

**NEW ISSUE
BOOK-ENTRY ONLY**

**Moody's Investors Service: A2
Standard & Poor's: A+
(See "RATINGS")**

In the opinion of Bond Counsel, (i) under existing laws, the Consolidated Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010A (the "Series 2010A Bonds") and the Consolidated Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010B (the "Series 2010B Bonds" and, together with the Series 2010A Bonds, the "Bonds"), their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind or nature of taxation by the State of Maryland, or by any of its political subdivisions, municipal corporations, or public agencies of any kind, but no opinion is expressed as to Maryland estate or inheritance taxes or any other Maryland taxes not levied or assessed directly on the Bonds, their transfer, or the income therefrom; and (ii) interest on the Bonds will be includable in gross income for federal income tax purposes (See "LEGAL MATTERS-Tax Matters.")

**\$20,830,000
DORCHESTER COUNTY, MARYLAND
GENERAL OBLIGATION BONDS**

Consisting of

**\$8,760,000
CONSOLIDATED PUBLIC IMPROVEMENT BONDS,
TAXABLE BUILD AMERICA BONDS
(DIRECT PAYMENT) SERIES 2010A**

**\$12,070,000
CONSOLIDATED PUBLIC IMPROVEMENT BONDS,
TAXABLE BUILD AMERICA BONDS
(DIRECT PAYMENT) SERIES 2010B**

Dated:	Date of delivery
Due:	February 1, as shown below
Interest Payable:	February 1 and August 1
Denomination:	Integral multiples of \$5,000
Form:	Registered, book-entry only through the facilities of The Depository Trust Company
First Interest Payment Due:	August 1, 2010
Optional Redemption:	Series 2010B Bonds are redeemable prior to maturity as set forth in "THE BONDS—Redemption" herein.
Security:	The Bonds are general obligations of Dorchester County, Maryland (the "County"), for the payment of which its full faith and credit and unlimited taxing power are pledged (see "THE BONDS—Sources of Payment" herein).

**FOR MATURITY SCHEDULES, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS
SEE INSIDE FRONT COVER**

Conditions Affecting Issuance: The Bonds are offered when, as and if issued, subject to, among other conditions, the delivery of the Bonds and the related approving legal opinion or opinions of Funk & Bolton, P.A., Bond Counsel, and other conditions specified in the official Notice of Sale. Delivery will occur on or about February 16, 2010.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Prospective bidders and investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

Dated: February 2, 2010

**\$8,760,000 CONSOLIDATED PUBLIC IMPROVEMENT BONDS,
TAXABLE BUILD AMERICA BONDS (DIRECT PAYMENT) SERIES 2010A**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

<u>Maturing February 1</u>	<u>Principal Amount</u>	<u>Interest Rate*</u>	<u>Price or Yield*</u>	<u>CUSIP</u>	<u>Maturing February 1</u>	<u>Principal Amount</u>	<u>Interest Rate*</u>	<u>Price or Yield*</u>	<u>CUSIP</u>
2011	\$830,000	1.000%	1.000%	258129QA6	2016	\$870,000	3.400%	3.180%	258129QF5
2012	810,000	1.400	1.360	258129QB4	2017	895,000	3.850	3.620	258129QG3
2013	820,000	1.875	1.790	258129QC2	2018	920,000	4.125	3.920	258129QH1
2014	835,000	2.150	1.990	258129QD0	2019	950,000	4.500	4.260	258129QJ7
2015	850,000	3.000	2.880	258129QE8	2020	980,000	4.700	4.460	258129QK4

**\$12,070,000 CONSOLIDATED PUBLIC IMPROVEMENT BONDS,
TAXABLE BUILD AMERICA BONDS (DIRECT PAYMENT) SERIES 2010B**

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS

<u>Maturing February 1</u>	<u>Principal Amount</u>	<u>Interest Rate*</u>	<u>Price or Yield*</u>	<u>CUSIP</u>	<u>Maturing February 1</u>	<u>Principal Amount</u>	<u>Interest Rate*</u>	<u>Price or Yield*</u>	<u>CUSIP</u>
2021	\$1,015,000	4.875%	4.660%**	258129QL2	2026	\$1,220,000	5.625%	5.370%**	258129QR9
2022	1,050,000	5.000	4.760%**	258129QM0	2027	1,265,000	5.625	5.470%**	258129QS7
2023	1,090,000	5.125	4.860%**	258129QN8	2028	1,320,000	5.750	5.570%**	258129QT5
2024	1,130,000	5.125	4.960%**	258129QP3	2029	1,375,000	5.875	5.670%**	258129QU2
2025	1,170,000	5.250	5.060%**	258129QQ1	2030	1,435,000	6.000	5.770%**	258129QV0

