

DORCHESTER COUNTY, MARYLAND

FINANCIAL REPORT

JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

County Council of Dorchester County
Cambridge, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Dorchester County, Maryland (the "County") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the component unit financial statements of the Dorchester County Sanitary Districts (the "Component Unit"). Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Component Unit, 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 from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the reports of the 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 Dorchester County, Maryland, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The other 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 other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2021, 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 solely 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 effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Salisbury, Maryland
April 28, 2021

Management's Discussion and Analysis

June 30, 2020

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

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

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

1. Government-wide Financial Statements

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

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

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

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

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

The government-wide financial statements can be found in this report, as listed in the table of contents.

2. Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses

Management's Discussion and Analysis
June 30, 2020

fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into one of three categories: *governmental, proprietary, or fiduciary*.

- **Governmental Funds.** Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures, and changes in fund balances for the General, Special Revenue Grants, Capital Projects, ESIC, Commissary, Building Excise Tax, and Transfer Tax.

The County adopts an annual appropriated budget for all of its governmental and proprietary fund budgets, except for the Commissary and Building Excise Tax Funds.

The basic governmental fund financial statements can be found in this report, as listed in the table of contents.

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

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

The basic proprietary fund financial statements can be found in this report, as listed in the table of contents.

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

The basic fiduciary fund financial statements can be found in this report, as listed in the table of contents.

3. *Notes to the Financial Statements*

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can

Management's Discussion and Analysis
June 30, 2020

be found in this report, as listed in the table of contents.

4. Required Supplementary Information and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other supplementary information concerning the County's progress in funding its obligation to provide pension and other post-employment benefits to its employees, budgetary comparison schedules, and combining balance sheets and statement of revenues, expenditures and changes in fund balance for non-major governmental funds.

In addition to this MD&A, required supplementary and other supplementary information can be found in this report, as listed in the table of contents.

Financial Analysis on Government-Wide Financial Statements

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$11,304,309 as of the close of the most recent fiscal year.

Net Position (Primary Government)

| | <u>Governmental</u> | | <u>Business Type</u> | | <u>Total</u> | |
|----------------------------------|------------------------|------------------------|----------------------|----------------------|-----------------------|-----------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Current and other assets | \$ 28,474,635 | \$ 28,491,888 | \$ 14,106,955 | \$ 13,124,920 | \$ 42,581,590 | \$ 41,616,808 |
| Capital assets | 53,631,634 | 55,787,783 | 19,609,913 | 18,633,964 | 73,241,547 | 74,421,747 |
| Total assets | \$ 82,106,269 | \$ 84,279,671 | \$ 33,716,868 | \$ 31,758,884 | \$ 115,823,137 | \$ 116,038,555 |
| Deferred outflows | \$ 7,463,576 | \$ 4,198,470 | \$ - | \$ - | \$ 7,463,576 | \$ 4,198,470 |
| Current and other liabilities | \$ 7,117,865 | \$ 4,410,481 | \$ 233,862 | \$ 177,948 | \$ 7,351,727 | \$ 4,588,429 |
| Long-term liabilities | 91,551,409 | 84,682,125 | 7,162,263 | 7,160,252 | 98,713,672 | 91,842,377 |
| Total liabilities | \$ 98,669,274 | \$ 89,092,606 | \$ 7,396,125 | \$ 7,338,200 | \$ 106,065,399 | \$ 96,430,806 |
| Deferred inflows | \$ 5,917,005 | \$ 9,606,571 | \$ - | \$ - | \$ 5,917,005 | \$ 9,606,571 |
| Net investment in capital assets | \$ 40,888,081 | \$ 40,446,859 | \$ 19,609,913 | \$ 18,633,964 | \$ 60,497,994 | \$ 59,080,823 |
| Restricted | 302,099 | 335,355 | - | - | 302,099 | 335,355 |
| Unrestricted | (56,206,614) | (51,003,250) | 6,710,830 | 5,786,720 | (49,495,784) | (45,216,530) |
| Total net position | \$ (15,016,434) | \$ (10,221,036) | \$ 26,320,743 | \$ 24,420,684 | \$ 11,304,309 | \$ 14,199,648 |

The largest portion of the County's net position reflects its investments in capital assets (e.g., land, roads, and bridges); less related outstanding debt used to acquire those assets in the amount of \$60,497,994. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the County's net position, \$302,099, represents resources that are subject to external restrictions on how they may be used. The remaining portion is unrestricted net deficit of \$49,495,784.

Management's Discussion and Analysis
June 30, 2020

Change in Net Position (Primary Government)

| | <u>Governmental</u> | | <u>Business Type</u> | | <u>Total</u> | |
|-------------------------------|------------------------|------------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charge for services | \$ 1,863,817 | \$ 2,226,765 | \$ 3,628,137 | \$ 3,457,444 | \$ 5,491,954 | \$ 5,684,209 |
| Operating grants | 7,260,297 | 7,818,573 | - | - | 7,260,297 | 7,818,573 |
| Capital grants | 332,185 | 313,597 | 441,465 | 67,393 | 773,650 | 380,990 |
| General Revenues | | | | | | |
| Property taxes | 31,936,633 | 31,450,451 | - | - | 31,936,633 | 31,450,451 |
| Income taxes | 14,936,176 | 13,558,807 | - | - | 14,936,176 | 13,558,807 |
| Other taxes | 2,991,961 | 2,730,871 | - | - | 2,991,961 | 2,730,871 |
| Investment income | - | - | 116,616 | - | 116,616 | - |
| Miscellaneous | 892,040 | 1,308,982 | - | 55,054 | 892,040 | 1,364,036 |
| Total Revenue | \$ 60,213,109 | \$ 59,408,046 | \$ 4,186,218 | \$ 3,579,891 | \$ 64,399,327 | \$ 62,987,937 |
| Expenses | | | | | | |
| General government | 14,233,300 | 15,912,526 | - | - | 14,233,300 | 15,912,526 |
| Public safety | 15,286,993 | 13,945,587 | - | - | 15,286,993 | 13,945,587 |
| Public works | 3,591,303 | 3,282,612 | - | - | 3,591,303 | 3,282,612 |
| Social services | 935,326 | 2,589,023 | - | - | 935,326 | 2,589,023 |
| Recreation and parks | 649,305 | 684,175 | - | - | 649,305 | 684,175 |
| Natural resources | 432,504 | 496,662 | - | - | 432,504 | 496,662 |
| Economic development | 1,216,542 | 1,118,596 | - | - | 1,216,542 | 1,118,596 |
| Education | 25,282,732 | 21,657,619 | - | - | 25,282,732 | 21,657,619 |
| Interest on long-term debt | 1,795,319 | 1,774,035 | - | - | 1,795,319 | 1,774,035 |
| Airport | - | - | 1,272,418 | 1,663,371 | 1,272,418 | 1,663,371 |
| Landfill | - | - | 2,598,924 | 2,490,947 | 2,598,924 | 2,490,947 |
| Total Expenses | 63,423,324 | 61,460,835 | 3,871,342 | 4,154,318 | 67,294,666 | 65,615,153 |
| Change in net position | | | | | | |
| before transfers | (3,210,215) | (2,052,789) | 314,876 | (574,427) | (2,895,339) | (2,627,216) |
| Transfers in (out) | (1,585,183) | (460,118) | 1,585,183 | 460,118 | - | - |
| Change in net position | (4,795,398) | (2,512,907) | 1,900,059 | (114,309) | (2,895,339) | (2,627,216) |
| Net position, | | | | | | |
| beginning of year | (10,221,036) | (7,708,129) | 24,420,684 | 24,534,993 | 14,199,648 | 16,826,864 |
| Net position end of year | \$ (15,016,434) | \$ (10,221,036) | \$ 26,320,743 | \$ 24,420,684 | \$ 11,304,309 | \$ 14,199,648 |

The County's total net position decreased by \$2,895,339 during fiscal year 2020; total net position as of June 30, 2020, was \$11,304,309. The primary cause of the decrease is continued investments in education and increases in governmental expenses for pension and OPEB activity.

Management's Discussion and Analysis
June 30, 2020

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

Net position in governmental activities decreased by \$4,795,398.

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

Net position in business-type activities increased by \$1,900,059.

Governmental Funds:

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

As of the end of the current fiscal year, the County's governmental funds reported combined fund balances of \$16,915,950, a decrease of \$2,984,001. Approximately \$684 thousand nonspendable, \$302 thousand is restricted, \$4.4 million is committed, and \$7.4 million is assigned, and \$4.1 million is unassigned.

Original Budget vs. Final Budget:

See the table of contents for budget and actual schedules to see changes from original to final budgets.

Final Budget vs. Actual Results:

Revenues were over budget by \$313,832, expenditures were under budget by \$136,680, and net other financing uses were under budget by \$358,432, yielding a \$808,944 net increase.

Capital Asset Administration – Government-Wide Statements

The County's investment in capital assets for its governmental and business-type activities as of June 30, 2020, amounts to \$73,241,547 (net of depreciation). This investment in capital assets includes land, buildings, bridges, roads, equipment, and operational facilities.

Net Capital Assets (Primary Government)

| | <u>Governmental</u> | | <u>Business Type</u> | | <u>Total</u> | |
|--------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Land | \$ 18,649,911 | \$ 18,375,497 | \$ 3,744,435 | \$ 3,470,486 | \$ 22,394,346 | \$ 21,845,983 |
| Construction in progress | 1,544,773 | 1,046,972 | 1,895,043 | 1,978,327 | 3,439,816 | 3,025,299 |
| Buildings and improvements | 26,759,686 | 27,178,678 | 17,761,164 | 17,729,384 | 44,520,850 | 44,908,062 |
| Furniture and equipment | 42,214,812 | 39,140,664 | 8,301,714 | 7,457,251 | 50,516,526 | 46,597,915 |
| Leasehold improvements | 286,572 | 286,572 | - | - | 286,572 | 286,572 |
| Infrastructure assets | 47,408,506 | 47,388,416 | - | - | 47,408,506 | 47,388,416 |
| Beulah landfill - cells | - | - | 8,511,474 | 8,511,474 | 8,511,474 | 8,511,474 |
| Total cost | 136,864,260 | 133,416,799 | 40,213,830 | 39,146,922 | 177,078,090 | 172,563,721 |
| Less: accumulated depreciation | (83,232,626) | (77,629,016) | (20,603,917) | (20,512,958) | (103,836,543) | (98,141,974) |
| Net capital assets | <u>\$ 53,631,634</u> | <u>\$ 55,787,783</u> | <u>\$ 19,609,913</u> | <u>\$ 18,633,964</u> | <u>\$ 73,241,547</u> | <u>\$ 74,421,747</u> |

Management's Discussion and Analysis
June 30, 2020

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

| Description | <u>Governmental</u> | <u>Business Type</u> |
|-------------------------|---------------------|----------------------|
| | <u>Activities</u> | <u>Activities</u> |
| Excavator | \$ 432,700 | \$ - |
| Detention center - roof | 147,500 | - |
| Police vehicles | 358,000 | - |
| Communications | 1,295,000 | - |
| Runway restoration | - | 197,000 |
| Land | - | 199,000 |
| Skid Steer | - | 108,000 |

Additional information on the County's capital assets can be found in note 4 of this report.

Long-Term Liabilities Administration – Government-Wide Statements

At the end of the current fiscal year, the County had total outstanding long-term liabilities of \$98,713,672. The long-term liabilities increased by a net of \$6.9 million, primarily a result of an increase in the net OPEB liability.

Long-term Liabilities (Primary Government)

| | <u>Governmental</u> | | <u>Business Type</u> | | <u>Total</u> | |
|------------------------------------|----------------------|----------------------|----------------------|---------------------|----------------------|----------------------|
| | <u>Activities</u> | | <u>Activities</u> | | | |
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Bonds payable | \$ 41,819,863 | \$ 43,585,688 | \$ - | \$ - | \$ 41,819,863 | \$ 43,585,688 |
| SEC loans payable | 708,103 | 770,755 | - | - | 708,103 | 770,755 |
| Notes payable | 5,434,347 | 4,931,116 | - | - | 5,434,347 | 4,931,116 |
| Compensated absences | 1,007,952 | 978,093 | 69,969 | 67,958 | 1,077,921 | 1,046,051 |
| Capital lease | 274,895 | - | - | - | 274,895 | - |
| Pension liability | 746,477 | 745,613 | - | - | 746,477 | 745,613 |
| Net pension liability | 14,092,024 | 13,084,986 | - | - | 14,092,024 | 13,084,986 |
| Net OPEB liability | 27,467,748 | 20,585,874 | - | - | 27,467,748 | 20,585,874 |
| Landfill costs | - | - | 7,092,294 | 7,092,294 | 7,092,294 | 7,092,294 |
| Total long-term liabilities | \$ 91,551,409 | \$ 84,682,125 | \$ 7,162,263 | \$ 7,160,252 | \$ 98,713,672 | \$ 91,842,377 |

The County's credit ratings for fiscal year 2020 are as follows: 1) Standard and Poor's rated AA- and 2) Moody's Investors Service rated Aa3. Additional Information on the County's long-term liabilities can be found in note 5 of this report.

Management's Discussion and Analysis
June 30, 2020

Economic Factors and Fiscal Year 2021

The adopted FY 2021 total budget equals \$86.7 million, an increase of \$18.9 million or 27.8% above the FY 2020 total budget of \$67.8 million. Comparing the FY 2021 budgets to prior year reflects the operating budget with an increase of \$3.8 million or 6.2% and the capital budget with an increase of \$15.3 million or 413.9%. Capital projects of significance in FY 2021 include \$10 million for replacement/renovation of the Health Department, \$1.8 million for an infrastructure initiative, \$750,000 for public school projects, and \$675,000 for phase 1 of the Airport runway obstruction removal project. The Council's priorities in crafting the FY 2021 budget were maintaining essential services to the public and positioning the County to withstand the uncertain fiscal impact of the COVID-19 pandemic.

The FY 2021 adopted real property tax rate is unchanged at \$1.00 per \$100 of assessed value, and the income tax rate is unchanged at 3.2%.

