

**COUNTY COUNCIL OF  
DORCHESTER COUNTY, MARYLAND**

**FINANCIAL REPORT**

**JUNE 30, 2010**

## CONTENTS

	Page(s)
INDEPENDENT AUDITORS' REPORT	3 - 4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5 - 18
FINANCIAL STATEMENTS	
Statement of Net Assets	19
Statement of Activities	20
Balance Sheet - Governmental Funds	21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	22
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Fund Net Assets - Proprietary Funds	25
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	26
Statement of Cash Flows - Proprietary Funds	27
Statement of Fiduciary Net Assets	28
Statement of Changes in Fiduciary Net Assets	29
NOTES TO FINANCIAL STATEMENTS	30 - 59
REQUIRED SUPPLEMENTARY INFORMATION	60
Revenue and Expenditure Detail - Budget and Actual - General Fund	61 - 65
Revenue and Expenditure Detail - Budget and Actual - Special Revenue - Grants Fund	66 - 67
Revenue and Expenditure Detail - Budget and Actual - Building Excise Tax	68
Revenue and Expenditure Detail - Budget and Actual - Transfer Tax Fund	69
Schedule of Funding Progress and Employer Contributions - Other Post Employment Benefits	70
ADDITIONAL SUPPLEMENTARY INFORMATION	71
Revenue and Expenditure Detail - Budget and Actual - Capital Fund	72
Revenue and Expenditure Detail - Budget and Actual - Tourism Marketing Fund	73
Statement of Revenues and Expenses - Budget and Actual - Airport Enterprise Fund	74
Statement of Revenues and Expenses - Budget and Actual - Landfill Enterprise Fund	75
Combining Balance Sheet - Other Governmental Funds	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Other Governmental Funds	77
Statement of Changes in Assets and Liabilities - Deferred Compensation Plan	78

## 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, 2010, 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, 2010, 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 November 9, 2010 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
Salisbury, Maryland  
November 9, 2010

**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 County's basic financial statements.

**FINANCIAL HIGHLIGHTS**

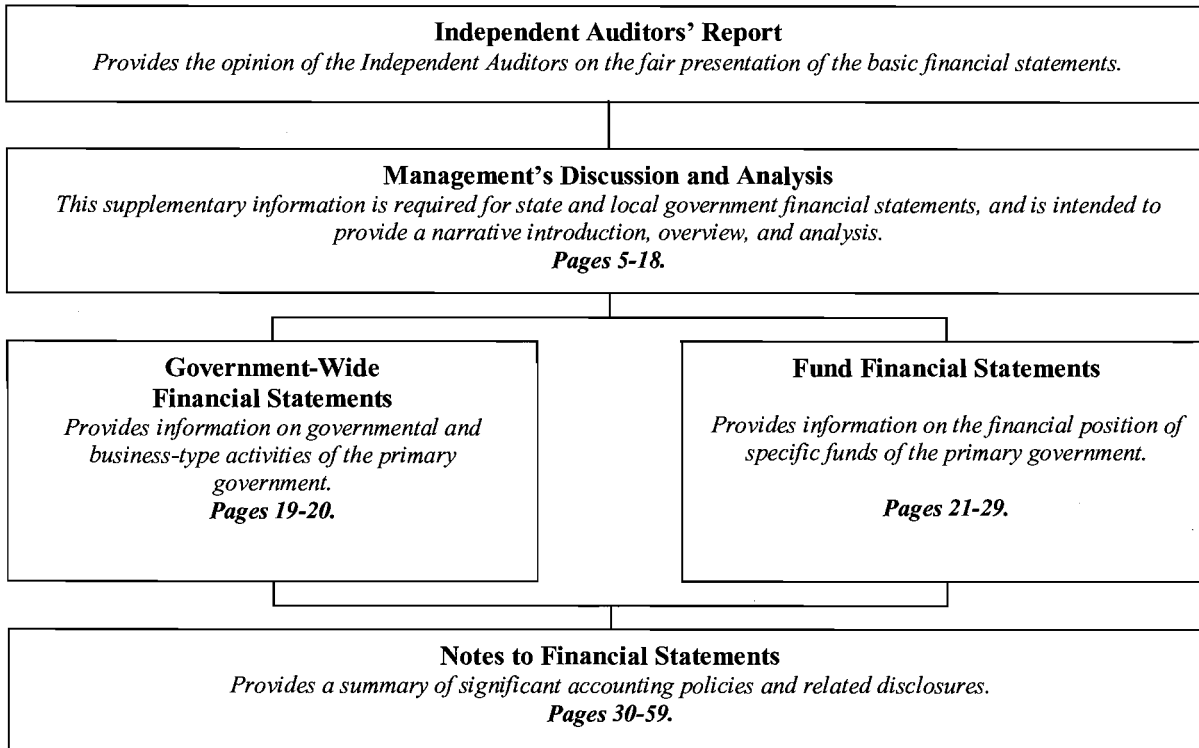
- The government-wide assets of the County exceeded its liabilities at the close of Fiscal Year 2010 (FY10) by \$51.9 million (total net assets). That amount is net of an \$8.0 million unrestricted deficit. The deficit occurs because the County issues debt to fund construction costs for Dorchester County Public Schools and Chesapeake College. Debt outstanding for these entities amounted to \$27.8 million at June 30, 2010. Absent the effect of this relationship, the County would have reported government-wide positive unrestricted assets of \$19.8 million.
- The County's government-wide net assets decreased by \$6.6 million.
- As of the close of FY10, the County's governmental funds reported combined ending fund balances of \$18.3 million, an increase of \$10.1 million from the prior year's ending fund balances. Of the total ending fund balances, \$14.5 million is available for spending at the County's discretion.
- At the end of FY10, unreserved fund balance for the General Fund was \$2.1 million, or 4.4 percent of total General Fund expenditures.
- The County's government-wide long-term debt increased by \$18.5 million during FY10. The key factors in this increase are:
  - The issuance of \$20.8 million in general obligation (GO) bonds, used to finance the County's share of the replacement of two schools in the public school system; the North Dorchester Middle School and the School of Technology;
  - The retirement of \$2.7 million in general obligation (GO) bonds and other debt; and
  - Net increase in Other Postemployment Benefits obligation of \$0.5 million

**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 two 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, 2010 and 2009:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets:						
Current and other assets	\$27,518,490	\$17,803,048	\$12,478,345	\$11,940,079	\$39,996,835	\$29,743,127
Capital assets	\$47,378,546	\$48,423,987	\$17,055,306	\$14,335,086	\$64,433,852	\$62,759,073
<b>Total assets</b>	<b>\$74,897,036</b>	<b>\$66,227,035</b>	<b>\$29,533,651</b>	<b>\$26,275,165</b>	<b>\$104,430,687</b>	<b>\$92,502,200</b>
Liabilities:						
Long-term debt outstanding	\$37,857,782	\$18,678,909	\$493,941	\$515,785	\$38,351,723	\$19,194,694
Other liabilities	\$5,464,268	\$5,961,753	\$8,675,348	\$8,769,666	\$14,139,616	\$14,731,419
<b>Total liabilities</b>	<b>\$43,322,050</b>	<b>\$24,640,662</b>	<b>\$9,169,289</b>	<b>\$9,285,451</b>	<b>\$52,491,339</b>	<b>\$33,926,113</b>
Net assets:						
Invested in capital assets, net						
of related debt	\$39,543,104	\$30,854,273	\$16,620,306	\$13,868,086	\$56,163,410	\$44,722,359
Restricted	\$3,753,753	\$2,956,739	\$0	\$0	\$3,753,753	\$2,956,739
Unrestricted (deficit)	-\$11,721,871	\$7,775,361	\$3,744,056	\$3,121,628	-\$7,977,815	\$10,896,989
<b>Total net assets</b>	<b>\$31,574,986</b>	<b>\$41,586,373</b>	<b>\$20,364,362</b>	<b>\$16,989,714</b>	<b>\$51,939,348</b>	<b>\$58,576,087</b>

The County's total assets increased by \$11.9 million or 12.9 percent from FY09. The County's assets exceeded its liabilities at the close of FY10 by \$51.9 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 \$27.8 million at June 30, 2010. Absent the effect of this relationship, the County would have reported government-wide positive unrestricted net assets of \$19.8 million.

The County's total net assets decreased by \$6.6 million or 11.3 percent from FY09. This decline largely reflects an 8 percent reduction in total revenues and a 2 percent increase in total expenses.



## Statement of Activities

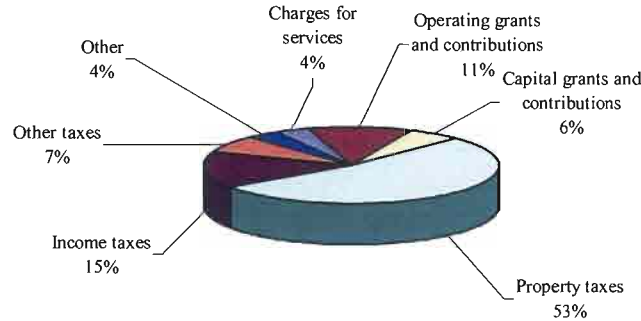
The following table summarizes the County's change in net assets for the years ended June 30, 2010 and 2009:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$2,078,303	\$2,938,278	\$2,926,160	\$3,574,227	\$5,004,463	\$6,512,505
Operating grants and contributions	\$6,198,013	\$9,123,843	\$0	\$0	\$6,198,013	\$9,123,843
Capital grants and contributions	\$3,316,041	\$6,365,673	\$3,249,605	\$803,670	\$6,565,646	\$7,169,343
General revenues:						
Property taxes	\$29,277,032	\$27,384,451	\$0	\$0	\$29,277,032	\$27,384,451
Income taxes	\$8,636,162	\$12,561,789	\$0	\$0	\$8,636,162	\$12,561,789
Other taxes	\$3,887,098	\$3,723,559	\$0	\$0	\$3,887,098	\$3,723,559
Other	\$2,063,567	\$1,041,557	\$182,959	\$255,626	\$2,246,526	\$1,297,183
Total revenues	\$55,456,216	\$63,139,150	\$6,358,724	\$4,633,523	\$61,814,940	\$67,772,673
Expenses:						
Governmental Activities:						
General government	\$5,940,579	\$4,181,963	\$0	\$0	\$5,940,579	\$4,181,963
Public safety	\$13,030,555	\$13,361,059	\$0	\$0	\$13,030,555	\$13,361,059
Social services	\$2,811,961	\$2,399,771	\$0	\$0	\$2,811,961	\$2,399,771
Public works	\$5,695,512	\$5,599,955	\$0	\$0	\$5,695,512	\$5,599,955
Miscellaneous	\$5,391,480	\$7,121,020	\$0	\$0	\$5,391,480	\$7,121,020
Recreation and parks	\$744,044	\$659,375	\$0	\$0	\$744,044	\$659,375
Natural Resources	\$513,643	\$548,758	\$0	\$0	\$513,643	\$548,758
Economic Development	\$1,240,456	\$985,235	\$0	\$0	\$1,240,456	\$985,235
Interest on Debt	\$563,099	\$642,947	\$0	\$0	\$563,099	\$642,947
Education	\$29,099,013	\$28,335,473	\$0	\$0	\$29,099,013	\$28,335,473
Business-Type Activities:						
Aviation	\$0	\$0	\$813,428	\$893,776	\$813,428	\$893,776
Solid waste	\$0	\$0	\$2,607,909	\$2,538,371	\$2,607,909	\$2,538,371
Total expenses	\$65,030,342	\$63,835,556	\$3,421,337	\$3,432,147	\$68,451,679	\$67,267,703
Increase (decrease) in net assets before transfers	(\$9,574,126)	(\$696,406)	\$2,937,387	\$1,201,376	(\$6,636,739)	\$504,970
Transfers	(\$437,261)	(\$296,015)	\$437,261	\$296,015	\$0	\$0
Increase (decrease) in net assets	(\$10,011,387)	(\$992,421)	\$3,374,648	\$1,497,391	(\$6,636,739)	\$504,970
Net assets – beginning of year	\$41,586,373	\$42,578,794	\$16,989,714	\$15,492,323	\$58,576,087	\$58,071,117
Net assets - end of year	\$31,574,986	\$41,586,373	\$20,364,362	\$16,989,714	\$51,939,348	\$58,576,087

**Governmental Activities**

Revenues for the County’s governmental activities were \$55.5 million for FY10. Sources of revenue are comprised of the following items:

**Revenues by Source - Governmental Activities  
For the Fiscal Year Ended June 30, 2010**

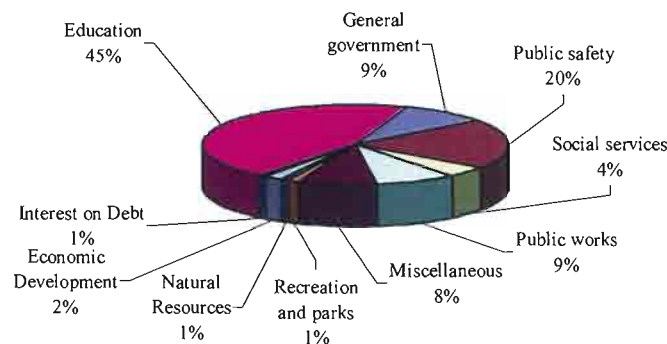


- Taxes constitute the largest source of County revenues, amounting to \$41.8 million for FY10. Property and local income tax combined comprise 68 percent of County governmental activities revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local income tax rate was 2.62 percent of the State taxable income for calendar year 2010 and was unchanged from 2009. 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 (\$0.5 million), general government (\$2.5 million), and social services (\$2.3 million).