* The interest rates and prices or yields shown above are those resulting from the successful bids for the Bonds of each series on February 2, 2010 and were furnished by the successful bidder for each series. Other information concerning the terms of the reoffering of the Bonds, if any, should be obtained from the successful bidder for the applicable series and not from the County. (See "MISCELLANEOUS—Sale at Competitive Bidding" herein.)

** Priced to first call date.

CUSIP numbers in the tables above are copyright 2010 by the American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and the County does not take any responsibility for the accuracy thereof. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service Bureau's information.

DORCHESTER COUNTY, MARYLAND

County Council

Jay L. Newcomb, President
First District

William V. Nichols, Vice President
Second District

Ricky Travers
Third District

Rick Price
Fourth District

Effie M. Elzey
Fifth District

Administration

Jane Baynard, County Manager

Michael J. Spears, Director of Finance

Counsel

Harrington and Merryweather
Cambridge, Maryland

Bond Counsel

Funk & Bolton, P.A.
Baltimore, Maryland

Auditor

TGM Group LLC
Salisbury, Maryland

Bond Registrar and Paying Agent

The Bank of New York Mellon
West Paterson, New Jersey

Financial Advisor

Public Advisory Consultants, Incorporated
Owings Mills, Maryland

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No dealer, broker, salesman or other person has been authorized by Dorchester County, Maryland (the "County") or the successful bidder for either series of the Bonds to give any information or to make any representations with respect to the County or the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

In connection with this offering, the successful bidder for a series of the Bonds may over-allot or effect transactions that stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced may be discontinued at any time.

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This Official Statement is not to be construed as a contract or agreement between the County and the purchasers or holders of any of the Bonds.

All quotations from and summaries and explanations of provisions of laws and documents herein do not purport to be complete and reference is made to such laws and documents for full and complete statements of their provisions. Any statement made in this Official Statement involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the respective dates as of which information is given herein.

SYNOPSIS OF STATISTICAL DATA
Pertaining to
DORCHESTER COUNTY, MARYLAND
As of June 30, 2009, unless otherwise noted

Population.....	31,998	(1)
Assessed market valuation for fiscal year 2009.....	\$3,234,812,000	(2)
Real property tax rate per \$100 of assessed market value.....	\$0.896	
Portion of fiscal year 2009 levy collected		
Amount.....	\$24,589,454	
Percentage.....	91.40%	
Gross Bond Indebtedness.....	\$18,257,792	(3)
Less: Self supporting debt.....	\$1,499,939	
Direct Net debt.....	\$16,757,853	
Underlying debt.....	\$13,993,031	(4)
Overall Net debt.....	\$30,750,884	
Per capita:		
Ratio of Gross Bond Indebtedness to Population.....	\$570.59	
Ratio of Direct Net Debt to Population.....	\$523.72	
Ratio of Overall Net Debt to Population.....	\$961.03	
Assessed Value of \$3,234,812,000 Fiscal Year 2009		
Ratio of Gross Bond Indebtedness to Assessed Value.....	0.56%	
Ratio of Direct Net Debt to Assessed Value.....	0.52%	
Ratio of Overall Net Debt to Assessed Value.....	0.95%	

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- (1) Source: Maryland Office of Planning.
- (2) Source: Maryland State Department of Assessments and Taxation.
- (3) This figure reflects the total bonded indebtedness of the County, excluding the Bonds offered hereby in the aggregate principal amount of \$20,830,000.
- (4) This figure represents indebtedness incurred by the incorporated municipal corporations within Dorchester County. Neither the County's full faith and credit nor the County's taxing power is pledged or obligated to pay this debt or the interest thereon as of June 30, 2009.

I. The Bonds

General

The purpose of this Official Statement, including the cover page and appendices, is to provide information for prospective purchasers and others regarding Dorchester County, Maryland (the "County") and its \$8,760,000 Dorchester County, Maryland Consolidated Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010A (the "Series 2010A Bonds") and \$12,070,000 Dorchester County, Maryland Consolidated Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010B (the "Series 2010B Bonds"). The Series 2010A Bonds and the Series 2010B Bonds are referred to herein collectively as the "Bonds" and, individually, as a "Bond".