Request for Information

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

DORCHESTER COUNTY, MARYLAND

STATEMENT OF NET POSITION

June 30, 2020

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|----------------------|---|--|
| | Governmental Activities | Business-Type Activities | Total | Board of Education of Dorchester County | Dorchester County Sanitary Districts |
| ASSETS | | | | | |
| Cash and short-term investments | \$ 21,664,441 | \$ 9,754,944 | \$ 31,419,385 | \$ 11,619,945 | \$ 2,960,909 |
| Receivables, net: | | | | | |
| State and local property taxes | 3,344,954 | - | 3,344,954 | - | - |
| Federal government | 231,071 | 288,471 | 519,542 | 938,604 | - |
| State of Maryland | 3,736,760 | 152,994 | 3,889,754 | 779,950 | - |
| Local | 443,946 | - | 443,946 | - | - |
| Other | 370,747 | 486,581 | 857,328 | 850,837 | 14,792 |
| Internal balances, net | (3,374,668) | 3,374,668 | - | - | - |
| Note receivable | 1,373,021 | - | 1,373,021 | - | - |
| Other | 684,363 | 49,297 | 733,660 | 27,510 | 45,900 |
| Nondepreciable capital assets | 20,194,684 | 5,639,478 | 25,834,162 | 1,056,596 | 102,159 |
| Depreciable capital assets, net | 33,436,950 | 13,970,435 | 47,407,385 | 109,466,133 | 9,751,944 |
| Total assets | 82,106,269 | 33,716,868 | 115,823,137 | 124,739,575 | 12,875,704 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Pension benefits | 1,717,951 | - | 1,717,951 | 494,425 | 13,603 |
| OPEB benefits | 5,745,625 | - | 5,745,625 | 4,115,497 | - |
| Total deferred outflows of resources | 7,463,576 | - | 7,463,576 | 4,609,922 | 13,603 |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | 2,037,571 | 233,862 | 2,271,433 | 6,712,873 | 159,776 |
| Due to State of Maryland | 284,180 | - | 284,180 | - | - |
| Due to delinquent taxpayers | 305,953 | - | 305,953 | - | - |
| Unearned revenue | 3,889,316 | - | 3,889,316 | 454,078 | 4,694 |
| Other | 600,845 | - | 600,845 | 24,750 | - |
| Long-term liabilities, due within one year: | | | | | |
| Compensated absences | 384,874 | 17,492 | 402,366 | 270,895 | - |
| Bonds and notes payable | 2,269,383 | - | 2,269,383 | - | 38,042 |
| Capital lease | 86,977 | - | 86,977 | - | - |
| Pension liability | 1,991 | - | 1,991 | - | - |
| Long-term liabilities, due in more than one year: | | | | | |
| Compensated absences | 623,078 | 52,477 | 675,555 | 1,195,656 | - |
| Bonds and notes payable | 45,692,930 | - | 45,692,930 | - | 1,695,584 |
| Capital lease | 187,918 | - | 187,918 | - | - |
| Landfill closure and postclosure care costs | - | 7,092,294 | 7,092,294 | - | - |
| Pension liability | 744,486 | - | 744,486 | - | - |
| Net pension liability | 14,092,024 | - | 14,092,024 | 4,001,461 | 69,596 |
| Net OPEB liability | 27,467,748 | - | 27,467,748 | 68,630,316 | - |
| Total liabilities | 98,669,274 | 7,396,125 | 106,065,399 | 81,290,029 | 1,967,692 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Pension benefits | 908,845 | - | 908,845 | 272,985 | 9,697 |
| OPEB benefits | 5,008,160 | - | 5,008,160 | 18,165,107 | - |
| Total deferred inflows of resources | 5,917,005 | - | 5,917,005 | 18,438,092 | 9,697 |
| NET POSITION | | | | | |
| Net investment in capital assets | 40,888,081 | 19,609,913 | 60,497,994 | 110,522,729 | 8,120,477 |
| Restricted | 302,099 | - | 302,099 | 484,164 | - |
| Unrestricted (deficit) | (56,206,614) | 6,710,830 | (49,495,784) | (81,385,517) | 2,791,441 |
| Total Net Position | \$ (15,016,434) | \$ 26,320,743 | \$ 11,304,309 | \$ 29,621,376 | \$ 10,911,918 |

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

DORCHESTER COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

| Function/Program | Program Revenues | | | | | Net (Expense) Revenue and Changes in Net Position | | | Component Units | |
|---|----------------------|----------------------|--|---|----------------------|---|--------------------------|-----------------------|----------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants Contributions, and Interest | Capital Grants, Contributions, and Interest | Total Revenue | Primary Government | | Board of Education of | Dorchester | |
| | | | | | | Governmental Activities | Business-Type Activities | Dorchester County | Sanitary Districts | |
| Primary Government: | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General government | \$ 14,233,300 | \$ 248,039 | \$ 4,866,486 | \$ 332,185 | \$ 5,446,710 | \$ (8,786,590) | \$ - | \$ (8,786,590) | \$ - | \$ - |
| Public safety | 15,286,993 | 1,359,253 | 720,109 | - | 2,079,362 | (13,207,631) | - | (13,207,631) | - | - |
| Public works | 3,591,303 | 197,353 | 956,495 | - | 1,153,848 | (2,437,455) | - | (2,437,455) | - | - |
| Social services | 935,326 | - | 56,742 | - | 56,742 | (878,584) | - | (878,584) | - | - |
| Recreation and parks | 649,305 | 59,172 | - | - | 59,172 | (590,133) | - | (590,133) | - | - |
| Natural resources | 432,504 | - | 660,465 | - | 660,465 | 227,961 | - | 227,961 | - | - |
| Economic development | 1,216,542 | - | - | - | - | (1,216,542) | - | (1,216,542) | - | - |
| Education | 25,282,732 | - | - | - | - | (25,282,732) | - | (25,282,732) | - | - |
| Interest on long-term debt | 1,795,319 | - | - | - | - | (1,795,319) | - | (1,795,319) | - | - |
| Total Governmental Activities | 63,423,324 | 1,863,817 | 7,260,297 | 332,185 | 9,456,299 | (53,967,025) | - | (53,967,025) | - | - |
| Business-Type Activities | | | | | | | | | | |
| Airport | 1,272,418 | 333,645 | - | 441,465 | 775,110 | - | (497,308) | (497,308) | - | - |
| Landfill | 2,598,924 | 3,294,492 | - | - | 3,294,492 | - | 695,568 | 695,568 | - | - |
| Total Business-Type Activities | 3,871,342 | 3,628,137 | - | 441,465 | 4,069,602 | - | 198,260 | 198,260 | - | - |
| Total Primary Government | \$ 67,294,666 | \$ 5,491,954 | \$ 7,260,297 | \$ 773,650 | \$ 13,525,901 | (53,967,025) | 198,260 | (53,768,765) | - | - |
| Component Units | | | | | | | | | | |
| Board of Education of Dorchester County | 87,676,015 | 3,894,414 | 12,995,624 | 5,344,013 | 22,234,051 | - | - | - | (65,441,964) | - |
| Dorchester County Sanitary Districts | 1,345,276 | 1,261,375 | - | - | 1,261,375 | - | - | - | - | (83,901) |
| Total Component Units | \$ 89,021,291 | \$ 5,155,789 | \$ 12,995,624 | \$ 5,344,013 | \$ 23,495,426 | - | - | - | (65,441,964) | (83,901) |
| General Revenues | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property | | | | | | 31,936,633 | - | 31,936,633 | - | - |
| Income | | | | | | 14,936,176 | - | 14,936,176 | - | - |
| Other | | | | | | 2,991,961 | - | 2,991,961 | - | - |
| Contributions | | | | | | - | - | - | 65,929,428 | - |
| Investment income | | | | | | - | 116,616 | 116,616 | 133,934 | 28,375 |
| Miscellaneous | | | | | | 892,040 | - | 892,040 | 729,455 | - |
| Transfers in (out) | | | | | | (1,585,183) | 1,585,183 | - | - | - |
| Total General Revenues and Transfers | | | | | | 49,171,627 | 1,701,799 | 50,873,426 | 66,792,817 | 28,375 |
| Change in Net Position | | | | | | (4,795,398) | 1,900,059 | (2,895,339) | 1,350,853 | (55,526) |
| Net Position, Beginning of Year | | | | | | (10,221,036) | 24,420,684 | 14,199,648 | 28,270,523 | 10,967,444 |
| Net Position, End of Year | | | | | | \$ (15,016,434) | \$ 26,320,743 | \$ 11,304,309 | \$ 29,621,376 | \$ 10,911,918 |

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

DORCHESTER COUNTY, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020**

| | General Fund | Special Revenue Grants Fund | Capital Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-----------------------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | | |
| Cash and short-term investments | \$ 12,628,931 | \$ - | \$ 8,834,846 | \$ 200,664 | \$ 21,664,441 |
| Receivables: | | | | | |
| State and local property taxes | 3,344,954 | - | - | - | 3,344,954 |
| Federal government | - | 231,071 | - | - | 231,071 |
| State of Maryland | 2,472,555 | 1,264,205 | - | - | 3,736,760 |
| Local | 443,946 | - | - | - | 443,946 |
| Other | 269,637 | 594 | - | 100,516 | 370,747 |
| Interfund | 3,454,058 | 2,546,714 | - | 4,407,344 | 10,408,116 |
| Other | 684,363 | - | - | - | 684,363 |
| Total assets | \$ 23,298,444 | \$ 4,042,584 | \$ 8,834,846 | \$ 4,708,524 | \$ 40,884,398 |
| LIABILITIES AND FUND BALANCES | | | | | |
| LIABILITIES | | | | | |
| Accounts payable and accrued expenses | \$ 1,920,293 | \$ 339,097 | \$ 88,964 | \$ 74,091 | \$ 2,422,445 |
| Due to State of Maryland | 284,180 | - | - | - | 284,180 |
| Due to delinquent taxpayers | 305,953 | - | - | - | 305,953 |
| Unearned revenue | 551,275 | 3,252,651 | - | 85,390 | 3,889,316 |
| Interfund payables | 10,881,308 | 148,737 | 2,752,739 | - | 13,782,784 |
| Other | 600,845 | - | - | - | 600,845 |
| Total liabilities | 14,543,854 | 3,740,485 | 2,841,703 | 159,481 | 21,285,523 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable revenue - property taxes | 2,682,925 | - | - | - | 2,682,925 |
| FUND BALANCES | | | | | |
| Nonspendable | 684,363 | - | - | - | 684,363 |
| Restricted - grants | - | 302,099 | - | - | 302,099 |
| Committed for: | | | | | |
| Schools and courthouse | - | - | - | 4,191,431 | 4,191,431 |
| Public safety communication system | - | - | - | 155,416 | 155,416 |
| Sheriff | - | - | - | 53,683 | 53,683 |
| Assigned for: | | | | | |
| Fund purpose | - | - | 5,993,143 | 148,513 | 6,141,656 |
| Future budget | 1,300,000 | - | - | - | 1,300,000 |
| Unassigned | 4,087,302 | - | - | - | 4,087,302 |
| Total fund balances | 6,071,665 | 302,099 | 5,993,143 | 4,549,043 | 16,915,950 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 23,298,444 | \$ 4,042,584 | \$ 8,834,846 | \$ 4,708,524 | \$ 40,884,398 |

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

DORCHESTER COUNTY, MARYLAND

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2020

| | |
|---|------------------------|
| Total fund balances, governmental funds | \$ 16,915,930 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. | 53,631,634 |
| Deferred outflows of resources - pension | 1,717,951 |
| Deferred outflows of resources - OPEB | 5,745,625 |
| Certain property tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental activities of the Statement of Net Position. | 2,682,925 |
| Notes receivable are not due and receivable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. | 1,373,021 |
| Deferred inflows of resources - pension | (908,845) |
| deferred inflows of resources - OPEB | (5,008,160) |
| Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. Those liabilities consist of: | |
| Long-term compensated absences | (623,078) |
| Bonds and notes payable | (47,962,313) |
| Capital lease | (274,895) |
| Pension liability | (746,477) |
| Net pension liability | (14,092,024) |
| Net OPEB liability | (27,467,748) |
| Net position of governmental activities in the Statement of Net Position | <u>\$ (15,016,434)</u> |

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

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

| | General Fund | Special Revenue Grants Fund | Capital Fund | Other Governmental Funds | Total Governmental Funds |
|--|-------------------|-----------------------------------|------------------|--------------------------------|--------------------------------|
| REVENUES: | | | | | |
| Taxes | \$ 48,523,042 | \$ - | \$ - | \$ 1,116,553 | \$ 49,639,595 |
| Licenses and permits | 209,953 | - | - | - | 209,953 |
| Intergovernmental - Federal | 167,150 | 709,029 | - | - | 876,179 |
| Intergovernmental - State | 4,528,816 | 2,050,380 | 137,106 | - | 6,716,302 |
| Service charges and fees | 1,653,865 | - | - | - | 1,653,865 |
| Miscellaneous | 636,836 | 92,541 | 4,573 | 158,090 | 892,040 |
| Total revenues | 55,719,662 | 2,851,950 | 141,679 | 1,274,643 | 59,987,934 |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| General government | 11,150,008 | 858,791 | 398,170 | 840,894 | 13,247,863 |
| Public safety | 11,355,327 | 729,135 | 187,289 | 112,493 | 12,384,244 |
| Public works | 2,956,290 | 9,036 | - | - | 2,965,326 |
| Social services | 195,296 | 728,187 | - | - | 923,483 |
| Recreation and parks | 498,949 | 1,970 | - | - | 500,919 |
| Natural resources | 349,928 | - | - | - | 349,928 |
| Economic development | 648,127 | 355,451 | - | - | 1,003,578 |
| Education | 22,433,255 | - | 2,849,477 | - | 25,282,732 |
| Debt service: | | | | | |
| Principal | 2,091,883 | - | - | - | 2,091,883 |
| Interest | 1,795,319 | - | - | - | 1,795,319 |
| Capital outlay | 822,401 | 317,636 | 1,924,240 | 52,029 | 3,116,306 |
| Total expenditures | 54,296,783 | 3,000,206 | 5,359,176 | 1,005,416 | 63,661,581 |
| Excess (deficiency) of revenues over expenditures | 1,422,879 | (148,256) | (5,217,497) | 269,227 | (3,673,647) |
| OTHER FINANCING SOURCES (USES): | | | | | |
| Note proceeds | 358,432 | - | 683,100 | - | 1,041,532 |
| Transfers, net | (972,367) | 115,000 | 405,481 | 100,000 | (351,886) |
| Total other financing sources (uses) | (613,935) | 115,000 | 1,088,581 | 100,000 | 689,646 |
| Net change in fund balance | 808,944 | (33,256) | (4,128,916) | 369,227 | (2,984,001) |
| Fund balances (deficit), beginning of year | 5,262,721 | 335,355 | 10,122,059 | 4,179,816 | 19,899,951 |
| Fund balances (deficit), end of year | \$ 6,071,665 | \$ 302,099 | \$ 5,993,143 | \$ 4,549,043 | \$ 16,915,950 |

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, 2020

Net change in fund balances, governmental funds \$ (2,984,001)

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, net changes to capital assets:

Net (decrease) in capital assets (2,156,149)

Note issuances are current financial expenditures to governmental funds; however,
issuing notes receivable increases noncurrent assets in the Statement of Net Position.

In the current period, notes receivable of this amount were issued. 1,407,196

Governmental funds report receipts of notes receivable principal as a revenue. In
contrast, the Statement of Activities treats such receipts as a reduction in noncurrent assets.

Principal receipts (34,175)

Loan and/or capital lease proceeds provide current financial resources to governmental funds; however,
issuing debt and/or capital lease increases long-term liabilities in the Statement of Net Position. In the
current period, loans and/or capital leases of this amount were issued:

(1,041,532)

Governmental funds report repayment of debt principal and/or capital leases as an expenditure. In
contrast, the Statement of Activities treats such repayments as a reduction in
long-term liabilities.

Principal and/or capital lease payments 2,091,883

Property tax revenue in the government-wide Statement of Activities include
economic resources that are not reported as revenues in the governmental funds
Those property tax revenues increased (decreased) by this amount this year.