A more detailed discussion of the County’s revenue results for FY10 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 FY10 was \$65.0 million. As the chart below indicates, education constitutes the County’s largest program and highest priority; education expenses totaled \$29.1 million. Public safety expenses totaled \$13.0 million, general government expenses totaled \$5.9 million, and public works expenses totaled \$5.7 million.

**Expenses by Function - Governmental Activities  
For the Fiscal Year Ended June 30, 2010**



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	
	2010	2009	2010	2009	2010	2009
Education	\$29,099,013	\$28,335,473	\$0	\$0	\$29,099,013	\$28,335,473
Public safety	\$13,030,555	\$13,361,059	\$2,716,107	\$2,910,257	\$10,314,448	\$10,450,802
Public works	\$5,695,512	\$5,599,955	\$3,040,838	\$5,601,263	\$2,654,674	(\$1,308)
General government	\$5,940,579	\$4,181,963	\$3,000,013	\$3,035,511	\$2,940,566	\$1,146,452
Miscellaneous	\$5,391,480	\$7,121,020	\$0	\$0	\$5,391,480	\$7,121,020
Social services	\$2,811,961	\$2,399,771	\$2,267,960	\$1,854,188	\$544,001	\$545,583
Interest on Debt	\$563,099	\$642,947	\$0	\$0	\$563,099	\$642,947
Recreation and parks	\$744,044	\$659,375	\$131,809	\$166,478	\$612,235	\$492,897
Economic Development	\$1,240,456	\$985,235	\$269,962	\$184,491	\$970,494	\$800,744
Natural Resources	\$513,643	\$548,758	\$165,668	\$4,675,606	\$347,975	(\$4,126,848)
<b>Total</b>	<b>\$65,030,342</b>	<b>\$63,835,556</b>	<b>\$11,592,357</b>	<b>\$18,427,794</b>	<b>\$53,437,985</b>	<b>\$45,407,762</b>

Some of the cost of governmental activities was paid by those who directly benefited from the programs (\$2.1 million), operating grants and contributions (\$6.2 million), and capital grants and contributions (\$3.3 million).

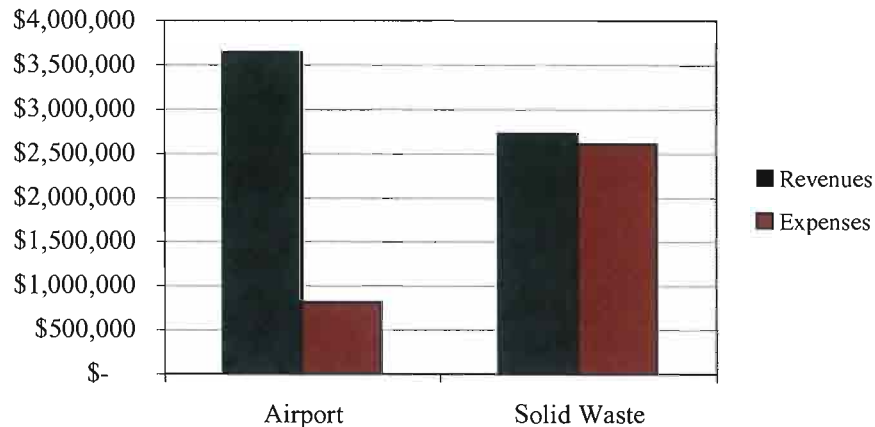
### Business-type Activities

Highlights of the County's business-type activities for FY10 are as follows:

- Business-type activities experienced an increase in net assets of \$3.4 million for FY10. This increase largely reflects \$3.2 million in federal aviation capital funding for the airport fund.
- Charges for services to users comprise 46 percent of total business-type activities revenue, with \$2.6 million (87 percent of charges for services revenue) attributable to solid waste activities and \$0.4 million (13 percent) attributable to airport operations.

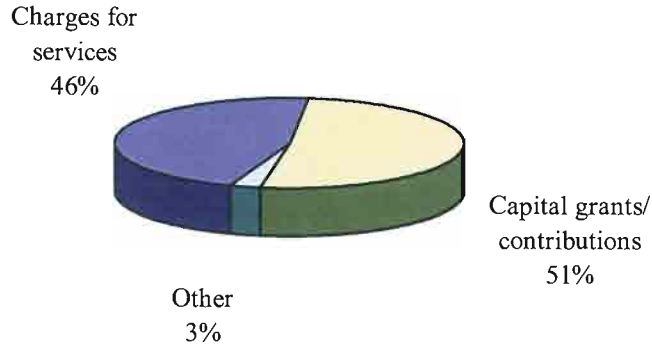
Business-type activities are shown below comparing costs to revenues generated by related services:

**Expenses and Program Revenues - Business-type Activities  
For the Fiscal Year Ended June 30, 2010**



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

**Revenues by Source - Business-type Activities  
For the Fiscal Year Ended June 30, 2010**



**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 FY10, the County's governmental funds reported combined ending fund balances of \$18.3 million, an increase of \$10.1 million from the end of FY09. Of the total ending fund balances, \$14.5 million constitutes the unreserved fund balance, which is available for spending at the County's discretion. The remainder of the fund balances of \$3.8 million is unavailable for new spending because it has been reserved for prepaid expenditures (\$0.3 million) or other purposes restricted by legislation (\$3.2 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 FY10, unreserved and undesignated fund balance of the General Fund was \$2.1 million, while total fund balance was \$2.3 million. As a measure of the General Fund's liquidity, the unreserved and undesignated fund balance represents 4.4 percent of the total General Fund expenditures and net transfers.

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 \$4.6 million, which is a decrease of \$0.7 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 \$1.5 million. This fund was created by Dorchester County Bill Number 2004-6, effective date of September 15, 2004, which established an excise tax on new development. The proceeds of the tax are dedicated for the capital costs associated with new growth specific to schools (\$1.3 million balance), emergency communications (\$0.1 million balance), and Sheriff's Office (\$0.1 million balance).

The Transfer Tax Fund ended the year with a fund balance of \$2.0 million, which is an increase of \$0.2 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 \$14.9 million, with unrestricted net assets of \$1.4 million, and an operating loss of \$0.4 million. After non-operating revenues of \$3.2 million and a subsidy transfer from the General Fund of \$0.4 million, the fund ended FY10 with an increase in net assets of \$3.3 million.

The Landfill Enterprise Fund total net assets amounted to \$5.5 million, with unrestricted net assets of \$2.4 million, and an operating loss of \$20,012. After non-operating revenues of \$0.1 million, the fund ended FY10 with an increase in net assets of \$0.1 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 \$3.9 million, while actual expenditures & transfers were less than budgeted by \$3.3 million. Highlights of the comparison of final budget to actual figures for revenues and expenditures/transfers for the fiscal year-ended June 30, 2010, include the following:

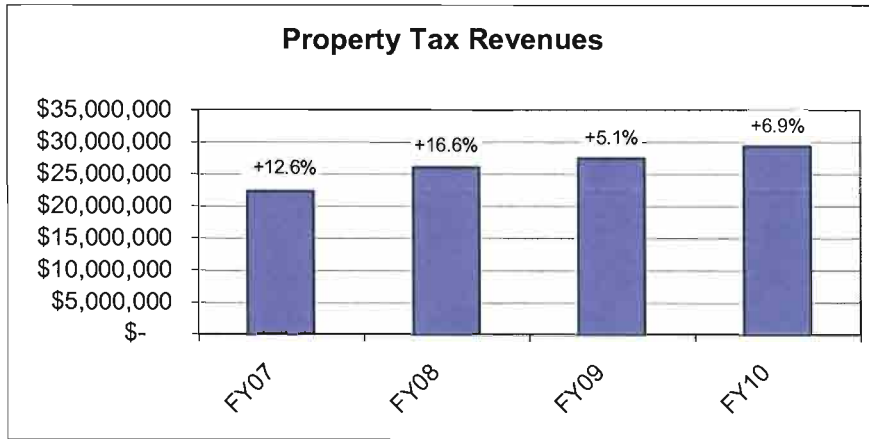
- Overview – Actual revenues for the General Fund totaled \$47.3 million and were \$3.9 million or 7.6 percent below the final budget estimate for the fiscal year and \$5.6 million or 10.6 percent below actual revenues for FY09.
- The three major variances between budgeted revenues and actual revenues were:

Income Tax - \$1.1 million below budget  
(see below for additional information)

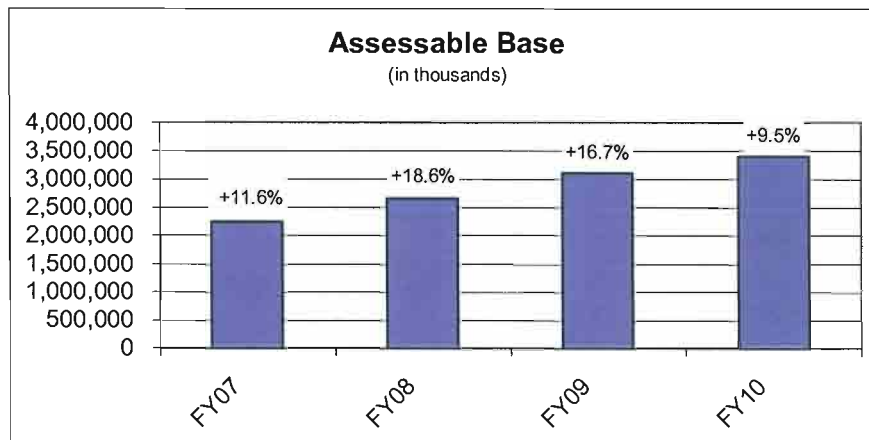
Intergovernmental/State - \$1.6 million below budget – State cuts to the County's share of Highway User Revenues during Fiscal 2010 resulted in this variance.

Miscellaneous Income - \$1.8 million below budget – For budgeting purposes, \$2.3 million of prior year fund balance was included in the budget as source of funds for non-recurring expenditures, primarily capital. For accounting purposes, these funds do not constitute income.

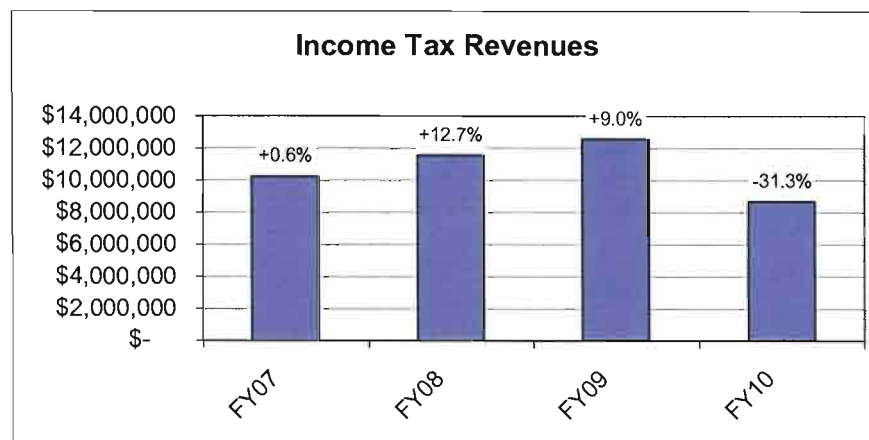
- Property Taxes – The largest revenue source for the County is property taxes. Net property tax revenue in the General Fund amounted to \$29.0 million, which was below the budget estimate by \$0.3 million or 0.9 percent and \$2.1 million or 6.9 percent above actual revenue in FY09. As there was no change in tax rate, the increase in property tax revenue was the result of a 9.5 percent increase in the assessable base for real property for FY2010, offset by growth in the homestead credit which limits year to year tax increases on primary residents to 5%.