Each series of the Bonds will be issued as build America bonds the interest on which is includable in gross income of the holders thereof for federal income tax purposes (each, a series of "Taxable Bonds"). (See "Designation of Taxable Bonds as Build America Bonds" herein.)

The Bank of New York Mellon will act as Bond Registrar and Paying Agent for the Bonds. As of the date of this Official Statement, the office of the Bond Registrar and Paying Agent is located in West Paterson, New Jersey. The County may designate another entity as Bond Registrar and Paying Agent for either series of the Bonds upon thirty (30) days' prior written notice to the registered owners of the Bonds of the affected series.

All estimates and assumptions herein have been based upon information believed to be reliable and correct; however, statements made involving estimates and assumptions, whether or not expressly so stated, are intended merely as such and not as representations of facts. Figures herein relating to tax collections, assessed value of property and the financial position of the County have been taken from official records of the County.

Designation of Taxable Bonds as Build America Bonds

The American Recovery and Reinvestment Act of 2009 (the "ARRA"), through the additions of Sections 54AA and 6431 to the Internal Revenue Code of 1986, as amended (the "Code"), authorizes the County (i) to issue taxable bonds known as "build America bonds" to finance capital expenditures for which it could otherwise issue tax-exempt bonds and (ii) to elect to receive a subsidy payment from the United States Department of the Treasury equal to 35% of each interest payment on such taxable build America bonds. The County has made the irrevocable election to issue the Series 2010A Bonds and the Series 2010B Bonds as taxable build America bonds and to receive the subsidy payments. Registered owners of the Series 2010A Bonds and the Series 2010B Bonds will *not* be entitled to receive any tax credits or subsidy payments as a result of their ownership of such Taxable Bonds.

The subsidy payments that may be received by the County with respect to the Series 2010A Bonds or the Series 2010B Bonds pursuant to the ARRA will be payable to the County and have not been pledged to the payment of any of the Bonds, and do not constitute a guaranty by the United States of America of the Series 2010A Bonds or the Series 2010B Bonds. The County must meet certain requirements of the Code in order to continue to receive the cash subsidy payments with respect to the Series 2010A Bonds and the Series 2010B Bonds. Any failure by the County to qualify for such subsidy payments or any offset of such subsidy payments by the United States Department of the Treasury will not alter the obligation of the County to pay principal of and interest on the Series 2010A Bonds and the Series 2010B Bonds.

The County

The County is a political subdivision of the State of Maryland, a body corporate and politic that performs all local government functions in the County other than those performed by the County's nine incorporated municipalities.

Dorchester County, located on the Delmarva Peninsula, is nearly surrounded by the waters of the Chesapeake Bay and the Choptank and the Nanticoke Rivers. To the north, across the Choptank, lies Talbot County, to the east is Caroline County, and to the southeast, across the Nanticoke, is Wicomico County. The eastern extremity of Dorchester County borders the State of Delaware for approximately five miles. Characteristic of tidewater regions, its 580 square miles of land area and 362 square miles of water area are marked by numerous bays, inlets, creeks and rivers. The County's population in 2000 was 30,674.

The County government was established in 1669. However, fur traders and farmers had inhabited the County since shortly after the time Captain John Smith explored the Chesapeake Bay and its tributaries following his arrival in Virginia in 1606. The County was

named for the Earl of Dorset, a family friend of the Calverts, who were Lords and Proprietaries of the Province of Maryland when it was chartered in 1632. In 2002, the County adopted a charter form of government.

Cambridge, the County's largest municipality, is the County seat. Established as a town in 1684, it flourished as a trade center and the cultural center of a rich agricultural area. As of 2000, the City of Cambridge had an estimated population of 10,860. Hurlock, the second largest incorporated municipality in the County, had a 2000 population of 1,783.

The County is governed by the elected five-member County Council (the "County Council"). (See "COUNTY GOVERNMENT AND ADMINISTRATION".) The County Council may only exercise such powers as are conferred on it by the Charter of the County, which became effective December 5, 2002.

The executive offices of the County are located at 501 Court Lane, Cambridge, Maryland 21613. The County's central telephone number is (410) 228-1700.