225,175

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) long-term compensated absences (623,078)

(Increase) pension liability (746,477)

Increase (decrease) in deferred outflows of resources - pensions (448,543)

(Increase) decrease in deferred inflows of resources - pensions (104,855)

(Increase) decrease in net pension liability (1,007,038)

Increase (decrease) in deferred outflows of resources - OPEB 3,713,649

(Increase) decrease in deferred inflows of resources - OPEB 3,794,421

(Increase) decrease in net OPEB liability (6,881,874)

Change in net position of governmental activities \$ (4,795,398)

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

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS**

June 30, 2020

| | Business-Type Activities | | |
|--|--------------------------|----------------------|----------------------|
| | Landfill | Airport | Total |
| ASSETS | | | |
| Current assets | | | |
| Cash | \$ 9,754,619 | \$ 325 | \$ 9,754,944 |
| Receivables: | | | |
| Accounts, net of \$25,000 allowance (landfill) and \$61,828 allowance (airport) | 484,606 | 443,440 | 928,046 |
| Interfund | 1,874,880 | 1,829,086 | 3,703,966 |
| Inventories | - | 44,149 | 44,149 |
| Other | - | 5,148 | 5,148 |
| Total current assets | 12,114,105 | 2,322,148 | 14,436,253 |
| Noncurrent assets | | | |
| Nondepreciable capital assets | 1,606,962 | 4,032,516 | 5,639,478 |
| Depreciable capital assets, net | 2,577,099 | 11,393,336 | 13,970,435 |
| Total noncurrent assets | 4,184,061 | 15,425,852 | 19,609,913 |
| Total assets | \$ 16,298,166 | \$ 17,748,000 | \$ 34,046,166 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued expenses | \$ 199,262 | 34,600 | \$ 233,862 |
| Accrued vacation | 14,516 | 2,976 | 17,492 |
| Interfund payable | 329,298 | - | 329,298 |
| Total current liabilities | 543,076 | 37,576 | 580,652 |
| Noncurrent liabilities | | | |
| Accrued vacation | 43,550 | 8,927 | 52,477 |
| Landfill - closure and postclosure | 7,092,294 | - | 7,092,294 |
| Total noncurrent liabilities | 7,135,844 | 8,927 | 7,144,771 |
| Total liabilities | \$ 7,678,920 | \$ 46,503 | \$ 7,725,423 |
| NET POSITION | | | |
| Net investment in capital assets | \$ 4,184,061 | \$ 15,425,852 | \$ 19,609,913 |
| Unrestricted | 4,435,185 | 2,275,645 | 6,710,830 |
| Total net position | \$ 8,619,246 | \$ 17,701,497 | \$ 26,320,743 |

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

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2020**

| | Business-Type Activities | | |
|--|--------------------------|----------------------|----------------------|
| | Landfill | Airport | Totals |
| OPERATING REVENUES: | | | |
| Tipping fees | \$ 3,153,767 | \$ - | \$ 3,153,767 |
| Permits | 140,725 | - | 140,725 |
| Fuel sales | - | 154,439 | 154,439 |
| Hangar and tie-down rentals | - | 177,638 | 177,638 |
| Other | - | 1,568 | 1,568 |
| Total operating revenues | 3,294,492 | 333,645 | 3,628,137 |
| OPERATING EXPENSES: | | | |
| Salaries and related taxes | 885,533 | 231,877 | 1,117,410 |
| Repairs and maintenance | 176,693 | 49,359 | 226,052 |
| Rental of land, buildings and equipment | 20,149 | 15,223 | 35,372 |
| Fuel | 129,007 | 151,508 | 280,515 |
| Utilities | 20,522 | 66,843 | 87,365 |
| Depreciation | 622,752 | 518,008 | 1,140,760 |
| Other operating | 744,268 | 239,600 | 983,868 |
| Total operating expenses | 2,598,924 | 1,272,418 | 3,871,342 |
| Net operating income (loss) | 695,568 | (938,773) | (243,205) |
| NON-OPERATING REVENUES (EXPENSES): | | | |
| Grants - Federal government | - | 288,471 | 288,471 |
| Grants - state government | - | 152,994 | 152,994 |
| Transfer of capital assets from general fund | 652,985 | 580,312 | 1,233,297 |
| Interest income | 116,616 | - | 116,616 |
| Total non-operating revenues (expenses) | 769,601 | 1,021,777 | 1,791,378 |
| Income (loss) before transfers | 1,465,169 | 83,004 | 1,548,173 |
| Transfers in (out) | - | 351,886 | 351,886 |
| Change in net position | 1,465,169 | 434,890 | 1,900,059 |
| Net position beginning of year | 7,154,077 | 17,266,607 | 24,420,684 |
| Net position end of year | \$ 8,619,246 | \$ 17,701,497 | \$ 26,320,743 |

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, 2020**

| | Landfill | Airport | Totals |
|---|---------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Receipts from customers | \$ 3,048,703 | \$ 386,499 | \$ 3,435,202 |
| Payments to employees | (884,091) | (231,308) | (1,115,399) |
| Other payments | (1,008,904) | (535,697) | (1,544,601) |
| Net cash provided (used) by operating activities | 1,155,708 | (380,506) | 775,202 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES: | | | |
| Change in interfund receivable/payables, net | (1,071,261) | 522,475 | (548,786) |
| Operating transfers in from General Fund | - | 351,886 | 351,886 |
| Net cash (used) provided by non-capital financing activities | (1,071,261) | 874,361 | (196,900) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | | |
| Purchases of property and equipment | (389,557) | (493,855) | (883,412) |
| Net cash used by financing activities | (389,557) | (493,855) | (883,412) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Interest income received | 116,616 | - | 116,616 |
| Net cash provided by investing activities | 116,616 | - | 116,616 |
| Net change in cash | (188,494) | - | (188,494) |
| Cash, beginning of year | 9,943,113 | 325 | 9,943,438 |
| Cash, end of year | \$ 9,754,619 | \$ 325 | \$ 9,754,944 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (used) by Operating Activities: | | | |
| Operating income (loss) | \$ 695,568 | \$ (938,773) | \$ (243,205) |
| Adjustments: | | | |
| Depreciation | 622,752 | 518,008 | 1,140,760 |
| Landfill closure and postclosure cost accrual | - | - | - |
| (Increase) decrease in assets: | | | |
| Accounts receivable | (245,789) | 23,073 | (222,716) |
| Inventory | - | 29,781 | 29,781 |
| Other | - | 12,657 | 12,657 |
| Increase (decrease) in liabilities: | | | |
| Accounts payable and accrued expenses | 83,177 | (25,252) | 57,925 |
| Net cash provided (used) by operating activities | \$ 1,155,708 | \$ (380,506) | \$ 775,202 |

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

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF NET POSITION
FIDUCIARY FUND**

June 30, 2020

| | <u>OPEB Trust Fund</u> |
|---------------------|--------------------------------|
| ASSETS | |
| Cash | \$ 269,637 |
| <hr/> | |
| Total assets | \$ 269,637 |
| <hr/> | |
| LIABILITIES | |
| Due to general fund | \$ 269,637 |
| <hr/> | |
| Total liabilities | 269,637 |
| <hr/> | |
| NET POSITION | |
| Restricted for OPEB | \$ - |
| <hr/> | |

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

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF CHANGES NET POSITION
FIDUCIARY FUND
Year Ended June 30, 2020**

| | OPEB Trust Fund |
|--------------------------------|-----------------------|
| ADDITIONS: | |
| Contributions | \$ 251,969 |
| Interest | 702 |
| <hr/> | |
| Total additions | 252,671 |
| <hr/> | |
| DEDUCTIONS: | |
| Benefits paid | 250,187 |
| Other | 12,000 |
| <hr/> | |
| Total deductions | 262,187 |
| <hr/> | |
| Change in net position | (9,516) |
| Net position beginning of year | 9,516 |
| <hr/> | |
| Net position end of year | \$ - |
| <hr/> | |

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Reporting Entity

The financial statements of the reporting entity include those of Dorchester County Government (the primary government) and its component units. Component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units within the County's reporting entity include whether:

- the organization is legally separate
- the County Council appoint a voting majority of the organization's board
- the County Council have the ability to impose their will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- the organization is fiscally dependent on the County

Based on the application of these criteria, the following organizations are considered component units of Dorchester County Government.

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 separate political and corporate body created by the Commissioners of the County, and comprised of a sewer operation, two water districts and a shared facility within the County.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basic Financial Statements

The County's basic financial statements include government-wide financial statements (reporting on the County as a whole), fund financial statements (reporting the County's most significant funds), and fiduciary financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities are normally supported by taxes and intergovernmental revenues. The County's general, public safety, public works, social services, recreation and parks, natural resources, economic development and education are classified as governmental activities. Business-type activities rely significantly on fees and charges for support. The County's landfill and airport are classified as business-type activities.

Government-wide Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net position resulting from the current year's activities. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts - (1) net investment in capital assets; (2) restricted; and (3) unrestricted. Net position should be reported as restricted when constraints placed on the use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations or other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other purposes result from special revenue funds and the restrictions on their use. When both restricted and unrestricted resources are available for use, the County utilizes restricted resources to finance qualifying activities first, then unrestricted resources as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenues (property tax, income tax, intergovernmental revenues, interest income, etc.) which are not properly included among program revenues.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basic Financial Statements (continued)

Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined) for the determination of major funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds by category are summarized into a single column.

Governmental Funds: The measurement focus of the governmental fund financial statements is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. The following is a description of the governmental funds of the County:

- a. **General Fund** is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.
- b. **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Grants Fund is considered a major fund.

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. These revenues are dedicated for courthouse debt service, maintenance and security, as well as public school facilities. The Building Excise Fund, Transfer Tax Fund, ESIC Fund and Commissary Fund are all considered non-major funds.

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

Proprietary Funds: The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are similar to those used for businesses in the private sector. Both the Landfill Fund and Airport Fund are considered major funds. The following is a description of the proprietary funds of the County.

- a. **Landfill Fund** is used to account for the fees collected at the County landfills for the dumping of waste.
- b. **Airport Fund** is used to account for the financial resources to be used for the operation or construction of airport facilities.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basic Financial Statements (continued)

Fiduciary Funds: Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus for fiduciary funds is on net position and changes in net position and accounting principles used are similar to those used for proprietary funds.

- a. Other Postemployment Benefits Trust Fund (OPEB) is used to account for assets that are required to be held in a trust for members and beneficiaries of the postemployment benefit plan. The results of operations for these funds are presented in the Statement of Changes in Fiduciary Net Position.

Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The measurement focus identifies which transactions should be recorded.

Basis of Accounting

Accrual Basis – Both governmental and business-type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Modified Accrual Basis – The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means knowing or able to reasonably estimate the amount. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year-end. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences and claims and judgments, are recorded only when due.

Measurement Focus

In the government-wide financial statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item (b.) below.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Basis of Accounting and Measurement Focus (continued)

In the governmental fund financial statements, the “current financial resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

In applying the susceptible to accrual concept to operating and capital grants, which are classified with intergovernmental revenues in the fund financial statements, the County records receivables when the applicable eligibility requirements, including time requirements, are met. Related revenues are recognized to the extent that cash is expected to be received within one year of year-end. Resources received before the eligibility requirements are met are reported as unearned revenue.

Licenses and permits, charges for services, and miscellaneous revenues (except earnings on investments) are generally recorded as revenues when received in cash during the year. At year-end, receivables are recorded for significant amounts due. If such amounts are received in cash after year-end within the County’s 60-day availability period, they are recognized as revenue; if not, such amounts are reported as unearned revenue.

Financial Statement Amounts

Cash and Cash Equivalents: The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term securities and certificates of deposit with an original maturity of three months or less.

Investments: Investments held by the County are stated at fair value. Fair value is based on quoted market prices at year-end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

Receivables: All trade and property tax receivables are reported at their fair value. Taxes, special assessments, and accrued interest are deemed collectible in full. An allowance is established based on expected future collection for both the Landfill and Airport Funds.

Property tax revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period. Revenue relating to receivables which have not been collected within sixty days after the year-end has been reclassified from property tax revenues to deferred inflows of resources – unavailable revenue.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Financial Statement Amounts (continued)

Interfund Transactions: The following is a description of the basic types of interfund transactions made during the year and related accounting policies:

- a. Transactions for services provided – these transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
- b. Transactions to reimburse a fund for expenditures made by it or for the benefit of another fund – these transactions are recorded as expenditures in the disbursing fund and as reductions of expenditures in the receiving fund.
- c. Transactions to shift revenues or contributions from the fund budgeted to receive them to the fund budgeted to expend them – these transactions are recorded as transfers in and out.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund receivables/payables.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances” and are eliminated.

Inventories: Inventories consist of supplies held for consumption and items held for sale. These items are valued at the lower of cost or market on a First-In/First-Out Method and expensed when used.

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the allocation method.

Capital Assets: Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, and similar items), are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an original, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Normal maintenance and repair costs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Significant outlays for capital assets and improvements are capitalized as Construction in Progress while projects are being constructed. Interest incurred during the construction phase of the capital asset is included as part of the capitalized value of the assets constructed. Projects are not capitalized until completed or substantially completed and available for use.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Financial Statement Amounts (continued)

Property, plant and equipment of the primary government and the component units are depreciated using the straight-line method over the following estimated useful lives:

| <u>County Government</u> | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|------------------------------------|--------------------------------|---------------------------------|
| Buildings and improvements | 5 - 40 | 5 - 40 |
| Furniture, machinery and equipment | 3 - 40 | 3 - 20 |
| Leasehold improvements | 8 - 20 | n/a |
| Infrastructure assets | 10 - 50 | 5 - 23 |

Deferred Outflows / Inflows of Resources: In addition to assets, the statement of financial position and or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense / expenditure) until then. The County, Board, and Sanitary Districts recognize deferred outflow of resources related to its pension obligation and/or OPEB liability. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become available.

In addition to liabilities, the statement of financial position and or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has an item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. The County, Board, and Sanitary Districts also recognize deferred inflow of resources related to its pension obligation and/or OPEB liability. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The deferred outflows and inflows of resources represent reconciling items between the governmental fund financial statements and the government-wide financial statements.

Fund Equity: In the government-wide financial statements, equity is classified as net position and is displayed in three components:

- a. Net investment in capital assets – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted – all others that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Financial Statement Amounts (continued)

Governmental fund balances are classified as follows:

Nonspendable - cannot be spent because of its form.

Restricted - has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.

Committed - amounts that are reserved for a particular purpose by the County Council and would require formal action to release the fund balance from its commitment.

Assigned - represents tentative management plans that are subject to change.

Unassigned - are amounts not included in other spendable classifications.

The County uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The General fund is the only governmental fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

Proprietary fund equity is classified the same as in the government-wide statements.

Vacation and Sick Leave: Vacation benefits are earned by employees of the reporting entity based on time of service, and the rights to such benefits are vested. Sick leave is also accumulated by employees based on time of 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 \$30 per day. In addition, employees are granted vacation benefits in varying amounts depending on tenure. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees, which are included in other accrued expenses.

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies (continued)

Financial Statement Amounts (continued)

Long-term Obligations: In the government-wide financial statements, and proprietary fund-types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position.

In the fund financial statements, governmental fund-types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital leases are recorded in the same manner.

Revenues, Expenditures, and Expenses: Property taxes and interest assessed in the current fiscal period are accrued and are recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be earned and therefore recognizable as revenue of the current period.

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified by character.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing goods in connection with the proprietary fund's principal operations. Operating revenues include user fees and charges. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Accounting 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

A legal budget is adopted and formal budgetary accounting is employed as a management control for most funds of the County, except fiduciary funds. Budgetary comparison schedules are presented for the General Fund, Capital Improvements Fund and all other funds with legally adopted annual budgets. The basis for budgeting is the modified accrual basis, excluding certain expenditures such as compensated absences, which results in non-GAAP basis. All annual appropriations lapse at fiscal year-end.

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the department level. However, with proper approval by the County Council, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Council.

NOTES TO FINANCIAL STATEMENTS

Note 3. Cash and Short-Term Investments

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

Primary Government

At June 30, 2020, the carrying amount of the County's deposits was \$31,419,385 and the bank balances were \$31,724,564. 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, 2020, the bank deposits were fully insured or collateralized.

Board of Education of Dorchester County

At June 30, 2020, the Board had bank deposits with various commercial banks totaling \$2,641,047 (carrying value \$2,341,365). As required by law, each depository is to pledge securities at least equal to the amount on deposit at all times in addition to insurance provided by the Federal Deposit Insurance Corporation (FDIC). The depository banks pledge collateral for specific accounts which are held in the Board's name at The Bank of New York Mellon. As of June 30, 2020, the bank deposits were under insured or collateralized by \$40,218 and subject to custodial credit risk.

Investments consist of \$9,278,580 of U.S. Government Securities made through the State of Maryland Local Government Investment Pool (MLGIP) which provide local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAAM by Standard and Poors. The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Statutes authorize the Board to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal securities and repurchase agreements, collateralized certificates of deposit, bankers' acceptance or money market funds.