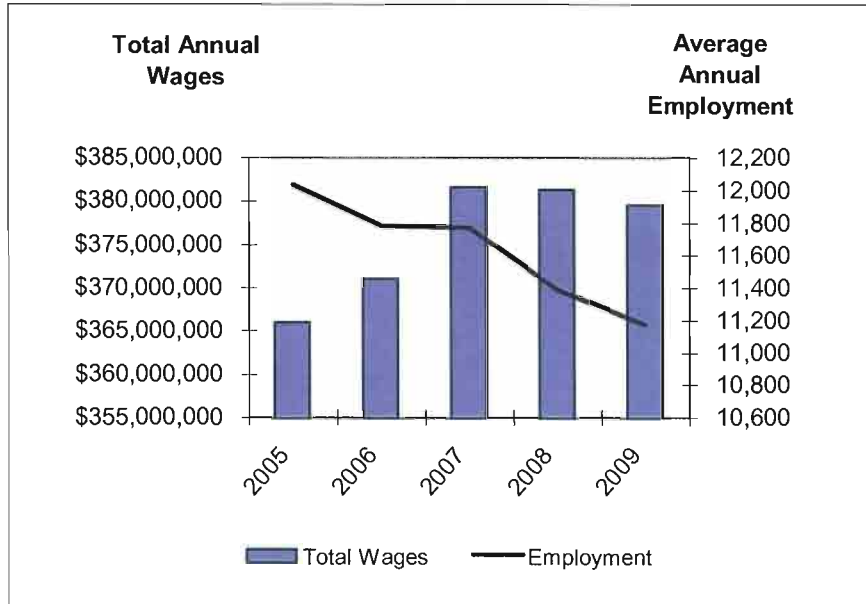
- Assessments of real property continued its growth with an increase of 9.5 percent in FY2010, following an increase of 16.7 percent in FY2009.



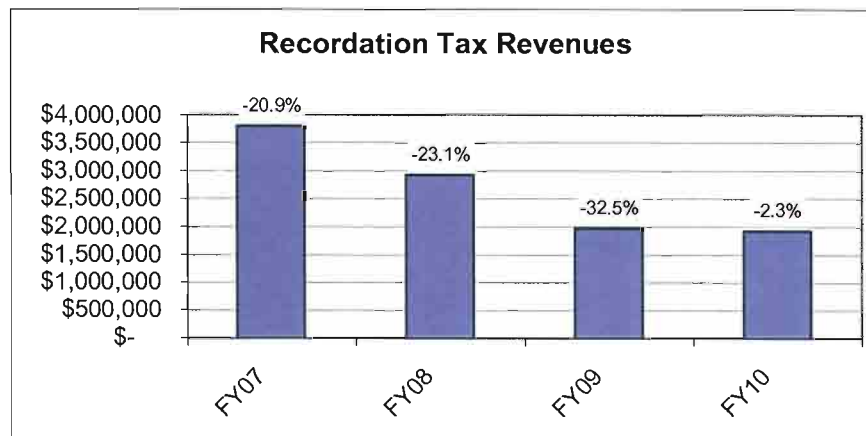
- Income Taxes – The second largest revenue source for the General Fund is the County income tax. Revenues from the income tax were \$8.6 million which was \$1.1 million or 11.0% below budget and \$3.9 million or 31.3 percent below actual revenues in FY09. Income taxes represented 22 percent of total tax revenues for the General Fund and 18 percent of total General Fund revenues in FY10. The local income tax rate remained unchanged at 2.62%.



- The decline in income tax revenue is primarily attributed to a reduction in non-wage income, exacerbated by a modest net employment loss, which continues a trend begun in calendar year (CY) 2005. Total annual payroll wages in Dorchester during CY2009 were \$379,645,874, which was a decrease of \$1.7 million or 0.45%. During CY2009, the average annual employment was 11,179 jobs, which was a decrease of 217 or 1.9%. During that same time span, the average weekly wage per worker grew from \$644 to \$653, an increase of \$9 or 1.4%. The net job loss is attributed to the government sector with 52 jobs lost (of which 25 were in local government), and 165 jobs lost in the private sector (-108 in goods producing and -57 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 \$1.9 million, which was \$0.1 million or 7.9 percent above the budget estimate and \$0.1 million or 2.3 percent below actual receipts for FY09. While budget estimates were met, the actual results continue to reflect the continuing depression in local home sales and the sustained market tightening in the mortgage finance industry. During Fiscal Year 2010, the number of residential, improved, arms-length transactions was 201, a decline of 45 or 18.3%, with the average sale at \$199,972 which was down \$9,570 or 4.6%. The ratio of residential inventory to sales continues to be higher than normal. As of June 2010 this ratio of home sales to buyers was 21.6.



- Actual expenditures of \$47.2 million were \$3.0 million or 5.9% below the final budget. Cost saving initiatives approved during the year resulted in the following expenditure budget variances:
  - ✓ \$1.0 million GASB 45 contribution
  - ✓ \$1.0 million Public Works – Highways & Streets
  - ✓ \$0.6 million Public Safety:
    - Sheriff's Office \$0.1 million
    - Detention Center \$0.3 million
    - 911 Emergency Communications \$0.1 million
    - Animal Control \$0.1million
  - ✓ \$0.3 million General Government

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The County's investment in capital assets as of June 30, 2010, amounted to \$64.4 million (net of accumulated depreciation), as summarized below:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$12,789,715	\$12,137,815	\$3,026,987	\$3,026,987	\$15,816,702	\$15,164,802
Buildings and improvements	\$22,208,613	\$22,208,613	\$9,840,584	\$9,840,584	\$32,049,197	\$32,049,197
Furniture, machinery, equipment	\$21,186,650	\$20,767,467	\$4,118,805	\$4,118,805	\$25,305,455	\$24,886,272
Leasehold improvements	\$286,572	\$286,572	\$0	\$0	\$286,572	\$286,572
Infrastructure	\$42,639,938	\$42,452,129	\$6,323,510	\$6,323,510	\$48,963,448	\$48,775,639
Construction in progress	\$2,765,705	\$1,982,099	\$5,931,654	\$2,185,005	\$8,697,359	\$4,167,104
Total assets	\$101,877,193	\$99,834,695	\$29,241,540	\$25,494,891	\$131,118,733	\$125,329,586
Less: Accumulated depreciation	\$54,498,647	\$51,410,708	\$12,186,234	\$11,159,805	\$66,684,881	\$62,570,513
Total	\$47,378,546	\$48,423,987	\$17,055,306	\$14,335,086	\$64,433,852	\$62,759,073

Changes in the County's capital assets for FY10 are summarized as follows:

	Governmental Activities	Business-Type Activities	Total	
	2010	2010	2010	2009
Beginning Balance	\$48,423,987	\$14,335,086	\$62,759,073	\$59,189,230
Additions*	\$2,042,498	\$3,746,649	\$5,789,147	\$7,712,271
Retirements, net*	\$0	\$0	\$0	\$58,818
Depreciation expense	\$3,087,939	\$1,026,429	\$4,114,368	\$4,083,610
Ending Balance	\$47,378,546	\$17,055,306	\$64,433,852	\$62,759,073

\*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:

- \$3.3 million in airport runway improvements, funded 95% by the federal aviation administration,
- \$652,000 to assume ownership of a 22 acre plot, declared as surplus property by Dorchester County Board of Education,
- \$559,000 in design and construction of the business and technology park,
- \$476,000 invested in the countywide GIS mapping initiative, 90% funded through the 911 emergency number system,
- \$414,000 in construction of a new cell at the landfill.

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, 2010:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$31,635,000	\$12,660,000	\$0	\$0	\$31,635,000	\$12,660,000
Notes payable	\$4,050,429	\$4,864,562	\$435,000	\$467,000	\$4,485,429	\$5,331,562
Capital leases	\$8,896	\$45,152	\$0	\$0	\$8,896	\$45,152
Pension liability	\$652,668	\$637,574	\$0	\$0	\$652,668	\$637,574
OPEB Obligation	\$452,807	\$0	\$0	\$0	\$452,807	\$0
Compensated absences	\$1,057,982	\$1,109,195	\$58,941	\$48,785	\$1,116,923	\$1,157,980
<b>Total</b>	<b>\$37,857,782</b>	<b>\$19,316,483</b>	<b>\$493,941</b>	<b>\$515,785</b>	<b>\$38,351,723</b>	<b>\$19,832,268</b>

At June 30, 2010, the County had outstanding general obligation bonds of \$31.6 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 \$40.5 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.

During FY2010, the county issued GO bonds in the amount of \$20.8 million. The proceeds were used to finance the County's portion of the replacement of two schools in the public school system; the North Dorchester Middle School and the School of Technology.

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 2011 budget:

- Dorchester's economy, similar to the State and nation in general, continued in its shallow recovery path through the first half of 2010.
- Our unemployment rate during the FY11 budget process was in the 10+% range, with no reliable projection of significant improvement in the near future. As employment is the best indicator of income tax revenue, we have estimated this item for FY11 at \$8.6 million – down \$1.1 million from FY10.
- Continued cuts in the county's share of the highway user revenues, by the State, required a further reduction (as compared to FY10) in that budgeted revenue source of \$1.7 million.
- Expenditures were essentially "flat funded" for FY11 and several strategic initiatives continued:
  - ✓ Staff actions – hiring freeze and furloughs,
  - ✓ Further across the board cuts in non-staff expenses,
  - ✓ Capital outlay for critical needs only,
  - ✓ Limited use of prior year reserves.

## **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, 2010**  
**COMPONENT UNITS AS OF JUNE 30, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 19,928,540	\$ 10,418,271	\$ 30,346,811
Receivables:			
State and local property taxes	4,272,967	-	4,272,967
Accounts receivable, net	-	304,483	304,483
Federal government	732,479	380,331	1,112,810
State of Maryland	720,232	10,592	730,824
Local	1,377,299	-	1,377,299
Other	1,296,738	-	1,296,738
Internal balances, net	(1,313,433)	1,313,433	-
Inventories, at cost	-	51,235	51,235
Other	503,668	-	503,668
Nondepreciable capital assets	15,555,420	8,958,641	24,514,061
Depreciable capital assets, net	31,823,126	8,096,665	39,919,791
<b>Total assets</b>	<b>74,897,036</b>	<b>29,533,651</b>	<b>104,430,687</b>
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,551,035	349,490	2,900,525
Due to State of Maryland	437,616	-	437,616
Due to delinquent taxpayers	386,345	-	386,345
Deferred revenue	1,948,930	5,350	1,954,280
Other	140,342	-	140,342
Long-term liabilities, due within one year:			
Compensated absences	432,108	25,679	457,787
Bonds, notes and capital leases payable	3,274,123	32,000	3,306,123
Long-term liabilities, due in more than one year:			
Compensated absences	625,874	33,262	659,136
Bonds, notes and capital leases payable	32,420,202	403,000	32,823,202
Landfill closure and postclosure care costs	-	8,320,508	8,320,508
Pension liability	652,668	-	652,668
Other post-employment benefit obligation	452,807	-	452,807
<b>Total liabilities</b>	<b>43,322,050</b>	<b>9,169,289</b>	<b>52,491,339</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	39,543,104	16,620,306	56,163,410
Restricted	3,753,753	-	3,753,753
Unrestricted	(11,721,871)	3,744,056	(7,977,815)
<b>Total Net Assets</b>	<b>\$ 31,574,986</b>	<b>\$ 20,364,362</b>	<b>\$ 51,939,348</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
\$ 6,496,776	\$ 1,088,341
-	-
-	100,584
816,612	-
115,925	-
150,561	-
501,970	1,179,494
-	-
12,507	17,181
-	-
16,885,239	2,085,909
67,483,306	3,495,988
<u>92,462,896</u>	<u>7,967,497</u>
4,643,017	1,307,122
-	-
-	-
853,698	-
21,000	9,904
-	-
-	23,251
1,968,739	-
-	572,513
-	-
-	-
<u>7,486,454</u>	<u>1,912,790</u>
84,368,545	4,986,133
236,226	-
371,671	1,068,574
<u>\$ 84,976,442</u>	<u>\$ 6,054,707</u>

**DORCHESTER COUNTY, MARYLAND**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2010**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>Governmental Activities</b>				
General government	\$ 5,940,579	\$ 95,986	\$ 2,503,148	\$ 400,879
Public safety	13,030,555	1,470,231	559,229	686,647
Social services	2,811,961	2,350	2,265,610	-
Recreation and parks	744,044	47,422	-	84,387
Natural resources	513,643	28,185	137,483	-
Economic development	1,240,456	-	213,186	56,776
Miscellaneous	5,391,480	-	-	-
Education	29,099,013	-	-	-
Public works	5,695,512	434,128	519,357	2,087,353
Interest on long-term debt	563,099	-	-	-
<b>Total Governmental Activities</b>	<b>65,030,342</b>	<b>2,078,303</b>	<b>6,198,013</b>	<b>3,316,041</b>
<b>Business-Type Activities</b>				
Airport	813,428	372,489	-	3,249,605
Landfill	2,607,909	2,553,671	-	-
<b>Total Business-Type Activities</b>	<b>3,421,337</b>	<b>2,926,160</b>	<b>-</b>	<b>3,249,605</b>
<b>Total Primary Government</b>	<b>\$ 68,451,679</b>	<b>\$ 5,004,463</b>	<b>\$ 6,198,013</b>	<b>\$ 6,565,646</b>
<b>Component Units</b>				
Board of Education of Dorchester County	64,868,120	3,154,344	56,255,134	19,303,461
Dorchester County Sanitary Districts	686,646	686,649	-	1,618,273
<b>Total Component Units</b>	<b>\$ 65,554,766</b>	<b>\$ 3,840,993</b>	<b>\$ 56,255,134</b>	<b>\$ 20,921,734</b>