Application of Proceeds

The County is issuing the Bonds for the purpose of (i) financing or reimbursing costs relating to replacing North Dorchester Middle School and the School of Technology and (ii) paying certain costs associated with the issuance of the Bonds.

Description of the Bonds

The Bonds will be dated the date of their delivery. The Series 2010A Bonds will mature on February 1 in annual serial maturities, beginning with the year 2011 and ending with the year 2020, in the principal amounts and at the interest rates set forth on the inside cover page of this Official Statement. The Series 2010B Bonds will mature on February 1 in annual serial maturities and/or sinking fund installments, beginning with the year 2021 and ending with the year 2030, in the principal amounts and at the interest rates set forth on the inside cover page of this Official Statement.

The Bonds will be general obligations of the County for the payment of which the full faith and credit and unlimited taxing power of the County are pledged. (See "Sources of Payment" below.) The Bonds will bear interest, as hereinafter set forth, payable on February 1 and August 1 of each year, commencing August 1, 2010, at the rates set forth on the inside cover page of this Official Statement. Interest payments due under the Bonds shall be made to the registered owners of the Bonds who are the registered owners of record as of the fifteenth day of the month immediately preceding each such interest payment date. Each Bond shall bear interest from the most recent date to which interest has been paid, or, if no interest has been paid, from its dated date.

Authorization

The Bonds are issued pursuant to the authority of the ARRA, Section 5(P) of Article 25A of the Annotated Code of Maryland, as replaced, supplemented or amended (the "Enabling Act"), the Charter of Dorchester County, Maryland (the "Charter") and in accordance with Bill No. 2009-7, passed by the County Council of Dorchester County (the "County Council") on July 14, 2009, and effective on September 11, 2009, and Bill No. 2009-10, passed by the County Council on September 8, 2009 and effective on November 6, 2009 (collectively, the "Bills"), and pursuant to Resolution No. 479, adopted by the County Council on January 19, 2010 and effective on January 19, 2010 (the "Resolution").

Sources of Payment

The Bonds will be general obligations of the County, the principal of and interest on which will be payable from ad valorem taxes levied upon all taxable property in the County without limitation as to rate or amount. Subject to any applicable Code limitations, the County may also apply revenues from any other available source to the payment of debt service on the Bonds.

The Bonds are payable on a parity basis with all other general obligation debt of the County that has heretofore been issued and is outstanding or that may be issued in the future, except as such future general obligation debt may be affected by any statutory limitations on taxation enacted in the future.

Bondholders' Remedies

It is the opinion of Bond Counsel that the County may be sued in the event that it fails to perform its obligations under the Bonds, the Bills, and the Resolution to the registered owners thereof and that any judgments resulting from such suits would be enforceable against

the County. Nevertheless, a registered owner of a Bond who has obtained any such judgment may be required to seek additional relief to compel the County to assess, levy and collect such taxes as may be necessary to provide the funds from which such judgment may be paid. Although there is no Maryland law with respect to this issue, it is the opinion of Bond Counsel that the appropriate courts of Maryland have jurisdiction to grant additional relief, such as mandatory injunction, if necessary, to enforce the levy and collection of such taxes and payment of the proceeds thereof to the registered owners of the Bonds, *pari passu*, subject to the inherent constitutional limitations referred to below.

It is also the opinion of Bond Counsel that, while remedies would be available to the registered owners of the Bonds and while the Bonds are entitled to constitutional protection against the impairment of the obligation of contracts, such constitutional protection and the enforcement of such remedies would not be absolute. Enforcement of a claim for payment of the principal of or interest on the Bonds could be made subject to the provisions of Chapter IX of the federal bankruptcy laws or of any statutes that may hereafter be constitutionally enacted by the United States Congress or the Maryland General Assembly extending the time for payment or imposing other constraints upon enforcement.

Redemption

No Redemption of Series 2010A Bonds

The Series 2010A Bonds are not subject to redemption prior to their stated maturities.