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

Dorchester County Sanitary Districts

At June 30, 2020 the Sanitary Districts had bank deposits with various commercial banks totaling \$2,970,166 (carrying value \$2,960,909). Of the bank balance, \$750,000 was covered by federal depository insurance, and \$2,220,166 was covered by collateral segregated on the books of local banks, but not in the Sanitary District's name.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset activity for the year ended June 30, 2020, was as follows:

| | Beginning Balance | Increases | Transfers / Decreases | Ending Balance |
|--|----------------------|-----------------------|--------------------------|----------------------|
| GOVERNMENTAL ACTIVITIES | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 18,375,497 | \$ - | \$ 274,414 | \$ 18,649,911 |
| Construction in progress | 1,046,972 | 1,343,429 | (845,628) | 1,544,773 |
| Total capital assets, not being depreciated | 19,422,469 | 1,343,429 | (571,214) | 20,194,684 |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 27,178,678 | 24,950 | (443,942) | 26,759,686 |
| Furniture and equipment | 39,140,664 | 1,613,022 | 1,461,126 | 42,214,812 |
| Leasehold improvements | 286,572 | - | - | 286,572 |
| Infrastructure assets | 47,388,416 | 134,905 | (114,815) | 47,408,506 |
| Total capital assets, being depreciated | 113,994,330 | 1,772,877 | 902,369 | 116,669,576 |
| Less: accumulated depreciation | (77,629,016) | (4,853,825) | (749,785) | (83,232,626) |
| Net capital assets, being depreciated | 36,365,314 | (3,080,948) | 152,584 | 33,436,950 |
| Governmental activities capital assets, net | \$ 55,787,783 | \$ (1,737,519) | \$ (418,630) | \$ 53,631,634 |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------|---------------------|
| General government | \$ 869,330 |
| Public safety | 2,902,749 |
| Public works | 625,977 |
| Social services | 11,843 |
| Recreation and parks | 148,386 |
| Natural resources | 82,576 |
| Economic development | 212,964 |
| | \$ 4,853,825 |

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (continued)

| | Beginning Balance | Increases | Transfers / Decreases | Ending Balance |
|---|----------------------|---------------------|--------------------------|----------------------|
| BUSINESS-TYPE ACTIVITIES | | | | |
| Dorchester County Landfill | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 875,187 | \$ 61,263 | \$ - | \$ 936,450 |
| Construction in progress | 670,512 | - | - | 670,512 |
| Total capital assets, not being depreciated | 1,545,699 | 61,263 | - | 1,606,962 |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 148,740 | - | - | 148,740 |
| Machinery and equipment | 6,836,032 | 328,294 | 303,891 | 7,468,217 |
| Beulah landfill - cells | 8,511,474 | - | - | 8,511,474 |
| Total capital assets, being depreciated | 15,496,246 | 328,294 | 303,891 | 16,128,431 |
| Less: accumulated depreciation | (13,277,674) | (622,752) | 349,094 | (13,551,332) |
| Net capital assets, being depreciated | 2,218,572 | (294,458) | 652,985 | 2,577,099 |
| Landfill capital assets, net | \$ 3,764,271 | \$ (233,195) | \$ 652,985 | \$ 4,184,061 |
| Dorchester County Airport | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 2,595,299 | \$ 212,686 | \$ - | \$ 2,807,985 |
| Construction in progress | 1,307,815 | - | (83,284) | 1,224,531 |
| Total capital assets, not being depreciated | 3,903,114 | 212,686 | (83,284) | 4,032,516 |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 17,580,644 | 28,288 | 3,492 | 17,612,424 |
| Machinery and equipment | 621,219 | 252,881 | (40,603) | 833,497 |
| Total capital assets, being depreciated | 18,201,863 | 281,169 | (37,111) | 18,445,921 |
| Less: accumulated depreciation | (7,235,284) | (518,008) | 700,707 | (7,052,585) |
| Net capital assets, being depreciated | 10,966,579 | (236,839) | 663,596 | 11,393,336 |
| Airport capital assets, net | \$ 14,869,693 | \$ (24,153) | \$ 580,312 | \$ 15,425,852 |
| Business-type activities capital assets, net | \$ 18,633,964 | \$ (257,348) | \$ 1,233,297 | \$ 19,609,913 |

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (continued)

Capital asset activity for the component units for the year ended June 30, 2020 was as follows:

| | Beginning Balance | Increases | Transfers / Decreases | Ending Balance |
|---|-----------------------|---------------------|--------------------------|-----------------------|
| Board of Education of Dorchester County | | | | |
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Construction in progress | \$ 42,855,007 | \$ 5,989,331 | \$ (47,787,742) | \$ 1,056,596 |
| Total capital assets, not being depreciated | 42,855,007 | 5,989,331 | (47,787,742) | 1,056,596 |
| Capital assets, being depreciated | | | | |
| Buildings and improvements | 137,994,978 | - | 47,651,132 | 185,646,110 |
| Furniture and equipment | 2,997,094 | 737,676 | 136,610 | 3,871,380 |
| Vehicles | 1,585,518 | - | - | 1,585,518 |
| Total capital assets, being depreciated | 142,577,590 | 737,676 | 47,787,742 | 191,103,008 |
| Less: accumulated depreciation | (75,703,025) | (5,962,158) | - | (81,665,183) |
| Net capital assets, being depreciated | 66,874,565 | (5,224,482) | 47,787,742 | 109,437,825 |
| Governmental activities capital assets, net | \$ 109,729,572 | \$ 764,849 | \$ - | \$ 110,494,421 |
| Business-type activities | | | | |
| Equipment | \$ 70,522 | \$ - | \$ - | \$ 70,522 |
| Accumulated depreciation | (39,094) | (3,120) | - | (42,214) |
| Business-type activities capital assets, net | \$ 31,428 | \$ (3,120) | \$ - | \$ 28,308 |
| Board of Education capital assets, net | \$ 109,761,000 | \$ 761,729 | \$ - | \$ 110,522,729 |
| Dorchester County Sanitary Districts | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 2,645 | \$ - | \$ - | \$ 2,645 |
| Intangible assets | 1,044,000 | - | - | 1,044,000 |
| Construction in progress | 91,452 | 8,062 | - | 99,514 |
| Total capital assets, not being depreciated | 1,138,097 | 8,062 | - | 1,146,159 |
| Capital assets, being depreciated | | | | |
| Vehicles | 93,688 | - | - | 93,688 |
| Plant and equipment | 15,209,523 | 3,970 | - | 15,213,493 |
| Total capital assets, being depreciated | 15,303,211 | 3,970 | - | 15,307,181 |
| Less: accumulated depreciation | (6,226,379) | (372,858) | - | (6,599,237) |
| Net capital assets, being depreciated | 9,076,832 | (368,888) | - | 8,707,944 |
| Sanitary Districts capital assets, net | \$ 10,214,929 | \$ (360,826) | \$ - | \$ 9,854,103 |
| Total component units capital assets, net | \$ 119,975,929 | \$ 400,903 | \$ - | \$ 120,376,832 |

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt

The County issues general obligation bonds and other indebtedness to provide funds for the acquisition and construction of major capital facilities.

The County has agreed to subsidize 76% of the debt service cost associated with the City of Cambridge's USDA loan for the technology park. The County's portion of the principal was \$31,057 and interest was \$45,079 for the year ended June 30, 2020. These costs are included in debt service on the Statement of Revenues, Expenditures and Changes in Fund Balance.

Dorchester County Governmental Activities Long-Term Debt

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due in One Year |
|--|----------------------|-------------|-----------------------|----------------------|----------------------------|
| <i>Governmental Activities</i> | | | | | |
| <u>Public Facilities Bonds</u> | | | | | |
| Consolidated Public Improvement Bonds of 2010, payable in annual principle installments of \$810,000 to \$1,435,000 through February 1, 2030, interest payable semi-annually from 1% to 6.%. Interest subsidy under Build America Bonds program reduces net interest rates to 0.65% - 3.33%. | \$ 13,050,000 | \$ - | \$ (980,000) | \$ 12,070,000 | \$ 1,015,000 |
| Public Facilities Bond of 2018, payable in annual payments from \$680,000 to \$2,090,000 through January 1, 2039, interest payable annually from 2% to 3.9%. | 28,525,000 | - | (680,000) | 27,845,000 | 930,000 |
| Premium on bonds | 2,010,688 | - | (105,825) | 1,904,863 | - |
| Total public facilities bonds | \$ 43,585,688 | \$ - | \$ (1,765,825) | \$ 41,819,863 | \$ 1,945,000 |

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due in One Year |
|--|----------------------|-------------|--------------------|-------------------|----------------------------|
| <u>State of Maryland Department of Natural Resources</u> | | | | | |
| <u>Shore Erosion Control Loans (SEC)</u> | | | | | |
| SEC 7-92 - Middle Hoopers Island Causeway; due in annual installments of \$5,516 through July 2020; no interest. | \$ 11,032 | \$ - | \$ (5,516) | \$ 5,516 | \$ 5,516 |
| SEC 8-92 - McCready's Point Road; due in annual installments of \$1,683 through July 2019; no interest. | 1,689 | - | (1,689) | - | - |
| SEC 9-92 - Hoopersville Road; due in annual installments of \$2,718 through July 2019; no interest. | 2,721 | - | (2,721) | - | - |
| SEC 03-03 - Hoopersville Road; due in annual installments of \$19,245 through July 2033; no interest. | 288,675 | - | (19,245) | 269,430 | 19,245 |
| SEC 04-02 - Hoopers Island Road; due in annual installments of \$5,930 through July 2027; no interest. | 53,372 | - | (5,930) | 47,442 | 5,930 |
| SEC 05-03 - Taylors Island; due in annual installments of \$14,593 through July 2035; no interest. | 218,903 | - | (14,593) | 204,310 | 14,593 |
| SEC 18-02 - Punch Island Road; due in annual installments of \$12,958 through July 2035; no interest. | 194,363 | - | (12,958) | 181,405 | 12,958 |
| Total SEC loans payable | \$ 770,755 | \$ - | \$ (62,652) | \$ 708,103 | \$ 58,242 |

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due in One Year |
|---|----------------------|-------------------|-----------------------|----------------------|----------------------------|
| <u>Notes Payable</u> | | | | | |
| 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 Learning Resource Center). | \$ 47,961 | \$ - | \$ (47,961) | \$ - | \$ - |
| County Commissioners of Queen Anne's County loan due in annual principal installments of \$5,096 to \$12,314 through January 2023; interest payable annually at 4%. | 45,797 | - | (10,616) | 35,181 | 11,162 |
| County Commissioners of Queen Anne's County loan due in annual principal installments of \$53,292 to \$107,262 through April 2034; interest payable annually at 2.00% to 4.00%. | 1,241,662 | - | (62,117) | 1,179,545 | 64,493 |
| TEDCO loan, due in minimum annual installments of \$25,000 plus quarterly payments of 25% of net proceeds from sale of Tech Park lots, unpaid principle due 15th anniversary of settlement, no interest. (for construction of Eastern Shore Innovation Center). | 925,000 | - | (25,000) | 900,000 | 25,000 |
| DBED loan, due in quarterly payments of 25% of net proceeds from sale of Tech Park lots, any unpaid principle to be forgiven November 2034, no interest (for construction of Eastern Shore Innovation Center). | 1,263,500 | - | - | 1,263,500 | - |
| MD Dpt of Commerce loan, due in monthly installments of \$6,324 including interest at 3%, through June 2026, unpaid principle of \$1,145,440 due at that time (re-loaned to local business under economic development initiative). | 1,407,196 | - | (34,175) | 1,373,021 | 35,178 |
| 1880 Bank loan, due in semi-annual payments of \$72,822 including interest at 2.36%, through May 2025. | - | 683,100 | - | 683,100 | 130,308 |
| Total notes payable | 4,931,116 | 683,100 | (179,869) | 5,434,347 | 266,141 |
| Total governmental activities debt | \$ 49,287,559 | \$ 683,100 | \$ (2,008,346) | \$ 47,962,313 | \$ 2,269,383 |

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

| <u>Other long term liabilities</u> | | | | | |
|---|----------------------|---------------------|-----------------------|----------------------|---------------------|
| Compensated absences | \$ 978,093 | \$ 29,859 | \$ - | \$ 1,007,952 | \$ 384,874 |
| Capital lease | - | 358,432 | (83,537) | 274,895 | 86,977 |
| Pension liability | 745,613 | 864 | - | 746,477 | 1,991 |
| Net pension liability | 13,084,986 | 1,007,038 | - | 14,092,024 | - |
| Net OPEB liability | 20,585,874 | 6,881,874 | - | 27,467,748 | - |
| Total other long term liabilities | \$ 35,394,566 | \$ 8,278,067 | \$ (83,537) | \$ 43,589,096 | \$ 473,842 |
| Total governmental activities debt | \$ 84,682,125 | \$ 8,961,167 | \$ (2,091,883) | \$ 91,551,409 | \$ 2,743,225 |

Dorchester County Business-Type Activities Long-Term Debt

| | Beginning Balance | Additions | Reductions | Ending Balance | Amounts Due in One Year |
|--|----------------------|-----------------|-------------|---------------------|----------------------------|
| <i>Business-Type Activities</i> | | | | | |
| Compensated absences | \$ 67,958 | \$ 2,011 | \$ - | \$ 69,969 | \$ 17,492 |
| Landfill closure and postclosure costs | 7,092,294 | - | - | 7,092,294 | - |
| Total other long term liabilities | \$ 7,160,252 | \$ 2,011 | \$ - | \$ 7,162,263 | \$ 17,492 |
| Total business-type activities debt | \$ 7,160,252 | \$ 2,011 | \$ - | \$ 7,162,263 | \$ 17,492 |

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

The annual debt service requirements are as follows (excludes bond premium):

| Governmental | | | | | | | | | |
|-------------------|-----------------------------------|----------------------|----------------------|---------------------------------|-------------|-------------------|-----------------------------------|-------------------|---------------------|
| <u>Activities</u> | | | | | | | | | |
| Year Ending | <u>Governmental Bonds Payable</u> | | | <u>Governmental SEC Payable</u> | | | <u>Governmental Notes Payable</u> | | |
| <u>June 30</u> | Principal | Interest | Totals | Principal | Interest | Totals | Principal | Interest | Totals |
| 2021 | \$ 1,945,000 | \$ 1,051,734 | \$ 2,996,734 | \$ 58,242 | \$ - | \$ 58,242 | \$ 266,141 | \$ 102,524 | \$ 368,665 |
| 2022 | 2,025,000 | 1,595,971 | 3,620,971 | 52,726 | - | 52,726 | 273,539 | 95,320 | 368,859 |
| 2023 | 2,115,000 | 1,513,096 | 3,628,096 | 52,726 | - | 52,726 | 281,126 | 87,846 | 368,972 |
| 2024 | 2,205,000 | 1,425,535 | 3,630,535 | 52,726 | - | 52,726 | 275,900 | 80,127 | 356,027 |
| 2025 | 2,300,000 | 1,334,142 | 3,634,142 | 52,726 | - | 52,726 | 283,117 | 73,446 | 356,563 |
| 2026 - 2030 | 13,165,000 | 5,097,221 | 18,262,221 | 251,772 | - | 251,772 | 1,735,736 | 170,450 | 1,906,186 |
| 2031 - 2035 | 8,265,000 | 2,612,750 | 10,877,750 | 187,185 | - | 187,185 | 2,318,788 | 41,316 | 2,360,104 |
| 2036 - 2040 | 7,895,000 | 804,800 | 8,699,800 | - | - | - | - | - | - |
| Total | \$ 39,915,000 | \$ 15,435,249 | \$ 55,350,249 | \$ 708,103 | \$ - | \$ 708,103 | \$ 5,434,347 | \$ 651,029 | \$ 6,085,376 |

Interest expense on all County long-term debt totaled \$1,795,319 for the year ended June 30, 2020.