**General Revenues (Expenses)**

Taxes:  
     Property  
     Income  
     Other  
 Interest  
 Donated assets  
 Proceeds from sale of asset  
 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
\$ (2,940,565)	\$ -	\$ (2,940,565)	\$ -	\$ -
(10,314,448)	-	(10,314,448)	-	-
(544,001)	-	(544,001)	-	-
(612,235)	-	(612,235)	-	-
(347,976)	-	(347,976)	-	-
(970,494)	-	(970,494)	-	-
(5,391,480)	-	(5,391,480)	-	-
(29,099,013)	-	(29,099,013)	-	-
(2,654,674)	-	(2,654,674)	-	-
(563,099)	-	(563,099)	-	-
<u>(53,437,985)</u>	<u>-</u>	<u>(53,437,985)</u>	<u>-</u>	<u>-</u>
-	2,808,666	2,808,666	-	-
-	(54,238)	(54,238)	-	-
-	2,754,428	2,754,428	-	-
<u>(53,437,985)</u>	<u>2,754,428</u>	<u>(50,683,557)</u>	<u>-</u>	<u>-</u>
-	-	-	13,844,819	-
-	-	-	-	1,618,276
-	-	-	<u>13,844,819</u>	<u>1,618,276</u>
29,277,032	-	29,277,032	-	-
8,636,162	-	8,636,162	-	-
3,887,098	-	3,887,098	-	-
67,788	132,536	200,324	10,149	35,471
651,900	-	651,900	-	-
211,172	-	211,172	-	-
1,132,707	50,423	1,183,130	573,118	-
<u>43,863,859</u>	<u>182,959</u>	<u>44,046,818</u>	<u>583,267</u>	<u>35,471</u>
(437,261)	437,261	-	-	-
<u>43,426,598</u>	<u>620,220</u>	<u>44,046,818</u>	<u>583,267</u>	<u>35,471</u>
(10,011,387)	3,374,648	(6,636,739)	14,428,086	1,653,747
<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>
<u>\$ 31,574,986</u>	<u>\$ 20,364,362</u>	<u>\$ 51,939,348</u>	<u>\$ 84,976,442</u>	<u>\$ 6,054,707</u>

**DORCHESTER COUNTY, MARYLAND**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2010**

	General Fund	Special Revenue Grants Fund	Capital Projects Fund
<b>ASSETS</b>			
Cash and short-term investments	\$ 8,304,745	\$ 737,457	\$ 5,979,697
Receivables:			
State and local property taxes	4,272,967	-	-
Federal government	40,541	691,938	-
State of Maryland	-	720,232	-
Local	1,377,299	-	-
Other	1,091,948	9,173	16,996
Interfund	183,356	846,162	2,055,796
Other	254,139	-	249,529
<b>Total assets</b>	<b>\$ 15,524,995</b>	<b>\$ 3,004,962</b>	<b>\$ 8,302,018</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 1,628,288	\$ 1,257,721	\$ 56,902
Due to State of Maryland	437,616	-	-
Due to delinquent taxpayers	386,345	-	-
Interfund payables	6,587,100	31,613	896,277
Due to others	72,512	-	-
Deferred revenue	4,001,401	1,266,131	-
Other	67,830	-	-
<b>Total liabilities</b>	<b>13,181,092</b>	<b>2,555,465</b>	<b>953,179</b>
<b>FUND BALANCES</b>			
Reserved for:			
Prepaid expenditures	252,802	-	-
Schools and courthouse	-	-	-
Public safety communication system	-	-	-
Sheriff	-	-	-
Unreserved:			
Designated for legal indemnification	100,000	-	-
Designated for capital projects	-	-	7,348,839
Designated for other purposes	-	449,497	-
Undesignated	1,991,101	-	-
<b>Total fund balances</b>	<b>2,343,903</b>	<b>449,497</b>	<b>7,348,839</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,524,995</b>	<b>\$ 3,004,962</b>	<b>\$ 8,302,018</b>

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

Building Excise Tax Fund	Transfer Tax Fund	Reserve Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,549,557	\$ -	\$ 3,329,352	\$ 27,732	\$ 19,928,540
-	-	-	-	4,272,967
-	-	-	-	732,479
-	-	-	-	720,232
-	-	-	-	1,377,299
-	178,621	-	-	1,296,738
-	1,808,097	1,288,884	117,362	6,299,657
-	-	-	-	503,668
<u>\$ 1,549,557</u>	<u>\$ 1,986,718</u>	<u>\$ 4,618,236</u>	<u>\$ 145,094</u>	<u>\$ 35,131,580</u>
\$ -	\$ 31,111	\$ -	\$ 9,121	\$ 2,983,143
-	-	-	-	437,616
-	-	-	-	386,345
4,213	-	-	93,887	7,613,090
-	-	-	-	72,512
-	-	-	42,086	5,309,618
-	-	-	-	67,830
<u>4,213</u>	<u>31,111</u>	<u>-</u>	<u>145,094</u>	<u>16,870,154</u>
-	-	-	-	252,802
1,281,000	1,955,607	-	-	3,236,607
135,394	-	-	-	135,394
128,950	-	-	-	128,950
-	-	-	-	100,000
-	-	-	-	7,348,839
-	-	-	-	449,497
-	-	4,618,236	-	6,609,337
<u>1,545,344</u>	<u>1,955,607</u>	<u>4,618,236</u>	<u>-</u>	<u>18,261,426</u>
<u>\$ 1,549,557</u>	<u>\$ 1,986,718</u>	<u>\$ 4,618,236</u>	<u>\$ 145,094</u>	<u>\$ 35,131,580</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, 2010**

Total fund balances, governmental funds \$ 18,261,426

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. 47,378,546

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. 3,360,688

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	(35,694,325)
Pension liability	(652,668)
Compensated absences	(625,874)
Other post-employment benefits obligation	<u>(452,807)</u>

Total long-term liabilities (37,425,674)

Net assets of governmental activities in the Statement of Net Assets \$ 31,574,986

**DORCHESTER COUNTY, MARYLAND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2010**

	General Fund	Special Revenue Grants Fund	Capital Projects Fund
<b>REVENUES:</b>			
Taxes	\$ 40,073,470	\$ -	\$ -
Licenses and permits	222,778	-	-
Intergovernmental:			
Federal	951,492	2,159,408	-
State	3,137,199	2,761,713	504,242
Service charges and fees	2,078,303	-	-
Miscellaneous	788,279	12,069	-
<b>Total revenues</b>	<b>47,251,521</b>	<b>4,933,190</b>	<b>504,242</b>
<b>EXPENDITURES:</b>			
Current:			
General government	3,543,685	53,083	51,466
Public safety	10,499,159	464,374	82,236
Social services	489,743	2,320,338	-
Recreation and parks	495,931	157,371	-
Natural resources	382,148	129,265	-
Economic development	515,320	263,124	264,137
Miscellaneous	5,372,809	-	18,671
Education	18,829,019	-	10,182,182
Public works	3,638,255	1,562,037	31,132
Debt service:			
Principal	2,573,666	-	-
Interest	538,243	-	-
Capital outlay	296,442	51,217	1,680,839
<b>Total expenditures</b>	<b>47,174,420</b>	<b>5,000,809</b>	<b>12,310,663</b>
Excess (deficiency) of revenues over expenditures	77,101	(67,619)	(11,806,421)
<b>OTHER FINANCING SOURCES (USES):</b>			
Note proceeds	-	-	20,845,327
Donated assets	-	-	651,900
Proceeds from sale of asset	-	-	-
Increase in pension liability	15,094	-	-
Interest and dividends received	10,677	-	37,353
Transfers, net	(708,686)	38,000	1,106,043
<b>Total other financing sources (uses)</b>	<b>(682,915)</b>	<b>38,000</b>	<b>22,640,623</b>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(605,814)	(29,619)	10,834,202
Fund balances, beginning of year	2,949,717	479,116	(3,485,363)
<b>Fund balances, end of year</b>	<b>\$ 2,343,903</b>	<b>\$ 449,497</b>	<b>\$ 7,348,839</b>

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

Building Excise Tax Fund	Transfer Tax Fund	Reserve Fund	Other Governmental Funds	Total Governmental Funds
\$ 436,811	\$ 977,338	\$ -	\$ -	\$ 41,487,619
-	-	-	-	222,778
-	-	-	-	3,110,900
-	-	-	-	6,403,154
-	-	-	-	2,078,303
-	-	-	109,581	909,929
<u>436,811</u>	<u>977,338</u>	<u>-</u>	<u>109,581</u>	<u>54,212,683</u>
-	262,376	-	96,894	4,007,504
-	281,993	-	-	11,327,762
-	-	-	-	2,810,081
-	-	-	-	653,302
-	-	-	-	511,413
-	-	-	102,687	1,145,268
-	-	-	-	5,391,480
448	87,364	-	-	29,099,013
-	-	-	-	5,231,424
-	147,050	-	-	2,720,716
-	24,856	-	-	563,099
-	14,000	-	-	2,042,498
<u>448</u>	<u>817,639</u>	<u>-</u>	<u>199,581</u>	<u>65,503,560</u>
<u>436,363</u>	<u>159,699</u>	<u>-</u>	<u>(90,000)</u>	<u>(11,290,877)</u>
-	-	-	-	20,845,327
-	-	-	-	651,900
-	-	211,172	-	211,172
-	-	-	-	15,094
3,896	-	15,862	-	67,788
-	-	(962,618)	90,000	(437,261)
<u>3,896</u>	<u>-</u>	<u>(735,584)</u>	<u>90,000</u>	<u>21,354,020</u>
440,259	159,699	(735,584)	-	10,063,143
1,105,085	1,795,908	5,353,820	-	8,198,283
<u>\$ 1,545,344</u>	<u>\$ 1,955,607</u>	<u>\$ 4,618,236</u>	<u>\$ -</u>	<u>\$ 18,261,426</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, 2010**

Net change in fund balances, governmental funds \$ 10,063,143

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	2,042,498	
Depreciation expense	<u>(3,087,939)</u>	
Excess of depreciation expense over capital outlay		(1,045,441)

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: (20,845,327)

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 2,720,716

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. 312,673

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	(15,094)
Decrease in compensated absences	83,383
Change in other post-employment benefits obligation	<u>(1,285,440)</u>

Change in net assets of governmental activities \$ (10,011,387)

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

**DORCHESTER COUNTY, MARYLAND**

**STATEMENT OF FUND NET ASSETS**

**PROPRIETARY FUNDS**

**June 30, 2010**

	Business-Type Activities		
	Landfill	Airport	Total
<b>ASSETS</b>			
Current assets			
Cash	\$ 10,417,946	\$ 325	\$ 10,418,271
Receivables:			
Accounts, net of \$126,786 allowance (landfill) and \$6,500 allowance (airport)	217,863	86,620	304,483
Federal Government	-	380,331	380,331
State of Maryland	-	10,592	10,592
Interfund	390,058	923,375	1,313,433
Inventories	-	51,235	51,235
<b>Total current assets</b>	<b>11,025,867</b>	<b>1,452,478</b>	<b>12,478,345</b>
Noncurrent assets			
Capital assets at cost	11,909,050	17,332,490	29,241,540
Less accumulated depreciation	(8,802,573)	(3,383,661)	(12,186,234)
<b>Total noncurrent assets</b>	<b>3,106,477</b>	<b>13,948,829</b>	<b>17,055,306</b>
<b>Total assets</b>	<b>\$ 14,132,344</b>	<b>\$ 15,401,307</b>	<b>\$ 29,533,651</b>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable and accrued expenses	\$ 265,807	\$ 83,683	\$ 349,490
Accrued vacation	19,445	6,234	25,679
Deferred revenue	-	5,350	5,350
Current maturities long-term debt	1,000	31,000	32,000
<b>Total current liabilities</b>	<b>286,252</b>	<b>126,267</b>	<b>412,519</b>
Noncurrent liabilities			
Accrued vacation	26,800	6,462	33,262
Landfill - closure and postclosure	8,320,508	-	8,320,508
Long-term debt, less current maturities	-	403,000	403,000
<b>Total noncurrent liabilities</b>	<b>8,347,308</b>	<b>409,462</b>	<b>8,756,770</b>
<b>Total liabilities</b>	<b>\$ 8,633,560</b>	<b>\$ 535,729</b>	<b>\$ 9,169,289</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 3,105,477	\$ 13,514,829	\$ 16,620,306
Unrestricted	2,393,307	1,350,749	3,744,056
<b>Total net assets</b>	<b>\$ 5,498,784</b>	<b>\$ 14,865,578</b>	<b>\$ 20,364,362</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, 2010**