Optional Redemption of Series 2010B Bonds

The Series 2010B Bonds are subject to redemption, at the option of the County, as a whole or in part at any time on or after February 1, 2020 in any order of maturities directed by the County, at a redemption price equal to the principal amount of the Series 2010B Bonds (or portions thereof) to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

Selection of Series 2010B Bonds to be Redeemed

If fewer than all of the outstanding Series 2010B Bonds shall be called for redemption at the County's option, the County shall choose the maturities to be redeemed and the principal amount of each such maturity to be redeemed in its sole discretion. If fewer than all of the Series 2010B Bonds of any one maturity shall be called for optional redemption, the particular Series 2010B Bonds or portions of the Series 2010B Bonds to be redeemed shall be selected by lot by the Bond Registrar and Paying Agent; except that so long as the Series 2010B Bonds are registered in book-entry only form, the selection of individual ownership interests in the Series 2010B Bonds to be credited with any such partial redemption shall be made through DTC (or any replacement securities depository), in such manner as DTC (or such replacement securities depository) shall determine. When less than all of a Series 2010B Bond in a denomination in excess of \$5,000 shall be so redeemed, then, upon the surrender thereof, there shall be issued to the registered owner thereof, Series 2010B Bonds in any of the authorized denominations as shall be specified by the registered owner. The aggregate amount of such Series 2010B Bonds shall be equal to the unredeemed balance of the principal amount of such Series 2010B Bond. Such Series 2010B Bonds in such authorized denominations shall be issued without charge, except for any tax, fee or other governmental charge, shipping charges and insurance payable in connection therewith.

If all or a portion of the outstanding Series 2010B Bonds are to be redeemed, the County shall give or cause to be given a redemption notice by letter mailed first class, postage prepaid, to the registered owners of the Series 2010B Bonds or portions of Series 2010B Bonds to be redeemed at least thirty (30) days prior to the date fixed for redemption at the addresses of such registered owners appearing on the registration books for the Series 2010B Bonds maintained by the Bond Registrar and Paying Agent; provided, however, that the failure to mail such notice or any defect in the notice so mailed, or in the mailing thereof shall not affect the validity of the redemption proceedings relating to the Series 2010B Bonds. Such notice shall state (i) whether the Series 2010B Bonds are to be redeemed in whole or in part and, if in part, the maturities, numbers, principal amounts, interest rates and CUSIP numbers of the Series 2010B Bonds to be redeemed, (ii) that the interest on the Series 2010B Bonds (or portions thereof) to be redeemed shall cease to accrue on the date fixed for redemption, (iii) the date fixed for redemption, (iv) the address of the office of the Bond Registrar and Paying Agent with a contact person and phone number, and (v) that the Series 2010B Bonds or portions thereof to be redeemed shall be presented for redemption and payment on the date fixed for redemption at the designated office of the Bond Registrar and Paying Agent. Any such notice may state that it is conditioned upon receipt of sufficient funds to effect such redemption by the date fixed for redemption. Upon presentation and surrender in compliance with such notice, the Series 2010B Bonds so called for redemption shall be paid by the Bond Registrar and Paying Agent at the redemption price plus accrued interest. If not so paid on presentation thereof, such Series 2010B Bonds so called shall continue to bear interest at the rates expressed therein until paid.

From and after the date fixed for redemption, if funds sufficient for the payment of the redemption price and accrued interest are available on such date, the Series 2010B Bonds or portions thereof so called for redemption shall cease to bear interest from and after such date. Upon presentation and surrender for redemption, the Series 2010B Bonds or portions thereof to be redeemed shall be paid by the Bond Registrar and Paying Agent at the redemption price, plus accrued interest to the date fixed for redemption. If they are not paid upon presentation, the Series 2010B Bonds or portions thereof designated for redemption shall continue to bear interest at the rate or rates stated therein until paid.

Form and Denominations

The Bonds will be issued as fully-registered bonds without coupons in the denominations of \$5,000 or any integral multiple thereof. The Bonds initially will be issued in book-entry form without any physical distribution of certificates made to the public. The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Bonds, the Bonds will be registered in the name of DTC's partnership nominee, Cede & Co, and payments of the principal or redemption price of and interest on the Bonds will be made as described below under "Book-Entry-Only System—General." The County and the Bond Registrar and Paying Agent may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for the purpose of receiving payment of or on account of the principal thereof and interest thereon and for all other purposes.

The principal of each Bond shall be paid upon presentment and surrender of such Bond on the date such principal is payable, or if such date is not a Business Day (hereinafter defined) then on the next succeeding Business Day, at the designated corporate trust office of the Bond Registrar and Paying Agent.