Long-term debt of the Board and Sanitary Districts at June 30, 2020 consists of the following:

| <u>Component Units</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Amounts Due in One Year</u> |
|--|--------------------------|-------------------|-----------------------|-----------------------|--------------------------------|
| <u>Board of Education</u> | | | | | |
| <u>Other long term liabilities</u> | | | | | |
| Compensated absences | \$ 1,671,834 | \$ 427,334 | \$ (632,617) | \$ 1,466,551 | \$ 270,895 |
| Net pension liability | 3,836,287 | 165,174 | - | 4,001,461 | - |
| Net OPEB liability | 73,343,143 | - | (4,712,827) | 68,630,316 | - |
| Total other long term liabilities | \$ 78,851,264 | \$ 592,508 | \$ (5,345,444) | \$ 74,098,328 | \$ 270,895 |
| <u>Sanitary District</u> | | | | | |
| Loan payable in the amount of \$1,754,000 and \$290,000 to the USDA. Due in quarterly installments of \$17,383 and \$2,874 including interest of 2.5%, until March 2051. | | | | | |
| | \$ 1,770,731 | \$ - | \$ (37,105) | \$ 1,733,626 | \$ 38,042 |
| <u>Other long term liabilities</u> | | | | | |
| Net pension liability | 95,421 | - | (25,825) | 69,596 | - |
| Total other long term liabilities | \$ 95,421 | \$ - | \$ (25,825) | \$ 69,596 | \$ - |

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

The annual requirements to amortize all the Sanitary Districts' debt outstanding as of June 30, 2020 are as follows:

| Year Ending June 30 | Principal | Interest | Totals |
|------------------------|---------------------|-------------------|---------------------|
| 2021 | \$ 38,042 | \$ 42,986 | \$ 81,028 |
| 2022 | 39,002 | 42,026 | 81,028 |
| 2023 | 39,986 | 41,042 | 81,028 |
| 2024 | 40,995 | 40,033 | 81,028 |
| 2025 | 42,030 | 38,998 | 81,028 |
| 2026 - 2030 | 226,605 | 178,535 | 405,140 |
| 2031 - 2035 | 256,677 | 148,463 | 405,140 |
| 2036 - 2040 | 290,741 | 114,399 | 405,140 |
| 2041 - 2045 | 329,324 | 75,816 | 405,140 |
| 2046 - 2050 | 373,028 | 32,112 | 405,140 |
| 2051 | 57,196 | 698 | 57,894 |
| Total | \$ 1,733,626 | \$ 755,108 | \$ 2,488,734 |

Note 6. Leases

Capital Lease

The County has entered into lease agreements as lessee for financing the acquisition of various equipment. The lease agreements qualify as capital leases for accounting purposes. The equipment held through capital lease agreements had cost in governmental activities furniture and equipment totaling \$358,432 less accumulated depreciation of \$46,429, for a net book value of \$312,003. For the year ended June 30, 2020, depreciation expense related to assets under capital leases totaled \$46,429.

The following is a schedule of future minimum lease payments under the capital leases, and the present value of the net minimum lease payments as June 30, 2020.

| | |
|---|-------------------|
| 2021 | \$ 109,354 |
| 2022 | 112,601 |
| 2023 | 80,143 |
| 2024 | 38,972 |
| 2025 | 3,248 |
| Total minimum lease payments | 344,318 |
| Less amount representing interest | (69,423) |
| Present value of future minimum lease payments | \$ 274,895 |

NOTES TO FINANCIAL STATEMENTS

Note 6. Leases (continued)

Operating Leases

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

Approximate future minimum lease commitments are as follows:

| <u>Year Ending June 30,</u> | | |
|-----------------------------|----|--------|
| 2021 | \$ | 66,000 |
| 2022 | | 66,000 |
| 2023 | | 66,000 |
| 2024 | | 66,000 |
| 2025 | | 62,000 |

Rent expense under these leases totaled approximately \$117,000 for the year ended June 30, 2020.

Component Unit - Board of Education

The Board leases copy machines and internet access service for the majority of the educational system over a three to five year terms.

During fiscal year 2017, the Board entered into a fifteen year equipment lease totaling \$4,188,274 for systemic replacements, repairs, restorations, modifications, and improvements across the school district. Payments are due annually with interest at 2.67% and final payment due December 21, 2031.

Approximate future minimum lease commitments are as follows:

| <u>Year Ending June 30,</u> | | |
|-----------------------------|----|-----------|
| 2021 | \$ | 882,000 |
| 2022 | | 835,000 |
| 2023 | | 851,000 |
| 2024 | | 359,000 |
| 2025 | | 359,000 |
| Thereafter | | 2,512,000 |

Expense under these leases totaled approximately \$894,000 for the year ended June 30, 2020.

NOTES TO FINANCIAL STATEMENTS

Note 7. Interfund Transactions

As of June 30, 2020, interfund receivable and payables that resulted from various interfund transactions were as follows:

| | Interfund Receivable | Interfund Payable | Net Receivable (Payable) |
|---------------------------------|-------------------------|------------------------|--------------------------------|
| Governmental Funds: | | | |
| General Fund | \$ 3,454,058 | \$ (10,881,308) | \$ (7,427,250) |
| Special Revenue Grants Fund | 2,546,714 | (148,737) | 2,397,977 |
| Capital Projects Fund | - | (2,752,739) | (2,752,739) |
| Non-Major Funds | 4,407,344 | - | 4,407,344 |
| Total Governmental Funds | 10,408,116 | (13,782,784) | (3,374,668) |
| Proprietary Funds: | | | |
| Landfill | 1,874,880 | (329,298) | 1,545,582 |
| Airport | 1,829,086 | - | 1,829,086 |
| Total Proprietary Funds | 3,703,966 | (329,298) | 3,374,668 |
| Total | \$ 14,112,082 | \$ (14,112,082) | \$ - |

Interfund transfers represent a transfer of resources from one fund to another without expectation of repayment. A summary of interfund transfers by fund for the year ended June 30, 2020 is as follows:

| | Transfers In | Transfers Out | Net In (out) |
|---------------------------------|-------------------|---------------------|------------------|
| Governmental Funds: | | | |
| General Fund | \$ - | \$ (972,367) | \$ (972,367) |
| Special Revenue Grants Fund | 115,000 | - | 115,000 |
| Capital Projects Fund | 405,481 | - | 405,481 |
| Non-Major Funds | 100,000 | - | 100,000 |
| Total Governmental Funds | 620,481 | (972,367) | (351,886) |
| Proprietary Funds: | | | |
| Landfill | - | - | - |
| Airport | 351,886 | - | 351,886 |
| Total Proprietary Funds | 351,886 | - | 351,886 |
| Total | \$ 972,367 | \$ (972,367) | \$ - |

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plans

Organization

The State Retirement Agency is the administrator of the Maryland State Retirement and Pension System (the System). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System's administration and operation is vested in a 15 member Board of Trustees. The System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool". The State Pool consists of State agencies, board of education, community colleges, and libraries. The Municipal Pool consists of participating governmental units that elected to join the System. Neither pool shares in each other's actuarial liabilities, thus participating governmental units that elect to join the System (the "Municipal Pool") share in the liabilities of the Municipal Pool only. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at www.sra.maryland.gov.

The System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System, Judges' Retirement System, and the Law Enforcement Officers' Pension System (LEOPS).

The following groups of employees participate in:

| Employees | Plan |
|--|------------------|
| Board of Education – regular employees | Employees System |
| Board of Education – teachers | Teachers System |
| Dorchester County: | |
| Elected officials | Employees System |
| Sheriff's Deputies | LEOPS |
| Regular Employees | Employees System |

The System is a cost sharing multiple-employer defined benefit pension plans.

Basis of Accounting

The System's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plans (continued)

Covered Members

Teachers' Retirement and Pension Systems

The Teachers' Retirement System was established on August 1, 1927, to provide retirement allowances and other benefits to teachers in the State. Effective January 1, 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was established. As a result, teachers hired after December 31, 1979, became members of the Teachers' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Teachers' Retirement System may not transfer membership to the Teachers' Pension System.

Employees' Retirement and Pension Systems

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

The Law Enforcement Officers' pension System (LEOPS)

The Law Enforcement Officers' Pension System (LEOPS) was established on July 2, 1990, to provide retirement allowances and other benefits for certain State and local law enforcement officers. This System includes both retirement plan and pension plan provisions which are applicable to separate portions of the System's membership. The retirement plan provisions are only applicable to those members who, on the date they elected to participate in LEOPS, were members of the Employees' Retirement System. This System's pension plan provisions are applicable to all other participating law enforcement officers.

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the Employees', Teachers', Correctional Officers' or State Police Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the State Police Retirement System or the Correctional Officers' Retirement System on or after July 1, 2011, retirement allowances are computed using both the highest five years' AFC and the actual number of years of accumulated creditable service. For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive year's AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plans (continued)

The member contribution rate for members of the Teachers' Retirement Pension System and Employees' Retirement Pension Systems is 7% and 6% respectively, and 7% for members of the Law Enforcement Officers' Pension System. The member contribution rate for members of the Judges' Retirement System is 8%.

In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2019 are as follows:

Service Retirement Allowances

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employee's Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for those members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plans (continued)

A member of the Law Enforcement Officers' Pension System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals 1/50 (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus 1/100 (1.0%) of the member's AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provisions, full service pension allowances equal 2.0% of AFC up to a maximum of 60% (30 years of credit).

Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011 may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Members of the State Police, Judges', Law Enforcement Officers' and Local Fire and Police Systems are not eligible for early service benefits.

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plans (continued)

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Adjusted Retirement Allowances

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formulae. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems (TRS/ERS) the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election made by the member.

Effective July 1, 1998, for Teachers', Employees', and LEOPS retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increase to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plans (continued)

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|--|
| Inflation | In the 2019 actuarial valuation, 2.65% general, 3.15% wage. In the 2018 actuarial valuation, 2.60% general, 3.10% wage. |
| Salary Increases | In the 2019 actuarial valuation, 3.10% to 11.60%, including inflation. In the 2018 actuarial valuation, 3.20% to 9.10%, including inflation. |
| Investment Rate of Return | In the 2019 actuarial valuation, 7.40%. In the 2018 actuarial valuation, 7.45%. |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018. |
| Mortality | Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale. |

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|--------------------|-------------------|--|
| Public Equity | 37% | 6.3% |
| Private Equity | 13% | 7.5% |
| Rate Sensitive | 19% | 1.3% |
| Credit Opportunity | 9% | 3.9% |
| Real Assets | 14% | 4.5% |
| Absolute Return | 8% | 3.0% |
| Total | 100% | |

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2019.

For the year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 6.44%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plans (continued)

Discount rate

A single discount rate of 7.40% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.40%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.40%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

| System | 1% Decrease to 6.40% | Current Discount Rate 7.40% | 1% Increase to 8.40% |
|-------------------|----------------------------|-----------------------------------|----------------------------|
| County | \$ 20,396,795 | \$ 14,092,024 | \$ 8,840,946 |
| Board | 5,791,700 | 4,001,461 | 2,510,399 |
| Sanitary District | 100,726 | 69,596 | 43,659 |

Teachers' and Employees' Retirement Systems and Teachers' and Employees' Pension Systems

Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay 100% of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. As contractually required, during the fiscal year 2020, the Board contributed \$1,466,013 to the Teachers' Retirement and Pension System.

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

Because the State of Maryland pays the unfunded liability for the Teachers' Systems and the Board pays the normal cost for the Teachers' Systems, the Board is not required to record its' share of the unfunded pension liability for the Teachers' Systems, the State of Maryland is required to record that liability. The Board is required to record a liability for the Employees' Systems.

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plans (continued)

At June 30, 2020, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

| | |
|--|---------------|
| Board's proportionate share of the net pension liability (Employees' Systems) | \$ 4,001,461 |
| State's proportionate share of the net pension liability (Teachers' System) | 37,124,469 |
| <hr/> | |
| Total | \$ 41,125,930 |
| <hr/> | |

The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportion of the net pension liability was calculated as follows by the System(s):

1. Calculate the net pension liability for the entire System in accordance with the provision of GASB No. 67.
2. Determined the total contributions to the System by the State and PGUs, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution.
5. Provide each PGU its adjusted percentage of contribution and the System's net pension liability and other related amounts as of June 30, 2019, under the GASB No. 67 requirements.

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plans (continued)

At June 30, 2020, the County reported the following related to pensions:

| | <u>County</u> | <u>Board</u> | <u>Sanitary</u> |
|---|----------------------|---------------------|------------------|
| Employer's proportionate (percentage) of the collective net pension liability | 0.0683229% | 0.0194004% | 0.0003374% |
| Employer's proportionate share of the collective net pension liability | \$ 14,092,024 | \$ 4,001,461 | \$ 69,596 |
| Pension expense recognized by the employer for the year ended June 30, 2020 | \$ 2,950,198 | \$ 2,317,870 | \$ 24,586 |
| Deferred outflows of resources, June 30, 2019 | \$ 2,166,494 | \$ 777,933 | \$ 9,708 |
| Year end June 30, 2019 contributions | (1,403,011) | (398,388) | - |
| Net difference between projected and actual investment earnings | 289,714 | | 2,356 |
| Difference between expected and actual experience | - | - | - |
| Change in assumptions | - | 60,506 | 706 |
| Amortization of items allowed by GASB 68 | (725,008) | (379,545) | (9,708) |
| Year end June 30, 2020 contributions | 1,389,762 | 433,919 | 10,541 |
| Deferred outflows of resources June 30, 2020 | \$ 1,717,951 | \$ 494,425 | \$ 13,603 |
| Deferred inflows of resources June 30, 2019 | \$ 803,990 | \$ 309,336 | \$ 9,822 |
| Net difference between projected and actual investment earnings | - | 27,694 | 2,520 |
| Difference between expected and actual experience | 141,640 | 245,291 | 5,283 |
| Change in assumptions | 383,520 | - | 1,894 |
| Amortization of items allowed by GASB 68 | (420,305) | (309,336) | (9,822) |
| Deferred inflows of resources June 30, 2020 | \$ 908,845 | \$ 272,985 | \$ 9,697 |
| NPL June 30, 2019 | \$ 13,084,986 | \$ 3,836,287 | \$ 95,421 |
| Change in NPL factored for contributions | 1,007,038 | 165,174 | (25,825) |
| NPL June 30, 2020 | \$ 14,092,024 | \$ 4,001,461 | \$ 69,596 |

The \$1,389,762, \$433,919, and \$10,541 of deferred outflows of resources resulting from the County, Board and Sanitary Districts' contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows/inflows of resources will be amortized over approximately a five year period.

NOTES TO FINANCIAL STATEMENTS

Note 8. Retirement Plans (continued)

The County, Board and Sanitary Districts' net deferred outflows / (inflows) will be amortized as follows:

| | <u>County</u> Deferred Outflows (Inflows) | <u>Board</u> Deferred Outflows (Inflows) | <u>Sanitary</u> Deferred Outflows (Inflows) |
|--------------|---|--|---|
| June 30, | | | |
| 2021 | \$ (1,262) | \$ 2,259 | \$ (1,769) |
| 2022 | (368,345) | (113,302) | (2,684) |
| 2023 | (94,814) | (61,824) | (1,314) |
| 2024 | (39,737) | (21,714) | (494) |
| 2025 | (76,498) | (17,898) | (374) |
| Total | \$ (580,656) | \$ (212,479) | \$ (6,635) |

Covered payroll refers to all compensation paid to active employees covered by the Systems.

| | <u>Total Payroll</u> | <u>Covered Payroll</u> | <u>On-Behalf By State</u> |
|--------------------|--------------------------|----------------------------|-------------------------------|
| County | \$ 14,040,318 | \$ 10,328,204 | \$ - |
| Board of Education | 42,251,256 | 37,297,818 | 3,872,850 |
| District | 208,404 | 145,695 | - |

Pension contributions made by the State of Maryland, on behalf of the Board of Education are recognized as both revenue and expenditure.

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 \$746,477 fund deficit over a period of 40 years. The annual payment will increase 5% per year until maturity at December 31, 2035. This liability has been recorded in the governmental activities column on the Statement of Net Position.

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Benefits

Plan Description

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

Eligibility - Eligible upon retirement for employees with 30 years of service at any age or employees who have attained age 55 with at least 16 years of service if enrolled in the active medical plan immediately prior to retiring. Participants are eligible for medical and prescription drug benefits.

Spouses and surviving spouses of eligible retirees are also eligible to receive benefits from the Plan. Benefits continue for the lifetime of the retirees and spouses.

Coverage - All eligible employees and their dependents can elect coverage in the Plan. Once eligible for Medicare, participants may elect Medicare Supplement coverage under Plan F. However, retirees previously participating under Plan J may continue coverage in Plan J.

Effective January 1, 2017, post-65 retirees and their spouses no longer have prescription drug coverage.