	Business-Type Activities		
	Landfill	Airport	Totals
<b>OPERATING REVENUES:</b>			
Tipping fees	\$ 2,463,381	\$ -	\$ 2,463,381
Permits	90,290	-	90,290
Fuel sales	-	186,930	186,930
Hangar and tie-down rentals	-	185,559	185,559
Other	34,226	16,197	50,423
<b>Total operating revenues</b>	<b>2,587,897</b>	<b>388,686</b>	<b>2,976,583</b>
<b>OPERATING EXPENSES:</b>			
Salaries and related taxes	1,014,410	201,125	1,215,535
Repairs and maintenance	307,841	46,304	354,145
Rental of land, buildings and equipment	57,239	13,200	70,439
Fuel	148,647	140,407	289,054
Closure and postclosure costs accrual	267,339	-	267,339
Utilities	14,950	82,835	97,785
Depreciation	764,349	262,080	1,026,429
Other operating	33,134	48,695	81,829
<b>Total operating expenses</b>	<b>2,607,909</b>	<b>794,646</b>	<b>3,402,555</b>
<b>Net operating income (loss)</b>	<b>(20,012)</b>	<b>(405,960)</b>	<b>(425,972)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Grants - Federal government	-	3,166,282	3,166,282
Grants - state government	-	83,323	83,323
Interest income	132,536	-	132,536
Interest expense	-	(18,782)	(18,782)
<b>Total non-operating revenues</b>	<b>132,536</b>	<b>3,230,823</b>	<b>3,363,359</b>
Income before transfers	112,524	2,824,863	2,937,387
Operating transfers	-	437,261	437,261
<b>Change in net assets</b>	<b>112,524</b>	<b>3,262,124</b>	<b>3,374,648</b>
<b>Net assets beginning of year</b>	<b>5,386,260</b>	<b>11,603,454</b>	<b>16,989,714</b>
<b>Net assets end of year</b>	<b>\$ 5,498,784</b>	<b>\$ 14,865,578</b>	<b>\$ 20,364,362</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, 2010**

	Landfill	Airport	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 2,658,667	\$ 753,904	\$ 3,412,571
Other receipts	34,226	16,197	50,423
Payments to employees	(1,008,603)	(196,776)	(1,205,379)
Payments for services	(14,950)	(82,835)	(97,785)
Payments for rentals	(57,239)	(13,200)	(70,439)
Payments for materials and supplies	(248,944)	(755,912)	(1,004,856)
Other payments	(33,134)	(48,695)	(81,829)
Net cash provided (used) by operating activities	1,330,023	(327,317)	1,002,706
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Increase in interfund receivable	1,541,863	23,162	1,565,025
Operating transfers from General Fund	-	437,261	437,261
Net cash provided by non-capital financing activities	1,541,863	460,423	2,002,286
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Grant and bond receipts	-	3,249,605	3,249,605
Repayment of long-term debt	(1,000)	(31,000)	(32,000)
Purchases of property and equipment	(413,720)	(3,332,929)	(3,746,649)
Interest paid	-	(18,782)	(18,782)
Net cash used by financing activities	(414,720)	(133,106)	(547,826)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income received	132,536	-	132,536
Net increase in cash and short-term investments	2,589,702	-	2,589,702
Cash and short-term investments, beginning of year	7,828,244	325	7,828,569
Cash and short-term investments, end of year	\$ 10,417,946	\$ 325	\$ 10,418,271
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating income (loss)	\$ (20,012)	\$ (405,960)	\$ (425,972)
Adjustments:			
Depreciation	764,349	262,080	1,026,429
Landfill closure and postclosure cost accrual	267,339	-	267,339
(Increase) decrease in assets:			
Accounts receivable	104,996	382,475	487,471
Inventory	-	(1,060)	(1,060)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	207,544	(569,201)	(361,657)
Accrued vacation	5,807	4,349	10,156
Total adjustments	1,350,035	78,643	1,428,678
Net cash provided (used) by operating activities	\$ 1,330,023	\$ (327,317)	\$ 1,002,706

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

**DORCHESTER COUNTY, MARYLAND**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUND**  
**June 30, 2010**

	Other Post-Employment Benefits Trust Fund
<b>ASSETS</b>	
Cash	\$ 2,216,702
Total assets	2,216,702
 <b>NET ASSETS</b>	
Net assets held in trust for other post-employment benefits	\$ 2,216,702

*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, 2010**

	Other Post-Employment Benefits Trust Fund
<b>ADDITIONS:</b>	
Investment income	
Interest	\$ 13,257
<hr/>	
Total additions	13,257
<hr/>	
Change in net assets	13,257
Net assets beginning of year	2,203,445
<hr/>	
Net assets end of year	\$ 2,216,702
<hr/>	

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

## NOTES TO FINANCIAL STATEMENTS

### **Note 1. Reporting Entity**

Dorchester County (“the County”) is a political subdivision of the State of Maryland established in 1669 and subsequently incorporated under Article 25 of the Annotated Code of the State of Maryland and is governed by an elected five-member County Council. The County government directly provides all basic local governmental services.

#### **Financial Reporting Entity**

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

The component unit columns contain the financial data of the County’s two discretely presented component units – the Board of Education of Dorchester County (“the Board”) and the Dorchester County Sanitary Districts (“the Sanitary Districts”). They are reported in separate columns to emphasize that they are legally separate from the County. Although these organizations are legally separate entities, they are included in the financial statements of the County because the County is financially accountable for each organization. Copies of the financial statements for the component units can be obtained from the County Council’s office in Cambridge, Dorchester County, Maryland.

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

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

### **Note 2. Summary of Significant Accounting Policies**

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

#### **A. Basis of Presentation**

The County’s basic financial statements consist of government-wide financial statements, including a statement of net 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. Non-major funds are aggregated and presented in a single column.

#### B. Fund Accounting

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

#### Governmental Fund Types

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's 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 Tax funds, which includes the Building Excise Tax and the Transfer Tax funds, are major special revenue funds of the County. The Commissary Fund and the Tourism Marketing Fund are non-major 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, 2010, but which were levied to finance fiscal year 2011 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	1 - 10 years	3 - 8 years
Infrastructure	10 - 50 years	5 - 23 years

#### I. Interfund Receivables and Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net 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. For the Board, these revenues are sales for food service. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activities of the fund.

#### O. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flow of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.



## 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.

#### Q. Cash and Cash Equivalents

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

### Note 3. Cash and Short-Term Investments

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

#### Primary Government

At June 30, 2010, the County had bank deposits with various commercial banks totaling \$30,559,070 (carrying value \$30,346,811). As required by law, each depository is to pledge securities in addition to FDIC insurance at least equal to the amount on deposit at all times. The depository banks pledge collateral for specific accounts which are held in the County's name at several banks. At June 30, 2010, bank deposits were fully insured or collateralized. The County's exposure to investment rate risk, credit risk, and custodial risk is minimal as all deposits are in cash.

#### Board of Education of Dorchester County

At June 30, 2010, the Board had bank deposits with various commercial banks totaling \$4,758,020 (carrying value \$2,251,698). 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, 2010, bank deposits were fully insured or collateralized.

Investments of \$4,245,078 consist of \$4,177,548 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 and \$67,530 in other investments, which are immaterial to disclose separately in the financial statements. 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.

## NOTES TO FINANCIAL STATEMENTS

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

#### Board of Education of Dorchester County (continued)

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, 2010 the Dorchester County Sanitary Districts had bank deposits with various commercial banks totaling \$1,092,936 (carrying value \$1,088,341). Of the bank balance, \$735,140 was covered by federal depository insurance, and \$357,796 was covered by collateral segregated on the books of local banks, but not in the Sanitary District's name.

### Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balances at June 30, 2009	Additions	Deletions/ Transfers	Balances at June 30, 2010
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 12,137,815	\$ 651,900	\$ -	\$ 12,789,715
Construction in progress	1,982,099	1,024,309	(240,703)	2,765,705
<b>Total capital assets, not being depreciated</b>	<b>14,119,914</b>	<b>1,676,209</b>	<b>(240,703)</b>	<b>15,555,420</b>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	22,208,613	-	-	22,208,613
Furniture and equipment	20,767,467	366,289	52,894	21,186,650
Leasehold improvements	286,572	-	-	286,572
Infrastructure assets	42,452,129	-	187,809	42,639,938
<b>Total capital assets, being depreciated</b>	<b>85,714,781</b>	<b>366,289</b>	<b>240,703</b>	<b>86,321,773</b>
Less: accumulated depreciation	(51,410,708)	(3,087,939)	-	(54,498,647)
<b>Net capital assets, being depreciated</b>	<b>34,304,073</b>	<b>(2,721,650)</b>	<b>240,703</b>	<b>31,823,126</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 48,423,987</b>	<b>\$ (1,045,441)</b>	<b>\$ -</b>	<b>\$ 47,378,546</b>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 731,018
Public safety	1,702,793
Social services	1,880
Recreation and parks	90,742
Natural resources	2,230
Economic development	95,188
Public works	464,088
	<u>\$ 3,087,939</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Capital Assets (continued)

	Balances at June 30, 2009	Additions	Deletions/ Transfers	Balances at June 30, 2010
<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	287,505	413,720	-	701,225
<b>Total capital assets, not being depreciated</b>	<b>1,162,692</b>	<b>413,720</b>	<b>-</b>	<b>1,576,412</b>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	148,739	-	-	148,739
Machinery and equipment	3,860,389	-	-	3,860,389
Beulah landfill - cells	6,323,510	-	-	6,323,510
<b>Total capital assets, being depreciated</b>	<b>10,332,638</b>	<b>-</b>	<b>-</b>	<b>10,332,638</b>
Less: accumulated depreciation	(8,038,224)	(764,349)	-	(8,802,573)
<b>Net capital assets, being depreciated</b>	<b>2,294,414</b>	<b>(764,349)</b>	<b>-</b>	<b>1,530,065</b>
<b>Landfill capital assets, net</b>	<b>\$ 3,457,106</b>	<b>\$ (350,629)</b>	<b>\$ -</b>	<b>\$ 3,106,477</b>
<b>Dorchester County Airport</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 2,151,800	\$ -	\$ -	\$ 2,151,800
Construction in progress	1,897,500	3,332,929	-	5,230,429
<b>Total capital assets, not being depreciated</b>	<b>4,049,300</b>	<b>3,332,929</b>	<b>-</b>	<b>7,382,229</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	(3,121,581)	(262,080)	-	(3,383,661)
<b>Net capital assets, being depreciated</b>	<b>6,828,680</b>	<b>(262,080)</b>	<b>-</b>	<b>6,566,600</b>
<b>Airport capital assets, net</b>	<b>\$ 10,877,980</b>	<b>\$ 3,070,849</b>	<b>\$ -</b>	<b>\$ 13,948,829</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 14,335,086</b>	<b>\$ 2,720,220</b>	<b>\$ -</b>	<b>\$ 17,055,306</b>

## NOTES TO FINANCIAL STATEMENTS

### Note 4. Capital Assets (continued)

Capital asset activity for the component units for the year ended June 30, 2010 was as follows:

	Balances at June 30, 2009	Additions	Deletions/ Transfers	Balances at June 30, 2010
<b>Board of Education of Dorchester County</b>				
<b>Governmental activities</b>				
<b>Capital assets, not being depreciated</b>				
Construction in progress	\$ 1,964,048	\$ 17,731,958	\$ (2,810,767)	\$ 16,885,239
<b>Total capital assets, not being depreciated</b>	<b>1,964,048</b>	<b>17,731,958</b>	<b>(2,810,767)</b>	<b>16,885,239</b>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	97,471,429	-	2,166,021	99,637,450
Furniture and equipment	2,205,009	87,877	81,196	2,374,082
Vehicles	866,598	-	(58,506)	808,092
<b>Total capital assets, being depreciated</b>	<b>100,543,036</b>	<b>87,877</b>	<b>2,188,711</b>	<b>102,819,624</b>
Less: accumulated depreciation	(32,954,639)	(3,019,319)	622,056	(35,351,902)
<b>Net capital assets, being depreciated</b>	<b>67,588,397</b>	<b>(2,931,442)</b>	<b>2,810,767</b>	<b>67,467,722</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 69,552,445</b>	<b>\$ 14,800,516</b>	<b>\$ -</b>	<b>\$ 84,352,961</b>
<b>Business-type activities</b>				
Equipment	\$ 559,950	\$ -	\$ (523,700)	\$ 36,250
Accumulated depreciation	(542,156)	(2,210)	523,700	(20,666)
<b>Business-type activities capital assets, net</b>	<b>\$ 17,794</b>	<b>\$ (2,210)</b>	<b>\$ -</b>	<b>\$ 15,584</b>
<b>Board of Education capital assets, net</b>	<b>\$ 69,570,239</b>	<b>\$ 14,798,306</b>	<b>\$ -</b>	<b>\$ 84,368,545</b>
<b>Dorchester County Sanitary Districts</b>				
<b>Capital assets, not being depreciated</b>				
Land	\$ 2,645	\$ -	\$ -	\$ 2,645
Construction in progress	219,296	1,863,968	-	2,083,264
<b>Total capital assets, not being depreciated</b>	<b>221,941</b>	<b>1,863,968</b>	<b>-</b>	<b>2,085,909</b>
<b>Capital assets, being depreciated</b>				
Plant and equipment	7,130,480	15,272	-	7,145,752
<b>Total capital assets, being depreciated</b>	<b>7,130,480</b>	<b>15,272</b>	<b>-</b>	<b>7,145,752</b>
Less: accumulated depreciation	(3,488,002)	(161,762)	-	(3,649,764)
<b>Net capital assets, being depreciated</b>	<b>3,642,478</b>	<b>(146,490)</b>	<b>-</b>	<b>3,495,988</b>
<b>Sanitary Districts capital assets, net</b>	<b>\$ 3,864,419</b>	<b>\$ 1,717,478</b>	<b>\$ -</b>	<b>\$ 5,581,897</b>
<b>Total component units capital assets, net</b>	<b>\$ 73,434,658</b>	<b>\$ 16,515,784</b>	<b>\$ -</b>	<b>\$ 89,950,442</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, 2010:

	Governmental Activities	Business-Type Activities
Amounts payable at June 30, 2009	\$ 19,316,483	\$ 515,785
Borrowings from bonds, notes payable, and capital leases	20,845,327	-
Increase in pension liability (See also Note 9)	15,094	-
Increase in vested vacation benefits and compensatory time	(51,213)	10,156
Increase in other post-employment benefit obligation (See also Note 10)	452,807	
Repayment of long-term debt and capital lease obligations	(2,720,716)	(32,000)
Amounts payable at June 30, 2010	\$ 37,857,782	\$ 493,941

Long-term debt consists of the following as of June 30, 2010:

Dorchester County Governmental Activities Long-Term Debt

	Balances at June 30, 2009	Additions	Reductions	Balances at June 30, 2010	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.	\$ 45,152	\$ -	\$ (36,256)	\$ 8,896	\$ 8,896

NOTES TO FINANCIAL STATEMENTS

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

	Balances at June 30, 2009	Additions	Reductions	Balances at June 30, 2010	Amounts Due in One Year
<u>Public Facilities Bonds</u>					
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%.	\$ 455,000	\$ -	\$ (225,000)	\$ 230,000	\$ 230,000
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%.	4,820,000	-	(435,000)	4,385,000	455,000
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%.	5,810,000	-	(965,000)	4,845,000	995,000
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%.	1,575,000	-	(230,000)	1,345,000	240,000
Consolidated Public Improvement Bonds of 2010 due in annual principal installments of \$810,000 to \$1,435,000 through February 1, 2030; interest payable semi-annually, from 1% to 6%.	-	20,830,000	-	20,830,000	830,000
<b>Total public facilities bonds</b>	<b>\$ 12,660,000</b>	<b>\$ 20,830,000</b>	<b>\$ (1,855,000)</b>	<b>\$ 31,635,000</b>	<b>\$ 2,750,000</b>

## NOTES TO FINANCIAL STATEMENTS

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

	Balances at June 30, 2009	Additions	Reductions	Balances at June 30, 2010	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%, secured by 5.6 acres of land and improvements located in the Chesapeake Industrial Park in Cambridge, Maryland (known as the Regina building).	\$ 322,658	\$ -	\$ (322,658)	\$ -	\$ -
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).	489,203	-	(61,691)	427,512	64,603
<b>Total MILA loans payable</b>	<b>\$ 811,861</b>	<b>\$ -</b>	<b>\$ (384,349)</b>	<b>\$ 427,512</b>	<b>\$ 64,603</b>

## NOTES TO FINANCIAL STATEMENTS

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

	Balances at June 30, 2009	Additions	Transfers/ Reductions	Balances at June 30, 2010	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.	\$ 47,792	\$ -	\$ (4,780)	\$ 43,012	\$ 4,780
SEC 7-92 - Middle Hoopers Island Causeway; due in annual installments of \$5,516 through July 2020; no interest.	66,192	-	(5,516)	60,676	5,516
SEC 8-92 - McCready's Point Road; due in annual installments of \$1,683 through July 2019; no interest.	18,519	-	(1,683)	16,836	1,683
SEC 9-92 - Hoopersville Road; due in annual installments of \$2,718 through July 2020; no interest.	29,901	-	(2,718)	27,183	2,718
SEC 3-95 - Punch Island Road; due in annual installments of \$3,519 through July 2011; no interest.	10,553	-	(3,519)	7,034	3,519
SEC 2-96 - Rooster Island; due in annual installments of \$8,207 through July 2012; no interest.	32,823	-	(8,207)	24,616	8,207
SEC 03-03 - Hoopersville Road; due in annual installments of \$8,829 through July 2032; no interest.	465,798	15,327	(19,245)	461,880	19,245
SEC 04-02 - Hoopers Island Road; due in annual installments of \$5,930 through July 2027; no interest.	112,672	-	(5,930)	106,742	5,930
SEC 05-03 - Taylors Island; due in annual installments of \$14,593 through July 2035; no interest.	364,833	-	(14,593)	350,240	14,593
SEC 18-02 - Punch Island Road; due in annual installments of \$12,965 through July 2035; no interest.	323,957	-	(12,965)	310,992	12,958
<b>Total SEC loans payable</b>	<b>\$ 1,473,040</b>	<b>\$ 15,327</b>	<b>\$ (79,156)</b>	<b>\$ 1,409,211</b>	<b>\$ 79,149</b>



NOTES TO FINANCIAL STATEMENTS

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

	Balances at June 30, 2009	Additions	Reductions	Balances at June 30, 2010	Amounts Due in One Year
<u>Notes Payable</u>					
County Commissioners of Queen Anne's County loan due in annual principal installments of \$5,500 to \$18,700 through November 2013; interest payable semi-annually at 5.91% (known as the Chesapeake College Economic Development Center).	\$ 82,500	\$ -	\$ (14,300)	\$ 68,200	\$ 15,400
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).	415,000	-	(30,000)	385,000	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%.	127,934	-	(6,551)	121,383	6,855
Note due in quarterly principal installments of \$24,313, plus interest at 5.33% through 2014 (known as the Delmarva Power and Light Building).	443,477	-	(75,104)	368,373	79,220
MDOT due in annual installments of \$200,000 to January 2013; no interest.	1,355,750	-	(200,000)	1,155,750	200,000
The Rippons Pier deferred purchase price due in annual principal installments of \$35,000 to \$40,000 through 2012, no interest.	155,000	-	(40,000)	115,000	40,000
<b>Total notes payable</b>	<b>2,579,661</b>	<b>-</b>	<b>(365,955)</b>	<b>2,213,706</b>	<b>371,475</b>
<b>Total governmental activities debt</b>	<b>\$ 17,569,714</b>	<b>\$ 20,845,327</b>	<b>\$ (2,720,716)</b>	<b>\$ 35,694,325</b>	<b>\$ 3,274,123</b>

NOTES TO FINANCIAL STATEMENTS

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

Dorchester County Business-Type Activities Long-Term Debt

	Balances at				Balances at		Amounts Due
	June 30, 2009	Additions	Reductions		June 30, 2010	in One Year	
<b>Dorchester County Landfill:</b>							
Refuse and bid bonds payable	\$ 2,000	\$ -	\$ (1,000)		\$ 1,000	\$	1,000
<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%.	465,000	-	(31,000)		434,000		31,000
Total enterprise fund debt	\$ 467,000	\$ -	\$ (32,000)		\$ 435,000	\$	32,000

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
2011	\$ 3,274,123	\$ 1,048,938	\$ 4,323,061
2012	3,384,302	981,007	4,365,309
2013	3,103,880	898,093	4,001,973
2014	3,156,929	812,000	3,968,929
2015	2,490,423	720,388	3,210,811
2016 - 2020	7,471,377	2,743,236	10,214,613
2021 - 2025	5,759,330	1,806,059	7,565,389
2026 - 2030	6,866,773	774,971	7,641,744
2031 - 2034	187,188	-	187,188
<b>Total governmental activities debt</b>	<b>\$ 35,694,325</b>	<b>\$ 9,784,692</b>	<b>\$ 45,479,017</b>

Business-Type Activities

Year Ending June 30	Principal	Interest	Totals
2011	\$ 32,000	\$ 17,452	\$ 49,452
2012	31,000	16,179	47,179
2013	31,000	14,818	45,818
2014	31,000	13,501	44,501
2015	31,000	12,184	43,184
2016 - 2019	279,000	30,672	309,672
<b>Total business-type activities debt</b>	<b>\$ 435,000</b>	<b>\$ 104,806</b>	<b>\$ 539,806</b>

Interest expense on all County long-term debt totaled \$581,881 for the year ended June 30, 2010.

NOTES TO FINANCIAL STATEMENTS

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

Long-term debt of the Dorchester County Sanitary Districts at June 30, 2010 consists of the following:

	Balances at June 30, 2009	Additions	Reductions	Balances at June 30, 2010
<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.	\$ 71,567	\$ -	\$ (4,613)	\$ 66,954
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.	36,103	-	(2,327)	33,776
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.	79,344	-	(4,522)	74,822
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.	4,726	-	(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.	7,082	-	(1,619)	5,463
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.	31,682	-	(8,966)	22,716
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.	16,805	-	(4,128)	12,677
Loan payable in the amount of \$2,044,000 to the National Bank of Cambridge. Interest only due quarterly at a rate of 3.45%, until August 31, 2011. To be refinanced with subsequent USDA loan.	-	379,356	-	379,356
<b>Total Sanitary Districts' debt</b>	<b>\$ 247,309</b>	<b>\$ 379,356</b>	<b>\$ (30,901)</b>	<b>595,764</b>
Less: current maturities				23,251
				<u>\$ 572,513</u>

**NOTES TO FINANCIAL STATEMENTS**

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

The annual requirements to amortize all Dorchester County Sanitary Districts' debt outstanding as of June 30, 2010 are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 23,251	\$ 27,873	\$ 51,124
2012	404,063	13,343	417,406
2013	25,766	11,800	37,566
2014	21,169	10,292	31,461
2015	15,832	8,711	24,543
2016 - 2020	96,481	23,828	120,309
2021 - 2025	9,202	614	9,816
Total sanitary districts debt	<u>\$ 595,764</u>	<u>\$ 96,461</u>	<u>\$ 692,225</u>

**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, 2010 was \$74,898. 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>	
2011	\$ 9,470
Less amounts representing interest	(574)
Present value of net minimum lease payments	\$ 8,896

## 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 2010 was \$6,000. The lease has been extended for an additional 2 years until June 30, 2012. A lease payment of \$6,000 is due for the years ended June 30, 2011 and 2012.

#### 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>	
2011	\$ 741,000
2012	584,000
2013	445,000
2014	81,000
2015	1,000

Expenses under these leases, totaled approximately \$670,000 for the year ended June 30, 2010.

### 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, 2010, appropriate due to/from other funds have been established.

Due to/from other funds balances as of June 30, 2010 were as follows:

<u>Primary Government</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental activities	\$ 6,299,657	\$ 7,613,090
Business-Type activities	1,313,433	-
<b>Total due to/from other funds</b>	<b>\$ 7,613,090</b>	<b>\$ 7,613,090</b>

### 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 5% or 7% of their covered salary depending upon the retirement option selected. The combined State contribution rate for the year ending 2010 is established by annual actuarial valuations. The current rate is 13.5% of covered payroll for teachers and 4.05% 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, 2010 was \$3,940,669 for the Board of Education.