Interest on the Bonds shall be payable to the persons in whose names the Bonds are registered on the registration books (the "Bond Register") maintained by the Bond Registrar and Paying Agent for each series of the Bonds as of the close of business on the fifteenth day of the month immediately preceding each interest payment date (the "Regular Record Date"). Payment of the interest on each Bond shall be made by electronic funds transfer or by check mailed on the date such interest is payable to the registered owner of such Bond at his or her address as it appears on the applicable Bond Register. Principal of and interest on the Bonds shall be payable in such coin or currency of the United States of America as is legal tender for the payment of public and private debt.

Any interest on any Bond which is payable, but is not punctually paid or duly provided for, shall forthwith cease to be payable to the registered owner thereof on such Regular Record Date, and such defaulted interest may be paid to the person in whose name such Bond is registered as of the close of business on a date to be fixed by the Bond Registrar for the payment of such defaulted interest (the "Special Record Date"), notice whereof being given by first class mail, postage prepaid, to such person not less than 10 days prior to such Special Record Date, at the address of such person appearing on the applicable Bond Register, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange.

"Business Day" means a day other than a Saturday, Sunday or day on which the Bond Registrar and Paying Agent is authorized or obligated by law or required by executive order to remain closed.

So long as the Bonds of a series are maintained in book-entry only form, transfers of ownership interests therein will be made as described below under "Book-Entry-Only System—General". At any other time, any Bond may be exchanged for a Bond or Bonds of the same series in authorized denominations of \$5,000 or integral multiples thereof in aggregate principal amount equal to the principal amount of the Bond transferred or exchanged and maturing on the same date and bearing interest at the same rate. The transfer of any Bond may be registered upon presentation and surrender of such Bond at the office of the Bond Registrar and Paying Agent, together with a written instrument of transfer duly executed by the registered owner or his attorney or legal representative. The Bond Registrar and Paying Agent may require the person requesting any such exchange or transfer to reimburse it for any tax, fee or other governmental charge, shipping charges and insurance payable in connection therewith. The Bond Registrar and Paying Agent shall not be required to register the transfer of any Series 2010B Bond or make any such exchange of any Series 2010B Bond after such Series 2010B Bond or portion thereof has been selected for redemption.

Book-Entry-Only System—General

Initially, DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of each series of the Bonds, and will be deposited with DTC or with the Bond Registrar and Paying Agent, as custodian for DTC under the "FAST" delivery program.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking

organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of the Direct and Indirect Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry only system is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping account of their holdings on behalf of their customers.

Conveyances of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County or the Bond Registrar and Paying Agent as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant.

Payments of the principal of, redemption premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or the Bond Registrar and Paying Agent on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants, and not of DTC (nor its nominee), the Bond Registrar and Paying Agent or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Bond Registrar and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository for the Bonds of either series at any time by giving reasonable notice to the County or the Bond Registrar and Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds of such series are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Book-Entry-Only System—Miscellaneous

The information in the section "Book-Entry-Only System—General" has been obtained by the County from DTC. The County takes no responsibility for the accuracy or completeness thereof. Neither the County nor the Bond Registrar and Paying Agent will have any responsibility or obligations to Direct Participants, Indirect Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the Direct Participants, the Indirect Participants or Beneficial Owners. The County cannot and does not give any assurance that Direct Participants, Indirect Participants or others will distribute to the Beneficial Owners principal and interest payments paid to DTC or its nominee, as the registered owner, or any redemption or other notices, or that they will do so on a timely basis or that DTC will serve and act in the manner described in this Official Statement.

Termination of Book-Entry-Only System

In the event that the book-entry-only system is discontinued for either series of the Bonds, the Bonds of such series will be delivered by DTC to the Bond Registrar and Paying Agent and such Bonds will be exchanged for Bonds of the same series registered in the names of the Direct Participants, Indirect Participants or the Beneficial Owners identified to the Bond Registrar and Paying Agent. In such event, certain provisions of the Bonds pertaining to ownership of the Bonds will be applicable to the registered owners of the Bonds as described above under "Form and Denominations".

II. Legal Matters

Approval of Legal Proceedings

Funk & Bolton, P.A., Baltimore, Maryland, is acting as Bond Counsel in connection with the issuance of the Bonds. Delivery of the Bonds is conditioned upon delivery by Bond Counsel of opinions substantially in the forms set forth in Appendix B to this Official Statement.