Contributions - Pre-65 retirees pay the same premiums charged to active employees for both themselves and their dependents. Post-65 retirees pay 15% of the premiums charged for both themselves and their dependents.

Effective January 1, 2017, post-65 retirees and their spouses do not pay for the Medicare supplement.

The County is not required by law or contractual agreement to provide funding for retiree benefits other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. The County may contribute to the Trust Fund those amounts appropriated. For fiscal year 2020, the County did not contribute to the Plan for the eligible retirees.

Plan Reporting

Relevant Dates

| | |
|-------------------|---------------|
| Valuation Date: | July 1, 2018 |
| Measurement Date: | June 30, 2020 |
| Reporting Date: | June 30, 2020 |

Plan Membership

The following is a summary of plan membership as of July 1, 2018.

| | |
|------------------------------|-----|
| Active | 233 |
| Retirees (including spouses) | 115 |
| Total participants | 348 |

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Benefits (continued)

Actuarial Information

The County's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|-----------------------------------|--|
| Actuarial cost method | Entry Age |
| Asset cost method | Market value of assets |
| Amortization method: | |
| GASB 75 recognition period | Level dollar amortization |
| Actuarial determined contribution | Level % of payroll method over a closed 30 year period |
| Interest rates: | |
| Discount rate | 2.21 % |
| Investment rate of return | 3.00 % |
| Municipal bond rate | 2.21 % |
| Inflation | 2.50 % |
| Salary increases | Not applicable |
| Mortality table | Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2020 |

We are not aware of the last time an experience study was performed for this plan.

Expected Return

The long-term expected rate of return on OPEB plan investments was based on the plan sponsor's expectation that Plan assets will earn at least 3.00% on a long-term basis.

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|-------------------|--|
| Fixed Income | 0.00 % | Not Available |
| Equity | 0.00 % | Not Available |
| Real estate | 0.00 % | Not Available |
| Other | 100.00 % | Not Available |
| Total Expected Return | 100.00 % | |

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

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Benefits (continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 2.21%. The projection of cashflows used to determine the discount rate assumed that there will be no future contributions made by the County. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be depleted for current members during the 2020 fiscal year. Therefore, the long-term expected rate of return of 3.00% was used to discount funded projected benefit payments and the municipal bond rate of 2.21% was used to discount unfunded projected benefit payments to determine the total OPEB liability. The single effective discount rate used for the accounting valuation was 2.21%.

Net OPEB Liability

Changes in the net OPEB liability are as follows:

| | Total OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
|---|---|--|---|
| Balances , beginning of year | \$ 20,595,390 | \$ 9,516 | \$ 20,585,874 |
| Service cost | 675,532 | - | 675,532 |
| Interest on the total OPEB liability | 736,411 | - | 736,411 |
| Difference between expected and actual experience | (454,350) | - | (454,350) |
| Changes in plan provisions | - | - | - |
| Employer and employee contributions | - | 251,969 | (251,969) |
| Changes in assumptions | 6,376,026 | - | 6,376,026 |
| Net investment income | - | 702 | (702) |
| Benefit payments | (461,261) | (250,187) | (211,074) |
| Administrative expenses | - | (12,000) | 12,000 |
| Other changes | - | - | - |
| Balances, end of year | \$ 27,467,748 | \$ - | \$ 27,467,748 |

FNP as a % of TOL (funded status) (b)/(a) 0%

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Benefits (continued)

Impact of change in discount rate

The following presents the net OPEB liability of the County, calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher:

| DISCOUNT RATE | | | |
|--------------------|-------------------------|------------------------|-------------------------|
| System | 1% Decrease to 1.21% | Discount Rate 2.21% | 1% Increase to 3.21% |
| Net OPEB liability | \$ 33,710,196 | \$ 27,467,748 | \$ 22,744,625 |

Impact of change in healthcare trend rates

The following presents the net OPEB liability of the County, calculated using the healthcare cost trend rate of 1% higher and 1% lower than the assumed healthcare cost trend rates for all years:

| HEALTH CARE TREND | | | |
|--------------------|-------------------------------|------------------------|-------------------------------|
| System | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
| Net OPEB liability | \$ 22,263,490 | \$ 27,467,748 | \$ 34,368,369 |

Deferred Inflow/Outflow Summary

Since certain OPEB expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts increase the OPEB expense, they are labeled as deferred outflows and amounts that decrease the OPEB expense are labeled as deferred inflows. These outflows and inflows are amortized on a level dollar basis with no interest added for the deferred amounts. Deferred experience gains/losses and changes in assumptions are amortized over the average remaining service lives of all employees that are provided with benefits through the OPEB plan at the beginning of the measurement period. Investment gains/losses are amortized over a five-year period. The following shows the summary of the deferred outflows and inflows as of June 30, 2020.

| | Deferred Outflows | Deferred Inflows |
|---|----------------------|-----------------------|
| Balances , beginning of year | \$ 2,031,976 | \$ (8,802,581) |
| Difference between expected and actual experience | - | (454,350) |
| Changes in actuarial assumptions | 6,376,026 | - |
| Net difference between projected and actual earnings on investments | 428 | - |
| Amortization of items allowed by GASB 75: | | |
| Difference between expected and actual experience | (11,383) | 1,101,952 |
| Changes in actuarial assumptions | (2,617,200) | 3,140,326 |
| Net difference between projected and actual earnings on investments | (34,222) | 6,493 |
| Balances, end of year | \$ 5,745,625 | \$ (5,008,160) |

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Benefits (continued)

The amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

| | | |
|--------------|-----------|----------------|
| 2021 | \$ | (1,585,964) |
| 2022 | | 1,903,414 |
| 2023 | | 419,931 |
| 2024 | | 84 |
| 2025 | | - |
| <u>Total</u> | <u>\$</u> | <u>737,465</u> |

OPEB Expense

The amount of OPEB expense recognized in the reporting period are as follows:

| | | |
|---|----|-------------|
| Service cost | \$ | 675,532 |
| Interest on total OPEB liability | | 736,411 |
| Current period benefit changes | | - |
| Project earnings on plan assets (negative for credit against expense) | | (428) |
| Difference between expected and actual experience* | | (1,090,569) |
| Changes in actuarial assumptions* | | (523,126) |
| Difference between projected and actual earnings* | | 27,729 |
| Administrative expense | | - |
| Other changes in fiduciary net position | | - |
| <hr/> | | |
| Total OPEB expense (income) | \$ | (174,451) |

* - portions recognized for expense

Component Unit - Board of Education

Plan Description

The Board of Education of Dorchester County administers a single-employer defined benefit healthcare plan (“the Plan”). The plan provides healthcare insurance for eligible retirees and their spouses through the Board’s group health insurance plan, which covers both active and retired members. The Plan does not issue a stand-alone report. Benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers’ pension system.

As of January 1, 2020, the date of the last actuarial valuation, approximately 369 retirees were receiving benefits, and 673 active employees are potentially eligible to receive future benefits.

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Benefits (continued)

Net OPEB Liability

The annual OPEB expense under GASB Statement No. 75 is equal to the change in the unfunded actuarial accrued liability from the prior year's measurement date to the current year measurement date, with some of the liability changes being deferred to future years. Changes in the actuarial accrued liability due to experience gains or losses or changes in assumptions are recognized over the expected future working lifetime of all plan participants, including retirees. For the fiscal year ended June 30, 2020, the Board recognized an OPEB expense of \$3,502,704.

The Board's total OPEB liability is an amount actuarially determined in accordance with the parameters of GASB Statement No. 75. The following table shows the components of the Board's total OPEB liability as of June 30, 2020:

| | |
|---|---------------|
| Total OPEB liability | |
| Service cost | \$ 3,077,799 |
| Interest cost | 2,625,283 |
| Experience losses/(gains) | (12,258,435) |
| Changes of assumptions | 3,251,349 |
| Benefit payments | (1,408,823) |
| Net change in total OPEB liability | (4,712,827) |
| Total OPEB liability, beginning of year | 73,343,143 |
| Total OPEB liability, end of year (a) | \$ 68,630,316 |

Payments have typically been liquidated from the General Fund in prior years.

Funding Status and Funding Progress

The Board has not established an irrevocable trust and funds benefits on a pay-as-you-go basis. Contributions to the plan are made as benefit payments and expenses become due. Benefit payments totaled \$1,225,409 for the year ended June 30, 2020. As of the most recent actuarial valuation, the plan was zero percent funded. The total OPEB liability for benefits was \$68,630,316, all of which was unfunded. The covered employee payroll was \$37,297,818, and the ratio of the net OPEB liability to the covered payroll was 184.01%.

Sensitivity of the Total and Net OPEB Liability

The following table presents the Board's total OPEB liability using the discount rate of 3.13%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

| | DISCOUNT RATE | | |
|--------------------|-------------------------|------------------------|-------------------------|
| | 1% Decrease to 2.13% | Discount Rate 3.13% | 1% Increase to 4.13% |
| Net OPEB liability | \$ 83,157,499 | \$ 68,630,316 | \$ 57,318,935 |

NOTES TO FINANCIAL STATEMENTS

Note 9. Post-Employment Benefits (continued)

The following table presents the Board's total OPEB liability using the health care trend rate of 4.0%, as well as what the total OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the current rate:

| HEALTH CARE TREND | | | |
|--------------------|-------------------------|-------------------------------------|-------------------------|
| System | 1% Decrease to 3.00% | Health Care Trend Rates 4.00% | 1% Increase to 5.00% |
| Net OPEB liability | \$ 56,084,690 | \$ 68,630,316 | \$ 85,572,345 |

Deferred Inflows/Outflows of Resources related to OPEB

At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

| | Deferred Outflows | Deferred Inflows |
|--|----------------------|---------------------|
| Changes in assumptions | \$ 2,890,088 | \$ (29,144,534) |
| Net difference between projected and actual investment earnings on OPEB plan investments | - | - |
| Difference between actual and expected experience | - | 10,979,427 |
| Board contributions subsequent to measurement date | 1,225,409 | - |
| Total | \$ 4,115,497 | \$ (18,165,107) |

The \$4,115,497 of deferred outflows of resources resulting from changes in assumptions and the Board's contributions to the OPEB plan subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2021. Amounts reported as deferred inflows of resources related to changes in assumptions and the difference between actual and expected experience will be amortized and expensed over the expected average remaining service life of participants as follows:

| | |
|------------|-----------------|
| 2021 | \$ (2,200,378) |
| 2022 | (2,200,378) |
| 2023 | (2,200,378) |
| 2024 | (2,200,378) |
| 2025 | (2,200,378) |
| Thereafter | (4,273,129) |
| Total | \$ (15,275,019) |

Changes in assumptions in the most recent actuarial valuation included adjusting the discount rate to the latest 20-year Municipal GO AA Index as June 30, 2019, adjusting the medical trend using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model baseline assumptions, and updating the Medicare claims and total costs and mortality assumptions to the latest SOA public sector experience study rates.

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

NOTES TO FINANCIAL STATEMENTS

Note 10. Deferred Compensation

The County offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457 and administered by a third party. The plans, available to all eligible County employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The County funds all amounts of compensation deferred under the Plans, at the direction of the covered employee, through investments underwritten by Variable Annuity Life Insurance Company (VALIC) and Nationwide. All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the deferred compensation plan participants and are not subject to the claims of the County's general creditors.

The County has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. In accordance with GASB Statement No. 32, adopted by the County in 1998, the Plan's assets are not reported on the combined balance sheet of the County.

Note 11. Landfill Closure and Post-closure Care Costs

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

The Secretary, Golden Hill, and Old Beulah landfills stopped accepting waste in 1982, 1991 and 1996, respectively. These landfills have been capped and only has post-closure care costs associated with them.

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

The above below are based on estimated current costs to perform all closure and post-closure care as of June 30, 2020. Actual costs may be higher due to inflation, deflation, changes in technology, or changes in applicable laws or regulations. The County is required by State and Federal laws and regulations to meet certain closure and post-closure financial assurance requirements. The County has satisfied these requirements by demonstrating in information submitted by the Director of Finance that they meet the Local Government Financial Test as of June 30, 2020, as specified in 40CFR258.

Though there are currently no legal restrictions on available funds, the County has approximately \$9,755,000 of currently available assets for landfill closure and post-closure care costs. The shortfalls, if any, may need to be covered by any combination of charges to future landfill users, future tax revenues, or additional borrowings.

NOTES TO FINANCIAL STATEMENTS

Note 11. Landfill Closure and Post-closure Care Costs (continued)

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

| Cells | Estimated Annual Cost | Years | Post-closure | Closure | Total |
|----------------------|--------------------------|-------|---------------------|---------------------|---------------------|
| Secretary landfill | \$ 10,800 | 30 | \$ 324,000 | \$ - | \$ 324,000 |
| Golden Hill landfill | 14,150 | 30 | 424,500 | - | 424,500 |
| Old Beulah landfill | 19,800 | 30 | 594,000 | - | 594,000 |
| New Beulah landfill | 87,000 | 30 | 1,516,000 | 4,233,794 | 5,749,794 |
| Total | | | \$ 2,858,500 | \$ 4,233,794 | \$ 7,092,294 |

Note 12. Commitments, Contingencies and Subsequent Events

County

Grants

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

Risk Management

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments, Contingencies and Subsequent Events (continued)

Dorchester County Sanitary Districts

The Sanitary Districts are exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The Sanitary Districts purchases commercial insurance to cover these risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Board of Education of Dorchester County

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. The Board has signed contracts for the construction of North Dorchester High School for approximately \$49 million. At June 30, 2020, approximately \$48.1 million had been expended on the planning, design, and construction of North Dorchester High School related to these contracts.

The Board receives a substantial amount of its support from Federal, State and local agencies in the form of grants. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2020 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

Risk Management

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

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

NOTES TO FINANCIAL STATEMENTS

Note 12. Commitments, Contingencies and Subsequent Events (continued)

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 medical premiums and 8% of drug, dental, and vision premiums. Currently, ESMEC keeps on hand 7.5% and 12%, respectively, as a recommended conservative reserve. As of December 13, 2019 the Board's funds held by ESMEC exceeded the recommended conservative reserve by \$327,153. All funds held by ESMEC are restricted to being used only for health care expenses.

On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic and resulting global disruptions have had significant impacts on the County. In addition, there has been significant economic uncertainty and volatility in financial markets. The impact on future funding and on defined benefit plan (pensions and other post-employment benefit) actuarial assumptions used to estimate the net pension and other post-employment liabilities are not reasonably estimated at this time.