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

The employers' current year payroll for the years ended June 30, 2010, 2009, and 2008, payroll covered under the various state plans, and contributions paid are as follows:

	2010	2009	2008
Total payroll	\$ 43,573,508	\$ 45,183,285	\$ 46,233,135
Payroll covered under the plans	42,099,803	42,415,710	42,528,763
Contributions paid:			
County payments	1,179,202	1,105,473	865,543
Board of Education payments	562,394	545,587	579,697
State On-Behalf payments:			
Board of Education	3,940,669	3,146,098	2,957,761

#### 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 \$652,668 fund deficit (an increase of \$15,094 over the prior fiscal year) over a period of 40 years. The fiscal year 2010 annual payment was \$34,556 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, 2010 and 2009 were \$1,924 and \$5,220, respectively. Post-employment health care cost for the year ended June 30, 2010 and 2009 were \$2,662 and \$2,867, 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 February 1, 2010, the date of the last actuarial valuation, approximately 227 retirees were receiving benefits, and an estimated 600 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 2010, the County contributed \$419,493 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 2010, the Board contributed \$817,814 to the plan for 230 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 net OPEB (benefit) / obligation at the beginning of the fiscal year for the County and Board are (\$832,633) and \$394,254, respectively. 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	\$ 1,469,000	\$ 1,704,933
Interest on net pension obligation	-	-
Adjustment to annual required contribution	-	-
Annual OPEB cost (expense)	1,469,000	1,704,933
Contributions made	(817,814)	(419,493)
Increase (decrease) in net OPEB Obligation	651,186	1,285,440
Net OPEB obligation, beginning of year	394,254	(832,633)
Net OPEB obligation, end of year	\$ 1,045,440	\$ 452,807

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 / (Benefit)
2009	\$ 1,704,933	148.84%	\$ (832,633)
2010	1,704,933	24.60%	452,807

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
2010	1,469,000	55.67%	1,045,440

## 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 February 1, 2010, the most recent actuarial valuation date of the Board, the plan was zero percent funded. The actuarial accrued liability for benefits was \$23,385,000, all of which was unfunded, an increase from the last study of \$5,284,000 due to changes in the fixed dollar subsidy, population growth, updated State retirement and pension system assumptions and a change in the medical trend assumptions. The covered payroll (annual payroll of active employees covered by the plan) was \$30,573,404, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 76.5 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, 2010 was 28 years.

In the February 1, 2010 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 8.3 percent initially, reduced by decrements to an ultimate rate of 6.7 percent after five years and an ultimate reate of 5.10% of medical and drug insurance and payroll growth of 4%. The UAAL is being amortized on a level of percentage of payroll basis over a 29 year period. The remaining amortization period at July 1, 2010 was 28 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, 2010.

### **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 \$11,000 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 \$14,400 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 2011 at an estimated total cost of approximately \$4,108,000. 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 \$20,200 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:

<u>Secretary landfill</u>	
Postclosure care costs	\$ 330,000
<u>Golden Hill landfill</u>	
Postclosure care costs	432,000
<u>Old Beulah landfill</u>	
Closure costs	4,108,103
Postclosure care costs	606,000
	4,714,103
<u>New Beulah landfill - cells 1 - 4</u>	
Closure costs	2,597,037
Postclosure care costs	247,368
	2,844,405
Total closure and postclosure care costs	\$ 8,320,508

The above amounts are based on the current costs to perform all closure and postclosure care as of June 30, 2010. 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 \$10,418,000 of currently available assets for landfill closure and postclosure care costs. The shortfalls, if any, may need to be covered by any combination of charges to future landfill users, future tax revenues, or additional borrowings.

The New Beulah landfill will consist of six cells. Cells 1 & 2 began accepting waste in November 1995 and were completely filled in 2003. Accruals of closure and postclosure care costs have been recognized. Total closure and postclosure care costs for Cells 1 & 2 are estimated to be approximately \$1,306,000 and \$124,000, 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 \$1,089,000 and \$104,000, 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 (42.84%). Total closure and postclosure care costs for Cell 4 are estimated to be approximately \$755,000 and \$72,000, 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 coverage, and operates under the terms of a Trust Agreement.

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

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

The County is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the financial position of the County.

## NOTES TO FINANCIAL STATEMENTS

### Note 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, 2010 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 has active construction projects as of June 30, 2010. These projects are additions and/or renovations to school buildings. At June 30, 2010, the Board's commitments with contractors are as follows:

Projects	Expenditures to Date	Remaining Commitments
Dorchester School of Technology	\$ 15,215,250	\$ 13,661,964

#### 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% of total premiums. Currently, ESMEC keeps on hand 10% as a recommended conservative reserve. As of December 31, 2009 the Board's funds held by ESMEC exceeded the recommended conservative reserve by \$3,988,031. All funds held by ESMEC are restricted to being used only for health care expenses.

## 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 \$12,677.

### Note 15. Individual Fund Disclosures

The following funds had an excess of expenditures over appropriations for the year ended June 30, 2010.

Fund	Budgeted Expenditures	Actual Expenditures	Excess of Actual Over Budgeted Expenditures
Special Revenue Grants	\$ 2,315,309	\$ 5,000,809	\$ 2,685,500
Transfer Tax	646,678	817,639	170,961

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

**REQUIRED SUPPLEMENTARY INFORMATION**



**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Taxes:				
Property taxes	\$ 29,228,392	\$ 29,228,392	\$ 28,964,359	\$ (264,033)
Income taxes	9,700,000	9,700,000	8,636,162	(1,063,838)
Other taxes	2,269,386	2,269,386	2,472,949	203,563
<b>Total taxes</b>	<b>41,197,778</b>	<b>41,197,778</b>	<b>40,073,470</b>	<b>(1,124,308)</b>
Licenses and permits	219,025	219,025	222,778	3,753
Intergovernmental:				
Federal	106,893	106,893	951,492	844,599
State	4,742,842	4,732,147	3,137,199	(1,594,948)
Service charges	2,282,741	2,282,741	2,078,303	(204,438)
Miscellaneous	2,621,427	2,621,427	788,279	(1,833,148)
<b>Total revenues</b>	<b>51,170,706</b>	<b>51,160,011</b>	<b>47,251,521</b>	<b>(3,908,490)</b>
<b>EXPENDITURES:</b>				
General government				
County council				
Operating personnel	261,324	261,324	268,616	(7,292)
Other	53,057	53,057	27,864	25,193
	<b>314,381</b>	<b>314,381</b>	<b>296,480</b>	<b>17,901</b>
Circuit court				
Operating personnel	94,728	94,728	93,563	1,165
Other	68,503	68,503	54,017	14,486
	<b>163,231</b>	<b>163,231</b>	<b>147,580</b>	<b>15,651</b>
Orphan's court				
Operating personnel	14,100	14,100	14,100	-
Other	7,029	7,029	6,534	495
	<b>21,129</b>	<b>21,129</b>	<b>20,634</b>	<b>495</b>
State's attorney				
Operating personnel	613,747	613,747	581,706	32,041
Other	123,716	123,716	97,436	26,280
	<b>737,463</b>	<b>737,463</b>	<b>679,142</b>	<b>58,321</b>
Elections				
Operating personnel	32,800	32,800	22,966	9,834
Other	311,614	311,614	257,230	54,384
	<b>344,414</b>	<b>344,414</b>	<b>280,196</b>	<b>64,218</b>
Finance & treasurer				
Operating personnel	398,780	398,780	391,962	6,818
Other	106,661	106,661	97,257	9,404
	<b>505,441</b>	<b>505,441</b>	<b>489,219</b>	<b>16,222</b>

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2010**  
**(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
General government (continued)				
Human resources				
Operating personnel	\$ 53,040	\$ 53,040	\$ 52,199	\$ 841
Other	37,100	37,100	7,908	29,192
	<u>90,140</u>	<u>90,140</u>	<u>60,107</u>	<u>30,033</u>
Information technology				
Operating personnel	204,275	204,275	194,470	9,805
Other	62,985	62,985	18,106	44,879
	<u>267,260</u>	<u>267,260</u>	<u>212,576</u>	<u>54,684</u>
Other general government				
Operating personnel	40,163	40,163	37,692	2,471
Other	428,544	428,544	487,423	(58,879)
	<u>468,707</u>	<u>468,707</u>	<u>525,115</u>	<u>(56,408)</u>
Planning and zoning				
Operating personnel	451,605	451,605	463,054	(11,449)
Other	108,467	108,467	41,921	66,546
	<u>560,072</u>	<u>560,072</u>	<u>504,975</u>	<u>55,097</u>
Maintenance				
Operating personnel	174,911	174,911	160,844	14,067
Other	147,725	147,725	166,817	(19,092)
	<u>322,636</u>	<u>322,636</u>	<u>327,661</u>	<u>(5,025)</u>
Total general government	<u>3,794,874</u>	<u>3,794,874</u>	<u>3,543,685</u>	<u>251,189</u>
Public safety				
Sheriff				
Operating personnel	2,036,508	2,036,508	1,953,051	83,457
Other	590,070	590,070	554,644	35,426
	<u>2,626,578</u>	<u>2,626,578</u>	<u>2,507,695</u>	<u>118,883</u>
Volunteer fire and life support				
Other	762,852	762,852	742,868	19,984
	<u>762,852</u>	<u>762,852</u>	<u>742,868</u>	<u>19,984</u>
EMS				
Operating personnel	1,067,144	1,067,144	1,156,595	(89,451)
Other	1,287,536	1,287,536	1,198,425	89,111
	<u>2,354,680</u>	<u>2,354,680</u>	<u>2,355,020</u>	<u>(340)</u>
Detention center				
Operating personnel	2,468,204	2,459,904	2,280,081	179,823
Other	1,396,661	1,404,961	1,302,534	102,427
	<u>3,864,865</u>	<u>3,864,865</u>	<u>3,582,615</u>	<u>282,250</u>

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2010**  
**(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Public safety (continued)				
911 emergency communications				
Operating personnel	\$ 744,071	\$ 744,071	\$ 733,424	\$ 10,647
Other	520,267	520,267	411,323	108,944
	<u>1,264,338</u>	<u>1,264,338</u>	<u>1,144,747</u>	<u>119,591</u>
Emergency management				
Operating personnel	45,039	45,039	44,325	714
Other	34,142	34,142	28,428	5,714
	<u>79,181</u>	<u>79,181</u>	<u>72,753</u>	<u>6,428</u>
Animal control				
Operating personnel	58,134	58,134	54,602	3,532
Other	114,855	114,855	38,859	75,996
	<u>172,989</u>	<u>172,989</u>	<u>93,461</u>	<u>79,528</u>
Total public safety	<u>11,125,483</u>	<u>11,125,483</u>	<u>10,499,159</u>	<u>626,324</u>
Social services				
Youth services				
Operating personnel	258,865	258,865	215,609	43,256
Other	21,950	21,950	14,463	7,487
	<u>280,815</u>	<u>280,815</u>	<u>230,072</u>	<u>50,743</u>
Other				
Other	266,307	266,307	259,671	6,636
	<u>266,307</u>	<u>266,307</u>	<u>259,671</u>	<u>6,636</u>
Total social services	<u>547,122</u>	<u>547,122</u>	<u>489,743</u>	<u>57,379</u>
Public works				
Highways & streets				
Operating personnel	1,602,511	1,765,976	1,437,472	328,504
Other	2,671,860	2,708,395	2,064,226	644,169
	<u>4,274,371</u>	<u>4,474,371</u>	<u>3,501,698</u>	<u>972,673</u>
Engineering				
Operating personnel	115,350	115,350	128,100	(12,750)
Other	14,250	14,250	8,457	5,793
	<u>129,600</u>	<u>129,600</u>	<u>136,557</u>	<u>(6,957)</u>
Total public works	<u>4,403,971</u>	<u>4,603,971</u>	<u>3,638,255</u>	<u>965,716</u>
Miscellaneous				
Other	6,611,458	6,400,763	5,372,809	1,027,954
Total miscellaneous	<u>6,611,458</u>	<u>6,400,763</u>	<u>5,372,809</u>	<u>1,027,954</u>

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2010**  
**(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Recreation and parks				
Recreation and parks				
Operating personnel	\$ 371,534	\$ 353,534	\$ 341,592	\$ 11,942
Other	153,950	171,950	154,339	17,611
Total recreation and parks	525,484	525,484	495,931	29,553
Natural resources				
Cooperative extension service				
Other	146,311	146,311	126,798	19,513
	146,311	146,311	126,798	19,513
Other				
Operating personnel	238,046	238,046	233,481	4,565
Other	25,575	25,575	21,869	3,706
	263,621	263,621	255,350	8,271
Total natural resources	409,932	409,932	382,148	27,784
Economic development				
Economic development				
Operating personnel	172,063	172,063	154,180	17,883
Other	140,174	140,174	110,612	29,562
	312,237	312,237	264,792	47,445
Other				
Other	37,405	37,405	37,405	-
	37,405	37,405	37,405	-
Tourism				
Operating personnel	164,241	164,241	122,748	41,493
Other	107,540	107,540	90,375	17,165
	271,781	271,781	213,123	58,658
Total economic development	621,423	621,423	515,320	106,103
Education				
Board of Education	17,581,901	17,581,901	17,581,901	-
Chesapeake College	1,247,118	1,247,118	1,247,118	-
Total education	18,829,019	18,829,019	18,829,019	-
Debt service				
Principal	2,419,273	2,404,431	2,573,666	(169,235)
Interest	865,020	865,020	538,243	326,777
Capital outlay	-	-	296,442	(296,442)
Total expenditures	50,153,059	50,127,522	47,174,420	2,953,102
Excess (deficiency) of revenues over expenditures	1,017,647	1,032,489	77,101	(955,388)