Tax Matters

State of Maryland and Local Income Tax

Under existing Maryland law, the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland, or by any of its political subdivisions, municipal corporations or public agencies of any kind, but no opinion is expressed as to Maryland estate or inheritance taxes or any other Maryland taxes not levied or assessed directly on the Bonds, their transfer or the income therefrom.

Interest on the Bonds may be subject to state or local income taxes in jurisdictions other than the State of Maryland under applicable state or local tax laws. Prospective purchasers of the Bonds should consult their tax advisors regarding the taxable status of the Bonds in a particular state or local jurisdiction other than the State of Maryland.

Federal Income Tax

The Series 2010A Bonds and the Series 2010B Bonds (collectively, the "Taxable Bonds") are expected to qualify as "build America bonds" for purposes of Section 54AA of the Code, which permits state and local governments to obtain certain tax advantages when issuing taxable obligations. The County expects to receive cash subsidy payments from the United States Treasury equal to 35% of the interest payable on the Taxable Bonds pursuant to Sections 54AA(g) and 6431 of the Code. As build America bonds, the Taxable Bonds must satisfy certain requirements of the Code applicable to the expenditure and use of the proceeds of the Taxable Bonds in order to assure that the County continues to receive the cash subsidy payments. The County has irrevocably elected to treat the Taxable Bonds as build America bonds and as "qualified bonds" for purposes of Sections 54AA and 6431 of the Code and, accordingly, interest on the Taxable Bonds will be includable in the gross income of the holders thereof for federal income tax purposes and holders of the Taxable Bonds will not be entitled to any tax credits as a result of ownership of the Taxable Bonds.

Each Taxable Bond will be treated, for federal income tax purposes, as a debt instrument. Accordingly, interest will be includable in the income of the owner as it is paid (or, if the owner is an accrual method taxpayer, as it is accrued as interest). Many factors may affect the application of federal income tax laws pertaining to the Taxable Bonds and the receipt of interest on the Taxable Bonds, including the status of a beneficial owner of the Taxable Bonds as a United States of America holder or non-United States of America holder under applicable rules, whether the Taxable Bonds are held as capital assets or in some other context, and whether the status of a beneficial owner and/or the financial context in which it is operating represents a special tax situation, such as S corporations, insurance companies, tax-exempt organizations, financial institutions, regulated investment companies, real estate investment trusts, certain broker-dealers and traders in securities, among others. In addition, defeasance of a Taxable Bond may result in a reissuance thereof. Persons considering purchasing the Taxable Bonds should consult their own tax advisors concerning the application of federal income tax laws to their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction.

Owners of the Taxable Bonds that allocate a basis in the Taxable Bonds that is greater than the principal amount of the Taxable Bonds should consult with their own tax advisors with respect to whether or not they should elect to amortize such premium as amortizable premium.

If an owner purchases Taxable Bonds for an amount that is less than the principal amount of the Taxable Bonds, and such discount exceeds a statutory de minimis amount, then such discount will represent market discount that ultimately will constitute ordinary income and not capital gain. Prospective purchasers of the Taxable Bonds at a discount should consult their tax advisors regarding the determination and treatment of discount for federal income tax purposes, including upon sale, exchange or redemption, and with respect to state and local income tax consequences of owning such Taxable Bonds.

In accordance with Circular 230, the County and its tax advisors are (or may be) required to inform you that (i) any advice contained in this Official Statement, including in any proposed form of opinion of Bond Counsel, is not intended or written to be used, and may not be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer, (ii) any such advice is written to support the promotion of marketing of the Taxable Bonds and the transactions described in this Official Statement (or in such opinion or other advice) and (iii) each taxpayer should seek advice based on the taxpayer's particular circumstances from its independent tax advisor.

The foregoing is only a general summary of certain provisions of the federal tax laws and does not purport to be complete or to identify all aspects of federal income taxation that may be relevant to a particular holder of the Taxable Bonds in light of his or her particular circumstances and income tax situation. Each holder of the Taxable Bonds should consult such holder's tax advisor as to the specific federal income tax consequences to such holder of the purchase, ownership and disposition of the Taxable Bonds. Bond Counsel will express no opinion regarding other federal tax consequences arising with respect to the Taxable Bonds.