Note 13. Individual Fund Disclosures

The following funds had an excess of expenditures over appropriations for the year ended June 30, 2020.

| Fund | Budgeted Expenditures | Actual Expenditures | Excess of Actual Over Budgeted Expenditures |
|--------------|--------------------------|------------------------|---|
| Capital Fund | \$ 2,198,245 | \$ 5,359,176 | \$ 3,160,931 |
| Airport Fund | 989,206 | 1,272,418 | 283,212 |

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

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual | Variance with |
|-------------------------------|-------------------|-------------------|-------------------|--|
| | Original | Final | | Final Budget Favorable (Unfavorable) |
| REVENUES: | | | | |
| Taxes | | | | |
| Property taxes | \$ 30,637,137 | \$ 30,637,137 | \$ 30,594,905 | \$ (42,232) |
| Income taxes | 14,168,894 | 14,168,894 | 14,936,176 | 767,282 |
| Other taxes | 2,671,632 | 2,671,632 | 2,991,961 | 320,329 |
| Total taxes | 47,477,663 | 47,477,663 | 48,523,042 | 1,045,379 |
| Licenses and permits | 229,550 | 229,550 | 209,953 | (19,597) |
| Intergovernmental | | | | |
| Federal | 60,000 | 60,000 | 167,150 | 107,150 |
| State | 4,659,246 | 4,659,246 | 4,528,816 | (130,430) |
| Service charges | 1,974,482 | 1,974,482 | 1,653,865 | (320,617) |
| Miscellaneous | 1,004,889 | 1,004,889 | 636,836 | (368,053) |
| Total revenues | 55,405,830 | 55,405,830 | 55,719,662 | 313,832 |
| EXPENDITURES: | | | | |
| General government | | | | |
| County council | | | | |
| Salaries and related expenses | 327,473 | 327,473 | 273,198 | 54,275 |
| Other | 73,900 | 73,900 | 32,368 | 41,532 |
| | 401,373 | 401,373 | 305,566 | 95,807 |
| Circuit court | | | | |
| Salaries and related expenses | 120,357 | 120,357 | 119,604 | 753 |
| Other | 84,160 | 84,160 | 39,079 | 45,081 |
| | 204,517 | 204,517 | 158,683 | 45,834 |
| Orphan's court | | | | |
| Salaries and related expenses | 17,700 | 17,700 | 15,300 | 2,400 |
| Other | 2,523 | 2,523 | 2,703 | (180) |
| | 20,223 | 20,223 | 18,003 | 2,220 |
| State's attorney | | | | |
| Salaries and related expenses | 748,447 | 748,447 | 731,723 | 16,724 |
| Other | 51,208 | 51,208 | 45,773 | 5,435 |
| | 799,655 | 799,655 | 777,496 | 22,159 |

See Independent Auditor's Report

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020
(continued)**

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---------------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| General government (continued) | | | | |
| Elections | | | | |
| Salaries and related expenses | \$ 51,750 | \$ 51,750 | \$ 28,600 | \$ 23,150 |
| Other | 693,245 | 693,245 | 571,696 | 121,549 |
| | 744,995 | 744,995 | 600,296 | 144,699 |
| Finance & treasurer | | | | |
| Salaries and related expenses | 444,162 | 444,162 | 447,823 | (3,661) |
| Other | 111,900 | 111,900 | 92,312 | 19,588 |
| | 556,062 | 556,062 | 540,135 | 15,927 |
| Human resources | | | | |
| Salaries and related expenses | 68,291 | 68,291 | 68,853 | (562) |
| Other | 18,775 | 18,775 | 17,062 | 1,713 |
| | 87,066 | 87,066 | 85,915 | 1,151 |
| Information technology | | | | |
| Salaries and related expenses | 235,675 | 235,675 | 218,651 | 17,024 |
| Other | 105,400 | 105,400 | 71,394 | 34,006 |
| | 341,075 | 341,075 | 290,045 | 51,030 |
| Other general government | | | | |
| Salaries and related expenses | 68,843 | 68,843 | 61,017 | 7,826 |
| Other | 597,471 | 598,571 | 1,134,650 | (536,079) |
| | 666,314 | 667,414 | 1,195,667 | (528,253) |
| Planning and zoning | | | | |
| Salaries and related expenses | 426,863 | 426,863 | 314,704 | 112,159 |
| Other | 177,750 | 177,750 | 139,561 | 38,189 |
| | 604,613 | 604,613 | 454,265 | 150,348 |
| Maintenance | | | | |
| Salaries and related expenses | 132,145 | 132,145 | 127,657 | 4,488 |
| Other | 12,100 | 11,000 | 9,686 | 1,314 |
| | 144,245 | 143,145 | 137,343 | 5,802 |
| Total general government | 4,570,138 | 4,570,138 | 4,563,414 | 6,724 |

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DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020
(continued)**

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Public safety | | | | |
| Sheriff | | | | |
| Salaries and related expenses | \$ 2,326,646 | \$ 2,326,646 | \$ 2,248,089 | \$ 78,557 |
| Other | 874,274 | 874,274 | 750,692 | 123,582 |
| | <u>3,200,920</u> | <u>3,200,920</u> | <u>2,998,781</u> | <u>202,139</u> |
| Volunteer fire and life support | | | | |
| Salaries and related expenses | 140,500 | 140,500 | 152,328 | (11,828) |
| Other | 861,706 | 861,706 | 853,715 | 7,991 |
| | <u>1,002,206</u> | <u>1,002,206</u> | <u>1,006,043</u> | <u>(3,837)</u> |
| EMS | | | | |
| Salaries and related expenses | 2,171,284 | 2,171,284 | 2,334,104 | (162,820) |
| Other | 636,472 | 636,472 | 589,043 | 47,429 |
| | <u>2,807,756</u> | <u>2,807,756</u> | <u>2,923,147</u> | <u>(115,391)</u> |
| Emergency services | | | | |
| Salaries and related expenses | 83,613 | 83,613 | 83,613 | - |
| Other | - | - | - | - |
| | <u>83,613</u> | <u>83,613</u> | <u>83,613</u> | <u>-</u> |
| Detention center | | | | |
| Salaries and related expenses | 2,342,133 | 2,342,133 | 2,265,834 | 76,299 |
| Other | 1,439,200 | 1,439,200 | 1,485,196 | (45,996) |
| | <u>3,781,333</u> | <u>3,781,333</u> | <u>3,751,030</u> | <u>30,303</u> |
| 911 emergency communications | | | | |
| Salaries and related expenses | 911,740 | 911,740 | 947,503 | (35,763) |
| Other | 410,641 | 410,641 | 248,341 | 162,300 |
| | <u>1,322,381</u> | <u>1,322,381</u> | <u>1,195,844</u> | <u>126,537</u> |
| Emergency management | | | | |
| Salaries and related expenses | - | - | - | - |
| Other | 37,472 | 37,472 | 23,425 | 14,047 |
| | <u>37,472</u> | <u>37,472</u> | <u>23,425</u> | <u>14,047</u> |
| Animal control | | | | |
| Salaries and related expenses | 118,806 | 118,806 | 108,222 | 10,584 |
| Other | 106,700 | 106,700 | 67,843 | 38,857 |
| | <u>225,506</u> | <u>225,506</u> | <u>176,065</u> | <u>49,441</u> |
| Total public safety | <u>12,461,187</u> | <u>12,461,187</u> | <u>12,157,948</u> | <u>303,239</u> |

See Independent Auditor's Report

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

BUDGET AND ACTUAL

GENERAL FUND

Year Ended June 30, 2020

(continued)

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| Public works | | | | |
| Highways & streets | | | | |
| Salaries and related expenses | \$ 1,156,674 | \$ 1,015,322 | \$ 992,942 | \$ 22,380 |
| Other | 1,750,524 | 1,891,876 | 1,877,111 | 14,765 |
| | 2,907,198 | 2,907,198 | 2,870,053 | 37,145 |
| Engineering | | | | |
| Salaries and related expenses | 107,584 | 107,584 | 68,630 | 38,954 |
| Other | 22,800 | 22,800 | 17,607 | 5,193 |
| | 130,384 | 130,384 | 86,237 | 44,147 |
| Total public works | 3,037,582 | 3,037,582 | 2,956,290 | 81,292 |
| Social services | | | | |
| Social services | | | | |
| Other | | | | |
| Other | 183,814 | 183,814 | 195,296 | (11,482) |
| Total social services | 183,814 | 183,814 | 195,296 | (11,482) |
| Recreation and parks | | | | |
| Recreation and parks | | | | |
| Salaries and related expenses | 304,389 | 304,389 | 272,811 | 31,578 |
| Other | 246,675 | 246,675 | 226,138 | 20,537 |
| Total recreation and parks | 551,064 | 551,064 | 498,949 | 52,115 |
| Natural resources | | | | |
| Cooperative extension service | | | | |
| Other | 146,934 | 146,934 | 146,934 | - |
| | 146,934 | 146,934 | 146,934 | - |
| Other | | | | |
| Salaries and related expenses | 311,477 | 311,477 | 169,280 | 142,197 |
| Other | 23,160 | 23,160 | 33,714 | (10,554) |
| | 334,637 | 334,637 | 202,994 | 131,643 |
| Total natural resources | 481,571 | 481,571 | 349,928 | 131,643 |

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DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020
(continued)**

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|-------------------|-------------------|-------------------|---|
| | Original | Final | | |
| Economic development | | | | |
| Economic development | | | | |
| Salaries and related expenses | \$ 302,867 | \$ 302,867 | \$ 236,240 | \$ 66,627 |
| Other | 464,527 | 464,527 | 411,887 | 52,640 |
| Total economic development | 767,394 | 767,394 | 648,127 | 119,267 |
| Education | | | | |
| Board of Education | 20,077,482 | 20,077,482 | 20,077,482 | - |
| Chesapeake College | 1,104,003 | 1,104,003 | 1,104,003 | - |
| Dorchester County Public Library | 553,520 | 553,520 | 553,520 | - |
| Dorchester County Health Department | 698,250 | 698,250 | 698,250 | - |
| Total education | 22,433,255 | 22,433,255 | 22,433,255 | - |
| Miscellaneous | | | | |
| Salaries and related expenses | 5,253,937 | 5,253,937 | 5,912,212 | (658,275) |
| Other | 686,535 | 686,535 | 694,162 | (7,627) |
| Total miscellaneous | 5,940,472 | 5,940,472 | 6,606,374 | (665,902) |
| Debt service | | | | |
| Principal | 1,958,420 | 1,958,420 | 2,091,883 | (133,463) |
| Interest | 2,048,566 | 2,048,566 | 1,795,319 | 253,247 |
| Total debt service | 4,006,986 | 4,006,986 | 3,887,202 | 119,784 |
| Total expenditures | 54,433,463 | 54,433,463 | 54,296,783 | 136,680 |
| Excess (deficiency) of revenues over expenditures | 972,367 | 972,367 | 1,422,879 | 450,512 |

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DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
Year Ended June 30, 2020
(continued)**

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|-----------|------------|---|
| | Original | Final | | |
| OTHER FINANCING SOURCES (USES): | | | | |
| Capital lease proceeds | \$ - | \$ - | \$ 358,432 | \$ 358,432 |
| Transfers, net | (972,367) | (972,367) | (972,367) | - |
| Total other financing sources (uses) | (972,367) | (972,367) | (613,935) | 358,432 |
| | | | | |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$ - | \$ - | \$ 808,944 | \$ 808,944 |

See Independent Auditor's Report

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

**BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|-----------------------------------|------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | | | | |
| Federal | \$ 509,417 | \$ 509,417 | \$ 709,029 | \$ 199,612 |
| State | 2,594,254 | 2,594,254 | 2,050,380 | (543,874) |
| Miscellaneous | 75,000 | 75,000 | 92,541 | 17,541 |
| Total revenues | 3,178,671 | 3,178,671 | 2,851,950 | (326,721) |
| EXPENDITURES: | | | | |
| General government | | | | |
| Salaries and related expenses | 65,000 | 65,000 | 66,375 | (1,375) |
| Other | 731,646 | 731,646 | 808,806 | (77,160) |
| Total general government | 796,646 | 796,646 | 875,181 | (78,535) |
| Public safety | | | | |
| Salaries and related expenses | 83,033 | 83,033 | 439,968 | (356,935) |
| Other | 315,162 | 315,162 | 409,418 | (94,256) |
| Total public safety | 398,195 | 398,195 | 849,386 | (451,191) |
| Public works | | | | |
| Salaries and related expenses | - | - | - | - |
| Other | - | - | 109,771 | (109,771) |
| Total public works | - | - | 109,771 | (109,771) |
| Social services | | | | |
| Salaries and related expenses | 384,569 | 384,569 | 261,949 | 122,620 |
| Other | 1,369,261 | 1,369,261 | 466,238 | 903,023 |
| Total social services | 1,753,830 | 1,753,830 | 728,187 | 1,025,643 |
| Recreation and parks | | | | |
| Salaries and related expenses | - | - | - | - |
| Other | 5,000 | 5,000 | 21,148 | (16,148) |
| Total recreation and parks | 5,000 | 5,000 | 21,148 | (16,148) |

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DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

**BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND**

Year Ended June 30, 2020

(continued)

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| EXPENDITURES (continued): | | | | |
| Economic development | | | | |
| Salaries and related expenses | \$ 5,000 | \$ 5,000 | \$ 52,894 | \$ (47,894) |
| Other | 335,000 | 335,000 | 363,639 | (28,639) |
| Total economic development | 340,000 | 340,000 | 416,533 | (76,533) |
| Total expenditures | 3,293,671 | 3,293,671 | 3,000,206 | 293,465 |
| Excess (deficiency) of revenues over expenditures | (115,000) | (115,000) | (148,256) | (33,256) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfers in | 115,000 | 115,000 | 115,000 | - |
| Total other financing sources (uses) | 115,000 | 115,000 | 115,000 | - |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$ - | \$ - | \$ (33,256) | \$ (33,256) |

See Independent Auditor's Report

DORCHESTER COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
(as of measurement date)
JUNE 30, 2020

| Measurement Date | Employer's Proportion (Percentage) of the Collective NPL A | Employer's Proportion Share of the Collective NPL B | Employer's Covered Payroll C | Proportionate Share as a Percentage of Covered Payroll (B / C) | Plan's Total Fiduciary Net Position D | Plan's Total Pension Liability E | Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E) |
|------------------|---|--|---------------------------------|---|--|-------------------------------------|---|
| June 30, 2014 | 0.005% | \$ 8,892,812 | \$10,490,392 | 85% | \$45,339,988,000 | \$63,086,719,000 | 72% |
| June 30, 2015 | 0.005% | \$11,524,858 | \$10,490,392 | 110% | \$45,789,840,000 | \$66,571,552,000 | 69% |
| June 30, 2016 | 0.005% | \$12,844,506 | \$10,084,750 | 127% | \$45,365,927,000 | \$68,959,954,000 | 66% |
| June 30, 2017 | 0.005% | \$11,750,180 | \$10,510,098 | 112% | \$48,987,184,000 | \$70,610,885,000 | 69% |
| June 30, 2018 | 0.005% | \$13,084,986 | \$10,942,269 | 120% | \$51,827,233,000 | \$72,808,833,000 | 71% |
| June 30, 2019 | 0.068% | \$14,092,024 | \$10,084,750 | 140% | \$53,943,420,000 | \$74,569,030,000 | 72% |

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

See Independent Auditor's Report

DORCHESTER COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
SCHEDULE OF CONTRIBUTIONS
(as of fiscal year end)
JUNE 30, 2020

| Fiscal Year | Contractually Required Contribution A | Actual Contribution B | Contribution Deficiency (Excess) (A - B) | Employer's Covered Payroll C | Actual Contribution as a Percentage of Covered Payroll (B / C) |
|----------------|--|-----------------------------|---|---------------------------------------|--|
| 2015 | \$ 1,167,734 | \$ 1,167,734 | \$ - | \$ 10,490,392 | 11% |
| 2016 | \$ 1,060,530 | \$ 1,060,530 | \$ - | \$ 10,084,750 | 11% |
| 2017 | \$ 1,105,991 | \$ 1,105,991 | \$ - | \$ 10,510,098 | 11% |
| 2018 | \$ 1,386,363 | \$ 1,386,363 | \$ - | \$ 10,942,269 | 13% |
| 2019 | \$ 1,105,991 | \$ 1,105,991 | \$ - | \$ 10,084,750 | 11% |
| 2020 | \$ 1,389,762 | \$ 1,389,762 | \$ - | \$ 10,328,204 | 13% |

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which the information is available.

See Independent Auditor's Report

DORCHESTER COUNTY, MARYLAND
MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
ACTUARIAL ASSUMPTIONS
JUNE 30, 2020

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

Discount rate changed from 7.50% to 7.40%.