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**Year Ended June 30, 2010**  
**(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OTHER FINANCING SOURCES (USES):</b>				
Increase in pension liability	\$ (30,000)	\$ (30,000)	\$ 15,094	\$ 45,094
Interest and dividend	121,039	121,039	10,677	(110,362)
Transfers, net	(1,108,686)	(1,123,528)	(708,686)	414,842
Total other financing sources (uses)	(1,017,647)	(1,032,489)	(682,915)	349,574
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ (605,814)	\$ (605,814)

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE - GRANTS FUND**  
**Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
Intergovernmental Federal	\$ 33,000	\$ 33,000	\$ 2,159,408	\$ 2,126,408
Intergovernmental state	2,244,309	2,244,309	2,761,713	517,404
Miscellaneous	-	-	12,069	12,069
Total revenues	2,277,309	2,277,309	4,933,190	2,655,881
<b>EXPENDITURES:</b>				
General government				
Salaries	-	-	37,981	(37,981)
Other	-	-	15,102	(15,102)
Total general government	-	-	53,083	(53,083)
Public safety				
Salaries	-	-	119,263	(119,263)
Other	45,500	45,500	345,111	(299,611)
Total public safety	45,500	45,500	464,374	(418,874)
Social services				
Salaries	273,052	273,052	311,895	(38,843)
Other	1,304,257	1,304,257	2,008,443	(704,186)
Total social services	1,577,309	1,577,309	2,320,338	(743,029)
Recreation and parks				
Salaries	28,200	28,200	30,551	(2,351)
Other	95,300	95,300	126,820	(31,520)
Total recreation and parks	123,500	123,500	157,371	(33,871)
Natural resources				
Salaries	115,960	115,960	21,516	94,444
Other	273,040	273,040	107,749	165,291
Total natural resources	389,000	389,000	129,265	259,735
Economic development				
Salaries	-	-	116,829	(116,829)
Other	180,000	180,000	146,295	33,705
Total economic development	180,000	180,000	263,124	(83,124)
Public works	-	-	1,562,037	(1,562,037)
Capital outlay	-	-	51,217	(51,217)
Total expenditures	2,315,309	2,315,309	5,000,809	(2,685,500)
Excess (deficiency) of revenues over expenditures	(38,000)	(38,000)	(67,619)	(29,619)

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURES DETAIL**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE - GRANTS FUND**  
**Year Ended June 30, 2010**  
**(continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
<b>OTHER FINANCING SOURCES (USES):</b>				
Interest and dividend received	\$ -	\$ -	\$ -	\$ -
Transfers in	38,000	38,000	38,000	-
Total other financing sources (uses)	38,000	38,000	38,000	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ (29,619)	\$ (29,619)

**DORCHESTER COUNTY, MARYLAND**

**REVENUE AND EXPENDITURE DETAIL  
BUDGET AND ACTUAL  
BUILDING EXCISE TAX  
Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Building excise tax	\$ -	\$ -	\$ 436,811	\$ 436,811
<b>EXPENDITURES:</b>				
EDUCATION	3,000,000	3,000,000	448	2,999,552
Total expenditures	3,000,000	3,000,000	448	2,999,552
Excess (deficiency) of revenues over expenditures	(3,000,000)	(3,000,000)	436,363	3,436,363
<b>OTHER FINANCING SOURCES:</b>				
Interest and dividend received	-	-	3,896	3,896
Appropriated prior year surplus	3,000,000	3,000,000	-	(3,000,000)
Total other financing sources	3,000,000	3,000,000	3,896	(2,996,104)
Excess (deficiency) of revenues over expenditures and other financing sources	\$ -	\$ -	\$ 440,259	\$ 440,259



**DORCHESTER COUNTY, MARYLAND**

**REVENUE AND EXPENDITURE DETAIL  
BUDGET AND ACTUAL  
TRANSFER TAX FUND  
Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>REVENUES:</b>				
County transfer tax	\$ 646,678	\$ 646,678	\$ 977,338	\$ 330,660
<b>EXPENDITURES:</b>				
General government				
Salaries/other	82,600	82,600	98,050	(15,450)
Other expenses	138,000	138,000	164,326	(26,326)
Total general government	220,600	220,600	262,376	(41,776)
Public safety				
Salaries/other	253,433	253,433	254,916	(1,483)
Other expenses	-	-	27,077	(27,077)
Total public safety	253,433	253,433	281,993	(28,560)
EDUCATION	-	-	87,364	(87,364)
Debt service:				
Principal	147,675	147,675	147,050	625
Interest	24,970	24,970	24,856	114
Capital outlay	-	-	14,000	(14,000)
Total expenditures	646,678	646,678	817,639	(170,961)
Excess (deficiency) of revenues over expenditures	\$ -	\$ -	\$ 159,699	\$ 159,699

**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)
2010	1,704,933	24.60%	452,807

**ADDITIONAL SUPPLEMENTARY INFORMATION**

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL**  
**CAPITAL FUND**  
**Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
<b>REVENUES:</b>				
Emergency Numbers Systems Board	\$ -	\$ -	\$ 504,242	\$ 504,242
Intergovernmental state	63,000	63,000	-	(63,000)
<b>Total revenues</b>	<b>63,000</b>	<b>63,000</b>	<b>504,242</b>	<b>441,242</b>
<b>EXPENDITURES:</b>				
General government	56,950	56,950	51,466	5,484
Public Safety	261,643	276,485	744,467	(467,982)
Recreation and parks	70,000	70,000	651,900	(581,900)
Economic development	-	-	264,137	(264,137)
Education	15,287,748	15,287,748	10,456,039	4,831,709
Public works	20,000	20,000	123,983	(103,983)
Miscellaneous	-	-	18,671	(18,671)
<b>Total expenditures</b>	<b>15,696,341</b>	<b>15,711,183</b>	<b>12,310,663</b>	<b>3,400,520</b>
Excess (deficiency) of revenues over expenditures	(15,633,341)	(15,648,183)	(11,806,421)	3,841,762
<b>OTHER FINANCING SOURCES (USES):</b>				
Note proceeds	14,127,298	14,127,298	20,845,327	6,718,029
Donated assets	-	-	651,900	651,900
Interest	-	-	37,353	37,353
Operating transfers in	1,506,043	1,520,885	1,106,043	(414,842)
<b>Total other financing sources (uses)</b>	<b>15,633,341</b>	<b>15,648,183</b>	<b>22,640,623</b>	<b>6,992,440</b>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	\$ -	\$ -	\$ 10,834,202	\$ 10,834,202

**DORCHESTER COUNTY, MARYLAND**  
**REVENUE AND EXPENDITURE DETAIL**  
**BUDGET AND ACTUAL**  
**TOURISM MARKETING FUND**  
**Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
<b>REVENUES</b>				
Advertising support	\$ -	\$ -	\$ 12,687	\$ 12,687
Total revenues	-	-	12,687	12,687
<b>EXPENDITURES</b>				
<b>ECONOMIC DEVELOPMENT</b>				
Advertising and promotion	90,000	90,000	102,687	(12,687)
Total expenditures	90,000	90,000	102,687	(12,687)
Excess (deficiency) or revenues over expenditures	(90,000)	(90,000)	(90,000)	-
<b>OTHER FINANCING SOURCES</b>				
Transfers In	90,000	90,000	90,000	-
Total other financing sources	90,000	90,000	90,000	-
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, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>OPERATING REVENUES:</b>				
Fuel sales	\$ 397,500	\$ 397,500	\$ 186,930	\$ (210,570)
Hanger and tie-down rentals	180,000	180,000	185,559	5,559
Other	10,000	10,000	16,197	6,197
<b>Total operating revenues</b>	<b>587,500</b>	<b>587,500</b>	<b>388,686</b>	<b>(198,814)</b>
<b>OPERATING EXPENSES:</b>				
Salaries and related taxes	214,309	214,309	201,125	13,184
Repairs and maintenance	2,221,068	2,221,068	46,304	2,174,764
Rental of land, buildings and equipment	13,200	13,200	13,200	-
Fuel	246,000	246,000	140,407	105,593
Utilities	90,300	90,300	82,835	7,465
Depreciation	250,000	250,000	262,080	(12,080)
Other operating	41,940	41,940	48,695	(6,755)
<b>Total operating expenses</b>	<b>3,076,817</b>	<b>3,076,817</b>	<b>794,646</b>	<b>2,282,171</b>
<b>Net operating income (loss)</b>	<b>(2,489,317)</b>	<b>(2,489,317)</b>	<b>(405,960)</b>	<b>2,083,357</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Grants - Federal government	1,977,960	1,977,960	3,166,282	1,188,322
Grants - state government	95,557	95,557	83,323	(12,234)
Interest expense	(21,461)	(21,461)	(18,782)	2,679
<b>Total non-operating revenues (expenses)</b>	<b>2,052,056</b>	<b>2,052,056</b>	<b>3,230,823</b>	<b>1,178,767</b>
<b>Income (loss) before transfers</b>	<b>(437,261)</b>	<b>(437,261)</b>	<b>2,824,863</b>	<b>3,262,124</b>
<b>Operating transfers</b>	<b>437,261</b>	<b>437,261</b>	<b>437,261</b>	<b>-</b>
<b>Change in net assets</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,262,124</b>	<b>\$ 3,262,124</b>

**DORCHESTER COUNTY, MARYLAND**  
**STATEMENT OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**LANDFILL ENTERPRISE FUND**  
**Year Ended June 30, 2010**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
<b>OPERATING REVENUES:</b>				
Tipping fees	\$ 2,803,650	\$ 2,803,650	\$ 2,463,381	\$ (340,269)
Permits	90,000	90,000	90,290	290
Other	652,000	652,000	34,226	(617,774)
Total operating revenues	3,545,650	3,545,650	2,587,897	(957,753)
<b>OPERATING EXPENSES:</b>				
Salaries and related taxes	1,152,650	1,152,650	1,014,410	138,240
Repairs and maintenance	282,000	282,000	307,841	(25,841)
Rental of land, buildings and equipment	72,000	72,000	57,239	14,761
Fuel	170,000	170,000	148,647	21,353
Closure and postclosure costs accrual	624,000	624,000	267,339	356,661
Utilities	16,500	16,500	14,950	1,550
Depreciation	580,000	580,000	764,349	(184,349)
Other operating	698,500	698,500	33,134	665,366
Total operating expenses	3,595,650	3,595,650	2,607,909	987,741
Net operating income (loss)	(50,000)	(50,000)	(20,012)	29,988
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest income	50,000	50,000	132,536	82,536
Total non-operating revenues (expenses)	50,000	50,000	132,536	82,536
Change in net assets	\$ -	\$ -	\$ 112,524	\$ 112,524

**DORCHESTER COUNTY, MARYLAND**

**COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS**

**June 30, 2010**

	Other Governmental Funds		
	Commissary Fund	Tourism Marketing Fund	Totals
<b>ASSETS</b>			
Cash	\$ 27,732	\$ -	\$ 27,732
Interfund	-	117,362	117,362
<b>Total assets</b>	<b>\$ 27,732</b>	<b>\$ 117,362</b>	<b>\$ 145,094</b>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ 9,121	\$ 9,121
Deferred revenues	27,732	14,354	42,086
Interfund payables	-	93,887	93,887
<b>Total liabilities</b>	<b>27,732</b>	<b>117,362</b>	<b>145,094</b>
<b>FUND BALANCES</b>			
Unreserved:			
Undesignated	-	-	-
<b>Total fund balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 27,732</b>	<b>\$ 117,362</b>	<b>\$ 145,094</b>



**DORCHESTER COUNTY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**OTHER GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2010**

	Other Governmental Funds		
	Commissary Fund	Tourism Marketing Fund	Totals
<b>REVENUES</b>			
Miscellaneous	\$ 96,894	\$ 12,687	\$ 109,581
<b>Total revenues</b>	<b>96,894</b>	<b>12,687</b>	<b>109,581</b>
<b>EXPENDITURES</b>			
General government	96,894	-	96,894
Economic development	-	102,687	102,687
<b>Total expenditures</b>	<b>96,894</b>	<b>102,687</b>	<b>199,581</b>
Excess (deficiency) of revenues over expenditures	-	(90,000)	(90,000)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	90,000	90,000
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>90,000</b>	<b>90,000</b>
Excess of revenues and other financing sources (uses) over expenditures	-	-	-
Fund balance, beginning of year	-	-	-
<b>Fund balance, end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**DORCHESTER COUNTY, MARYLAND**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
DEFERRED COMPENSATION PLAN  
Year Ended June 30, 2010**

	Balances, June 30, <u>2009</u>	<u>Employee</u> <u>Contributions</u>	Earnings on <u>Investments</u>	<u>Distributions</u>	<u>Gains/Losses</u>	Balances, June 30, <u>2010</u>
<b>Assets:</b>						
Investments	\$ 1,114,150	\$ 116,995	\$ 61,059	\$ (22,291)	\$ 17,234	\$ 1,287,147
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<b>Liabilities:</b>						
Due to participants	\$ 1,114,150	\$ 116,995	\$ 61,059	\$ (22,291)	\$ 17,234	\$ 1,287,147
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