2,028,433	2,028,433	-
Total other financing sources (uses)	9,685,267	9,685,267	2,317,683	(7,367,584)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ (4,888,660)	\$ (4,888,660)

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL**  
**TOURISM MARKETING FUND**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
<b>REVENUES</b>				
Advertising support	\$ 15,000	\$ 15,000	\$ 11,927	\$ (3,073)
<u>Total revenues</u>	<u>15,000</u>	<u>15,000</u>	<u>11,927</u>	<u>(3,073)</u>
<b>EXPENDITURES</b>				
<b>ECONOMIC DEVELOPMENT</b>				
Advertising and promotion	105,000	106,650	97,076	9,574
Printing and publications	-	-	6,501	(6,501)
<u>Total expenditures</u>	<u>105,000</u>	<u>106,650</u>	<u>103,577</u>	<u>3,073</u>
Deficiency of revenues over expenditures	(90,000)	(91,650)	(91,650)	-
<b>OTHER FINANCING SOURCES</b>				
Transfers In	90,000	91,650	91,650	-
<u>Total other financing sources</u>	<u>90,000</u>	<u>91,650</u>	<u>91,650</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	\$ -	\$ -	\$ -	\$ -

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL**  
**ECONOMIC DEVELOPMENT FUND**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>EXPENDITURES</b>				
<b>ECONOMIC DEVELOPMENT</b>				
Salaries / other	\$ 26,841	\$ -	\$ -	\$ -
Other expenses	4,150	-	-	-
<u>Total expenditures</u>	<u>30,991</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deficiency of revenues over expenditures	(30,991)	-	-	-
<b>OTHER FINANCING SOURCES</b>				
Transfers In	30,991	-	-	-
<u>Total other financing sources</u>	<u>30,991</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of revenues and other financing sources over expenditures	\$ -	\$ -	\$ -	\$ -

**DORCHESTER COUNTY, MARYLAND**  
**STATEMENT OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**AIRPORT ENTERPRISE FUND**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUES:</b>				
Fuel sales	\$ 364,000	\$ 364,000	\$ 364,920	\$ 920
Hanger and tie-down rentals	179,000	179,000	177,003	(1,997)
Other	10,000	10,000	8,693	(1,307)
<b>Total operating revenues</b>	<b>553,000</b>	<b>553,000</b>	<b>550,616</b>	<b>(2,384)</b>
<b>OPERATING EXPENSES:</b>				
Salaries and related taxes	155,760	155,760	142,371	13,389
Repairs and maintenance	30,354	30,354	56,273	(25,919)
Rental of land, buildings and equipment	13,200	13,200	12,100	1,100
Fuel	246,000	246,000	286,474	(40,474)
Utilities	90,300	90,300	78,236	12,064
Depreciation	250,000	250,000	262,734	(12,734)
Other operating	41,940	41,940	35,456	6,484
<b>Total operating expenses</b>	<b>827,554</b>	<b>827,554</b>	<b>873,644</b>	<b>(46,090)</b>
<b>Net operating income (loss)</b>	<b>(274,554)</b>	<b>(274,554)</b>	<b>(323,028)</b>	<b>(48,474)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Grants - Federal government	-	-	783,063	783,063
Grants - state government	-	-	20,607	20,607
Interest expense	(21,461)	(21,461)	(20,132)	1,329
<b>Total non-operating revenues (expenses)</b>	<b>(21,461)</b>	<b>(21,461)</b>	<b>783,538</b>	<b>804,999</b>
<b>Income (loss) before transfers</b>	<b>(296,015)</b>	<b>(296,015)</b>	<b>460,510</b>	<b>756,525</b>
<b>Operating transfers</b>	<b>296,015</b>	<b>296,015</b>	<b>296,015</b>	<b>-</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 756,525</b>	<b>\$ 756,525</b>

**DORCHESTER COUNTY, MARYLAND**  
**STATEMENT OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**LANDFILL ENTERPRISE FUND**  
**Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
<b>OPERATING REVENUES:</b>				
Tipping fees	\$ 2,686,740	\$ 2,686,740	\$ 2,940,163	\$ 253,423
Permits	90,000	90,000	92,141	2,141
Other	1,231,000	1,231,000	39,012	(1,191,988)
<b>Total operating revenues</b>	<b>4,007,740</b>	<b>4,007,740</b>	<b>3,071,316</b>	<b>(936,424)</b>
<b>OPERATING EXPENSES:</b>				
Salaries and related taxes	1,049,490	1,049,490	855,971	193,519
Repairs and maintenance	282,000	282,000	200,382	81,618
Rental of land, buildings and equipment	72,000	63,464	50,765	12,699
Fuel	170,000	170,000	170,258	(258)
Closure and postclosure costs accrual	624,000	624,000	285,582	338,418
Utilities	11,250	15,215	17,964	(2,749)
Depreciation	580,000	580,000	779,486	(199,486)
Other operating	1,269,000	1,273,571	177,963	1,095,608
<b>Total operating expenses</b>	<b>4,057,740</b>	<b>4,057,740</b>	<b>2,538,371</b>	<b>1,519,369</b>
<b>Net operating income (loss)</b>	<b>(50,000)</b>	<b>(50,000)</b>	<b>532,945</b>	<b>582,945</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	50,000	50,000	207,921	157,921
<b>Total non-operating revenues (expenses)</b>	<b>50,000</b>	<b>50,000</b>	<b>207,921</b>	<b>157,921</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 740,866</b>	<b>\$ 740,866</b>