Method and Assumptions used in Calculations of Actuarially Determined Contributions

| | |
|-------------------------------|--|
| Actuarial | Entry Age Normal. |
| Amortization Method | Level Percentage of Payroll, Closed, |
| Remaining Amortization Period | 25-year closed amortization period ending June 30, 2039; 19 years remaining. |
| Asset Valuation Model | Five-year smoothed market (max. 120% and min 80% of the market value). |
| Inflation | In the 2019 actuarial valuation, 2.65% general, 3.15% wage. In the 2018 actuarial valuation, 2.60% general, 3.10% wage. |
| Salary Increases | In the 2019 actuarial valuation, 3.10% to 11.6%, including inflation. In the 2018 actuarial valuation, 3.20% to 9.10%, including inflation. |
| Investment Rate of Return | In the 2019 actuarial valuation, 7.40%. In the 2018 actuarial valuation, 7.45%. |
| Retirement Age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2018 valuation pursuant to an experience study of the period July 1, 2014 to July 30, 2018. |
| Mortality | Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale. |

See Independent Auditor's Report

DORCHESTER COUNTY, MARYLAND
OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
(as of measurement date)
June 30, 2020

| | 2020 | 2019 | 2018 | 2017 |
|---|----------------------|----------------------|----------------------|----------------------|
| Change in total OPEB liability | | | | |
| Total OPEB liability - beginning of year | \$ 20,595,390 | \$ 29,333,257 | \$ 25,150,244 | \$ 28,031,714 |
| Service cost | 675,532 | 854,567 | 731,736 | 882,738 |
| Interest | 736,411 | 893,476 | 893,643 | 794,789 |
| Difference between expected and actual experience | (454,350) | (2,818,653) | 66,365 | (63,842) |
| Benefit payments | (461,261) | (410,807) | (376,260) | (288,757) |
| Changes in assumptions | 6,376,026 | (7,256,450) | 2,867,529 | (4,206,398) |
| Total OPEB liability - end of year | \$ 27,467,748 | \$ 20,595,390 | \$ 29,333,257 | \$ 25,150,244 |
| Change in fiduciary net position | | | | |
| Fiduciary net position - beginning of year | \$ 9,516 | \$ 242,721 | \$ 390,895 | \$ 632,542 |
| Employer contributions | 251,969 | 177,602 | 376,260 | - |
| Net investment income | 702 | - | (148,174) | 47,110 |
| Benefits paid | (250,187) | (410,807) | (376,260) | (288,757) |
| Administrative expenses | (12,000) | - | - | - |
| Fiduciary net position - end of year | \$ - | \$ 9,516 | \$ 242,721 | \$ 390,895 |
| Net OPEB liability - end of year | \$ 27,467,748 | \$ 20,585,874 | \$ 29,090,536 | \$ 24,759,349 |
| | | | | |
| PFNP as a % of TOL | 0.00% | 0.05% | 0.83% | 1.55% |
| Covered employee payroll | \$ 13,472,279 | \$ 14,048,602 | \$ 13,522,494 | \$ 13,076,598 |
| NOL as a % of covered employee payroll | 204% | 147% | 215% | 189% |

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which the information is available, will be presented.

See Independent Auditor's Report

DORCHESTER COUNTY, MARYLAND
OTHER POSTEMPLOYMENT BENEFIT PLAN
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(as of measurement date)
June 30, 2020

| | 2020 | 2019 | 2018 | 2017 |
|--|-------------------|-------------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 1,543,313 | \$ 1,993,931 | \$ - | \$ - |
| Contribution in relation to the actuarially determined contribution | 461,261 | 410,807 | - | - |
| Contribution deficiency (excess) | \$ 1,082,052 | \$ 1,583,124 | \$ - | \$ - |
| Covered employee payroll | 13,472,279 | 14,048,602 | 13,522,494 | 13,076,598 |
| Contributions as a % of covered employee payroll | 3.42% | 2.92% | 0.00% | 0.00% |
| Annual money-weighted rate of return | Not available | Not available | Not available | Not available |

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, only information for those years for which the information is available, will be presented.

See Independent Auditor's Report

**DORCHESTER COUNTY, MARYLAND
OTHER POSTEMPLOYMENT BENEFIT PLAN
ACTUARIAL ASSUMPTIONS
June 30, 2020**

| | |
|--------------------------------------|---|
| Actuarial cost method | Entry Age |
| Asset cost method | Market value of assets |
| Amortization method: | |
| GASB 75 recognition period | Level dollar amortization |
| Actuarial determined contribution | Level % of payroll method over a closed 30 year period |
| Interest rates: | |
| Discount rate | 2.21% |
| Investment rate of return | 3.00% |
| Municipal bond rate | 2.21% |
| Inflation | 2.50% |
| Salary increases | Not applicable |
| Mortality table | Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2020 |
| Changes from prior valuation: | |
| Interest rates: | |
| Discount rate | 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020 |
| Mortality table | The mortality table was updated from Pub-2010 Public Retirement Plans General mortality table projected generationally with Scale MP-2019 to Scale MP-2020. |
| Trend rates | The pre-65 and post-65 medical trend rate tables were reset in 2020. |
| Salary scale | The assumed salary increase was changed from 2.00% to 0.00%. |

See Independent Auditor's Report

OTHER SUPPLEMENTARY INFORMATION

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

BUDGET AND ACTUAL

CAPITAL FUND

Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|---|------------------|------------------|------------------|---|
| | Original | Final | | |
| REVENUES: | | | | |
| Intergovernmental | | | | |
| Federal | \$ 43,218 | \$ 43,218 | \$ - | \$ (43,218) |
| State | 174,060 | 174,060 | 137,106 | (36,954) |
| Miscellaneous | - | - | 4,573 | 4,573 |
| Total revenues | 217,278 | 217,278 | 141,679 | (75,599) |
| EXPENDITURES: | | | | |
| General government | 526,180 | 526,180 | 557,133 | (30,953) |
| Public Safety | 713,947 | 713,947 | 1,482,830 | (768,883) |
| Public Works | 672,000 | 672,000 | 432,695 | 239,305 |
| Recreation and parks | 230,900 | 230,900 | 37,041 | 193,859 |
| Economic development | 55,218 | 55,218 | - | 55,218 |
| Education | - | - | 2,849,477 | (2,849,477) |
| Total expenditures | 2,198,245 | 2,198,245 | 5,359,176 | (3,160,931) |
| Excess (deficiency) of revenues over expenditures | (1,980,967) | (1,980,967) | (5,217,497) | (3,236,530) |
| OTHER FINANCING SOURCES (USES): | | | | |
| Note proceeds | 905,459 | 905,459 | 683,100 | (222,359) |
| Transfer in (out) | 1,075,508 | 1,075,508 | 405,481 | (670,027) |
| Total other financing sources (uses) | 1,980,967 | 1,980,967 | 1,088,581 | (892,386) |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$ - | \$ - | \$ (4,128,916) | \$ (4,128,916) |

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

BUDGET AND ACTUAL

ESIC FUND

Year Ended June 30, 2020

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|-----------|------------|--|
| | Original | Final | | Final Budget Favorable (Unfavorable) |
| REVENUES: | | | | |
| Miscellaneous | \$ 55,500 | \$ 55,500 | \$ 56,458 | \$ 958 |
| EXPENDITURES: | | | | |
| General government | | | | |
| Salaries and related expenses | 60,035 | 60,035 | 5,025 | 55,010 |
| Other expenses | 95,465 | 95,465 | 50,784 | 44,681 |
| Total general government | 155,500 | 155,500 | 55,809 | 99,691 |
| Total expenditures | 155,500 | 155,500 | 55,809 | 99,691 |
| Excess (deficiency) of revenues over expenditures | (100,000) | (100,000) | 649 | 100,649 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Transfer in (out) | 100,000 | 100,000 | 100,000 | - |
| Total other financing sources (uses) | 100,000 | 100,000 | 100,000 | - |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$ - | \$ - | \$ 100,649 | \$ 100,649 |

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
TRANSFER TAX FUND
Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|------------|--------------|--|
| | Original | Final | | Final Budget Favorable (Unfavorable) |
| REVENUES: | | | | |
| County transfer tax | \$ 852,919 | \$ 852,919 | \$ 1,116,553 | \$ 263,634 |
| EXPENDITURES: | | | | |
| General government | | | | |
| Salaries and related expenses | 623,719 | 623,719 | 483,888 | 139,831 |
| Other expenses | 284,200 | 284,200 | 342,727 | (58,527) |
| Total general government | 907,919 | 907,919 | 826,615 | 81,304 |
| Total expenditures | 907,919 | 907,919 | 826,615 | 81,304 |
| Excess (deficiency) of revenues over expenditures | (55,000) | (55,000) | 289,938 | 344,938 |
| OTHER FINANCING SOURCES (USES): | | | | |
| Use of fund balance | 55,000 | 55,000 | - | (55,000) |
| Total other financing sources (uses) | 55,000 | 55,000 | - | (55,000) |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | \$ - | \$ - | \$ 289,938 | \$ 289,938 |

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
BUDGET AND ACTUAL
AIRPORT FUND
Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual | Variance with Final Budget Favorable (Unfavorable) |
|--|------------------|------------------|-------------------|---|
| | Original | Final | | |
| OPERATING REVENUES: | | | | |
| Fuel sales | \$ 197,000 | \$ 197,000 | \$ 154,439 | \$ (42,561) |
| Hanger and tie-down rentals | 175,000 | 175,000 | 177,638 | 2,638 |
| Other | 265,320 | 265,320 | 1,568 | (263,752) |
| Total operating revenues | 637,320 | 637,320 | 333,645 | (303,675) |
| OPERATING EXPENSES: | | | | |
| Salaries and related taxes | 243,318 | 243,318 | 231,877 | 11,441 |
| Repairs and maintenance | 63,000 | 63,000 | 49,359 | 13,641 |
| Rental of land, buildings and equipment | 23,800 | 23,800 | 15,223 | 8,577 |
| Fuel | 145,688 | 145,688 | 151,508 | (5,820) |
| Utilities | 96,300 | 96,300 | 66,843 | 29,457 |
| Depreciation | - | - | 518,008 | (518,008) |
| Other operating | 417,100 | 417,100 | 239,600 | 177,500 |
| Total operating expenses | 989,206 | 989,206 | 1,272,418 | (283,212) |
| Net operating income (loss) | (351,886) | (351,886) | (938,773) | (586,887) |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Grants - Federal government | - | - | 288,471 | 288,471 |
| Grants - state government | - | - | 152,994 | 152,994 |
| Transfer of capital assets from general fur | - | - | 580,312 | 580,312 |
| Interest expense | - | - | - | - |
| Total non-operating revenues (expenses) | - | - | 1,021,777 | 1,021,777 |
| Income (loss) before transfers | (351,886) | (351,886) | 83,004 | 434,890 |
| Operating transfers in | 285,886 | 285,886 | 285,886 | - |
| Capital transfers in | 66,000 | 66,000 | 66,000 | - |
| Change in net position | \$ - | \$ - | \$ 434,890 | \$ 434,890 |

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
BUDGET AND ACTUAL
LANDFILL FUND
Year Ended June 30, 2020**

| | Budgeted Amounts | | Actual | Variance with |
|--|--------------------|--------------------|---------------------|----------------------------|
| | Original | Final | | Final Budget |
| | | | | Favorable (Unfavorable) |
| OPERATING REVENUES: | | | | |
| Tipping fees | \$ 2,731,845 | \$ 2,731,845 | \$ 3,153,767 | \$ 421,922 |
| Permits | 122,000 | 122,000 | 140,725 | 18,725 |
| Other | 3,000 | 3,000 | - | (3,000) |
| Total operating revenues | 2,856,845 | 2,856,845 | 3,294,492 | 437,647 |
| OPERATING EXPENSES: | | | | |
| Salaries and related taxes | 951,645 | 856,645 | 885,533 | (28,888) |
| Repairs and maintenance | 179,000 | 181,900 | 176,693 | 5,207 |
| Rental of land, buildings and equipment | 41,200 | 14,300 | 20,149 | (5,849) |
| Fuel | 165,000 | 129,299 | 129,007 | 292 |
| Closure and postclosure costs accrual | 450,000 | 450,000 | - | 450,000 |
| Utilities | 17,500 | 20,300 | 20,522 | (222) |
| Depreciation | 525,000 | 525,000 | 622,752 | (97,752) |
| Other operating | 1,592,500 | 1,744,401 | 744,268 | 1,000,133 |
| Total operating expenses | 3,921,845 | 3,921,845 | 2,598,924 | 1,322,921 |
| Net operating income (loss) | (1,065,000) | (1,065,000) | 695,568 | 1,760,568 |
| NON-OPERATING REVENUES (EXPENSES): | | | | |
| Use of fund balance | 1,055,000 | 1,055,000 | - | (1,055,000) |
| Transfer of capital assets from general fur | - | - | 652,985 | 652,985 |
| Interest income | 10,000 | 10,000 | 116,616 | 106,616 |
| Total non-operating revenues (expenses) | 1,065,000 | 1,065,000 | 769,601 | (295,399) |
| Income (loss) before transfers | - | - | 1,465,169 | 1,465,169 |
| Operating transfers in | - | - | - | - |
| Change in net position | \$ - | \$ - | \$ 1,465,169 | \$ 1,465,169 |

DORCHESTER COUNTY, MARYLAND

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS**

June 30, 2020

| | Non-Major Other Governmental Funds | | | | | Total |
|--|------------------------------------|--------------------|--------------------------------|-------------------------|-------------|---------------------|
| | ESIC Fund | Commissary Fund | Building Excise Tax Fund | Transfer Tax Fund | | |
| ASSETS | | | | | | |
| Cash | \$ - | \$ 49,700 | \$ 150,964 | \$ - | \$ - | \$ 200,664 |
| Accounts receivable | - | - | - | 100,516 | - | 100,516 |
| Interfund receivables | 182,401 | 3,480 | 1,104,752 | 3,116,711 | - | 4,407,344 |
| Total assets | \$ 182,401 | \$ 53,180 | \$ 1,255,716 | \$ 3,217,227 | \$ - | \$ 4,708,524 |
| LIABILITIES | | | | | | |
| Accounts payable and accrued expenses | \$ 1,678 | \$ - | \$ - | \$ 72,413 | \$ - | \$ 74,091 |
| Unearned revenues | 32,210 | 53,180 | - | - | - | 85,390 |
| Interfund payables | - | - | - | - | - | - |
| Total liabilities | 33,888 | 53,180 | - | 72,413 | - | 159,481 |
| FUND BALANCES | | | | | | |
| Committed for: | | | | | | |
| Schools and courthouse | - | - | 1,046,617 | 3,144,814 | - | 4,191,431 |
| Public safety communication system | - | - | 155,416 | - | - | 155,416 |
| Sheriff | - | - | 53,683 | - | - | 53,683 |
| Assigned | 148,513 | - | - | - | - | 148,513 |
| Total fund balances | 148,513 | - | 1,255,716 | 3,144,814 | - | 4,549,043 |
| Total liabilities and fund balances | \$ 182,401 | \$ 53,180 | \$ 1,255,716 | \$ 3,217,227 | \$ - | \$ 4,708,524 |

DORCHESTER COUNTY, MARYLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2020**

| | Non-Major Other Governmental Funds | | | | |
|--|------------------------------------|--------------------|--------------------------------|-------------------------|---------------------|
| | ESIC Fund | Commissary Fund | Building Excise Tax Fund | Transfer Tax Fund | Total |
| REVENUES: | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 1,116,553 | \$ 1,116,553 |
| Miscellaneous | 56,458 | 101,417 | 215 | - | 158,090 |
| Total revenues | 56,458 | 101,417 | 215 | 1,116,553 | 1,274,643 |
| EXPENDITURES: | | | | | |
| General government | 55,809 | - | - | 826,615 | 882,424 |
| Public Safety | - | 122,992 | - | - | 122,992 |
| Total expenditures | 55,809 | 122,992 | - | 826,615 | 1,005,416 |
| Excess (deficiency) of revenues over expenditures | 649 | (21,575) | 215 | 289,938 | 269,227 |
| OTHER FINANCING SOURCES: | | | | | |
| Transfer in (out) | 100,000 | - | - | - | 100,000 |
| Total other financing sources (uses) | 100,000 | - | - | - | 100,000 |
| Excess (deficiency) of revenues over expenditures and other financing sources (uses) | 100,649 | (21,575) | 215 | 289,938 | 369,227 |
| Fund balances, beginning of year | 47,864 | 21,575 | 1,255,501 | 2,854,876 | 4,179,816 |
| Fund balances, end of year | \$ 148,513 | \$ - | \$ 1,255,716 | \$ 3,144,814 | \$ 4,549,043 |