**DORCHESTER COUNTY, MARYLAND**

**COMBINING BALANCE SHEET**

**TAX FUNDS**

**June 30, 2009**

	<u>Building Excise Tax</u>	<u>Transfer Tax</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 4,595,363	\$ -	\$ 4,595,363
Accounts receivable	-	66,246	66,246
Interfund receivables	-	2,008,497	2,008,497
<b>Total assets</b>	<b>\$ 4,595,363</b>	<b>\$ 2,074,743</b>	<b>\$ 6,670,106</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ -	\$ 278,835	\$ 278,835
Interfund payables	3,490,278	-	3,490,278
<b>Total liabilities</b>	<b>3,490,278</b>	<b>278,835</b>	<b>3,769,113</b>
<b>FUND BALANCES</b>			
Reserved for:			
Schools and courthouse	867,888	1,795,908	2,663,796
Public safety communication system	121,366	-	121,366
Sheriff	115,831	-	115,831
<b>Total fund equity</b>	<b>1,105,085</b>	<b>1,795,908</b>	<b>2,900,993</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,595,363</b>	<b>\$ 2,074,743</b>	<b>\$ 6,670,106</b>

**DORCHESTER COUNTY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**TAX FUNDS**  
**Year Ended June 30, 2009**

	Building Excise Tax	Transfer Tax	Total
<b>REVENUES</b>			
Taxes	\$ 472,224	\$ 862,195	\$ 1,334,419
<b>EXPENDITURES</b>			
General government	-	268,774	268,774
Public safety	-	289,733	289,733
Education	2,195,738	1,135,441	3,331,179
Debt service:			
Principal	-	142,360	142,360
Interest	-	28,990	28,990
<b>Total expenditures</b>	<b>2,195,738</b>	<b>1,865,298</b>	<b>4,061,036</b>
<b>Deficiency of revenues over expenditures</b>	<b>(1,723,514)</b>	<b>(1,003,103)</b>	<b>(2,726,617)</b>
<b>OTHER FINANCING SOURCES:</b>			
Interest and dividend received	26,289	-	26,289
Transfer in	-	178,272	178,272
<b>Total other financing sources</b>	<b>26,289</b>	<b>178,272</b>	<b>204,561</b>
<b>Deficiency of revenues and other financing sources over expenditures</b>	<b>(1,697,225)</b>	<b>(824,831)</b>	<b>(2,522,056)</b>
Fund balances, beginning of year	2,802,310	2,620,739	5,423,049
Fund balances, end of year	\$ 1,105,085	\$ 1,795,908	\$ 2,900,993

**DORCHESTER COUNTY, MARYLAND**

**COMBINING BALANCE SHEET**

**CAPITAL PROJECTS FUNDS**

**June 30, 2009**

	<u>Capital Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and investments	\$ 524,148	\$ 421,830	\$ 945,978
Interfund receivables	-	549,753	549,753
Bond issuance costs, net	135,438	36,025	171,463
<b>Total assets</b>	<b>\$ 659,586</b>	<b>\$ 1,007,608</b>	<b>\$ 1,667,194</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 156,434	\$ -	\$ 156,434
Interfund payables	4,996,123	-	4,996,123
<b>Total liabilities</b>	<b>5,152,557</b>	<b>-</b>	<b>5,152,557</b>
<b>FUND BALANCES</b>			
Unreserved:			
Designated for capital projects	-	1,007,608	1,007,608
Undesignated	(4,492,971)	-	(4,492,971)
<b>Total fund equity</b>	<b>(4,492,971)</b>	<b>1,007,608</b>	<b>(3,485,363)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 659,586</b>	<b>\$ 1,007,608</b>	<b>\$ 1,667,194</b>

**DORCHESTER COUNTY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**CAPITAL PROJECTS FUNDS**  
**Year Ended June 30, 2009**

	Capital Fund	Capital Projects Fund	Total
<b>REVENUES</b>			
Emergency Numbers Systems Board	\$ 236,225	\$ -	\$ 236,225
<b>EXPENDITURES</b>			
General government	29,502	7,205	36,707
Public Safety	70,966	-	70,966
Economic development	7,165	-	7,165
Education	5,783,877	-	5,783,877
Public works	93,323	-	93,323
Miscellaneous	16,506	-	16,506
Capital outlay	1,441,229	-	1,441,229
<b>Total expenditures</b>	<b>7,442,568</b>	<b>7,205</b>	<b>7,449,773</b>
<b>Deficiency of revenues over expenditures</b>	<b>(7,206,343)</b>	<b>(7,205)</b>	<b>(7,213,548)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Note proceeds	272,500	-	272,500
Interest	16,750	2,483	19,233
Operating transfers in	2,028,433	-	2,028,433
<b>Total other financing sources</b>	<b>2,317,683</b>	<b>2,483</b>	<b>2,320,166</b>
<b>Excess (deficiency) of revenues and other financing sources over expenditures</b>	<b>(4,888,660)</b>	<b>(4,722)</b>	<b>(4,893,382)</b>
<b>Fund balances, beginning of year</b>	<b>395,689</b>	<b>1,012,330</b>	<b>1,408,019</b>
<b>Fund balances, end of year</b>	<b>\$ (4,492,971)</b>	<b>\$ 1,007,608</b>	<b>\$ (3,485,363)</b>

**DORCHESTER COUNTY, MARYLAND**

**COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS**

**June 30, 2009**

	Other Governmental Funds					Totals
	Debt Service Fund	Commissary Fund	Economic Development Fund	Tourism Marketing Fund	GASB 45 Trust Fund	
<b>ASSETS</b>						
Cash	\$ -	\$ 23,183	\$ -	\$ -	\$ -	\$ 23,183
Accounts receivable	-	-	-	-	-	-
Interfund	-	-	-	22,518	-	22,518
Prepaid expenditures	-	-	-	-	-	-
Bond issuance costs, net	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 23,183</b>	<b>\$ -</b>	<b>\$ 22,518</b>	<b>\$ -</b>	<b>\$ 45,701</b>
<b>LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 20,430	\$ -	\$ 20,430
Accrued leave	-	-	-	-	-	-
Deferred revenues	-	23,183	-	2,088	-	25,271
Interfund payables	-	-	-	-	-	-
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ 23,183</b>	<b>\$ -</b>	<b>\$ 22,518</b>	<b>\$ -</b>	<b>\$ 45,701</b>
<b>FUND BALANCES</b>						
Unreserved:						
Designated for capital projects	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-
<b>Total fund balances</b>	<b>\$ -</b>	<b>\$ 23,183</b>	<b>\$ -</b>	<b>\$ 22,518</b>	<b>\$ -</b>	<b>\$ 45,701</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 23,183</b>	<b>\$ -</b>	<b>\$ 22,518</b>	<b>\$ -</b>	<b>\$ 45,701</b>

**DORCHESTER COUNTY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2009**

	Other Governmental Funds					Totals
	Debt Service Fund	Commissary Fund	Economic Development Fund	Tourism Marketing Fund	GASB 45 Trust Fund	
<b>REVENUES</b>						
Intergovernmental:						
State	-	-	-	-	-	-
Miscellaneous	5,912	116,035	-	11,927	-	133,874
Total revenues	5,912	116,035	-	11,927	-	133,874
<b>EXPENDITURES</b>						
General government	-	116,035	-	-	-	116,035
Economic development	-	-	-	103,577	-	103,577
Miscellaneous	-	-	-	-	1,003,430	1,003,430
Total expenditures	-	116,035	-	103,577	1,003,430	1,223,042
Excess (deficiency) of revenues over expenditures	5,912	-	-	(91,650)	(1,003,430)	(1,089,168)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	133,229	-	-	91,650	-	224,879
Total other financing sources (uses)	133,229	-	-	91,650	-	224,879
Excess of revenues and other financing sources (uses) over expenditures	139,141	-	-	-	(1,003,430)	(864,289)
Fund balance, beginning of year	(139,141)	-	-	-	1,003,430	864,289
Fund balance, end of year	-	-	-	-	-	-

DORCHESTER COUNTY, MARYLAND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
DEFERRED COMPENSATION PLAN  
Year Ended June 30, 2009

	Balances, June 30, <u>2008</u>	Employee Contributions	Earnings on Investments	Distributions	Gains/Losses	Balances, June 30, <u>2009</u>
Assets:						
Investments	\$ 1,140,792	\$ 169,922	\$ (20,525)	\$ (130,446)	\$ (45,593)	\$ 1,114,150

Liabilities:

Due to participants	\$ 1,140,792	\$ 169,922	\$ (20,525)	\$ (130,446)	\$ (45,593)	\$ 1,114,150
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