From time to time, there are legislative proposals in the United States Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Taxable Bonds. It cannot be predicted whether or in what form any such proposal may be enacted or whether, if enacted, it would apply to taxable obligations issued prior to enactment. Each purchaser of the Taxable Bonds should consult his or its own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel will not express any opinion regarding any pending or proposed federal tax legislation.

See Appendix B hereto for the proposed forms of Bond Counsel's opinions.

III. Government and Administration

General

Under its Charter, both the executive and legislative functions of the County are vested in the elected County Council. The five elected members each represent one of the five councilmanic districts. County Council members serve four-year terms. A President and Vice President are elected by the County Council from their membership. The current terms of the County Council members expire in 2010. The County Council also serves as the Roads Board and the Board of Estimates for the County.

The County Council appoints a County Manager. The County Manager serves at the pleasure of the County Council and performs all the duties and services required by law or order of the County Council and serves as the day-to-day manager overseeing all County departments and operations.

The County budget is established each year by the Board of Estimates in conjunction with the County Manager, Director of Finance and various department heads. The budget is approved by the County Council.

Certain County Elected and Appointed Officials

JAY L. NEWCOMB, First District. Councilman Newcomb is currently the President of the County Council. He previously served as a County Commissioner from 1998-2004.

Councilman Newcomb is a Maryland school bus contractor who owns three buses as well as the manager of A. E. Phillips & Son Inc. and the owner of Old Salty's Restaurant Inc. in Fishing Creek, Maryland.

Councilman Newcomb is a 1978 graduate from Cambridge-South Dorchester High School. He has held many offices in the South Dorchester Jaycees and is a lifetime member of the Church Creek Vol. Fire Co. Inc. for which he has served as President, Vice President, Secretary or Chief for 11 years. Councilman Newcomb has served as a coach for South Dorchester Youth Soccer League and is a member of the Sons of American Legion. He has served on the Seafood Task Force for the State of Maryland and on the Board of Elections for Dorchester County.

WILLIAM V. NICHOLS, Second District. Councilman Nichols is serving his fourth term on the Dorchester County governing body and is currently the Vice President of the Council and Vice President of the County Roads Board.

Councilman Nichols is a member of the Recreation and Parks Board, the Men's Recreational League, the Dorchester County Social Services Board and formerly served on the Dorchester County Insurance Committee.

Councilman Nichols was born in Cambridge and graduated from Cambridge High School in 1976. Councilman Nichols is currently employed by Maryland Wire Belts.

RICKY TRAVERS, Third District. Councilman Travers attended Cambridge High School from which he graduated in 1974. He is employed by Simmons Center Market in Cambridge, Maryland. His hobbies include camping, watching NASCAR racing and spending time with his family.

Councilman Travers is a member of Rescue Fire Company, the Cambridge Main Street Committee, the Cambridge Powerboat Association and the Seafood Feast-i-val Committee.

RICK PRICE, Fourth District. Councilman Price is currently the President of the County Roads Board.

Councilman Price was born in Cambridge and graduated from St. Francis Preparatory School in Spring Grove, Pennsylvania. He attended Chesapeake College where he obtained an AA degree in General College Studies and Salisbury State University where he obtained a BA degree in Liberal Arts. He is currently employed by the Cambridge Police Department.

Councilman Price is an Associate Member and past President of the North Dorchester Jaycees, an Associate Member of the East New Market Fire Company, a Member of the Hurlock Sons of American Legion Squadron 243, and an Associate Member of the Fraternal Order of Police Lodge 27.

EFFIE M. ELZEY, Fifth District. Councilwoman Elzey is serving her fourth term on the Dorchester County governing body.

She is retired from Western Publishing Co. where she worked for over 34 years as a photographer. Councilwoman Elzey owns rental homes. Councilwoman Elzey graduated from the New York Institute in photography and completed the Excellence in Government program at the University of Maryland in 2002.

Councilwoman Elzey is a member of the Dorchester Arts Center, Historic Society, the Public Library, the Ladies of Mount Vernon and served with the United Way of the Lower Shore. She serves on the Local Management Board, Infant & Toddlers, Communities Mobilizing for Change on Alcohol (CMCA) Board, the Heritage Tourism Board, the Resource Conservation and Development Council (RC&D), and the Mid-Shore Council. Councilwoman Elzey served on the Bay Bridge Task Force.

Councilwoman Elzey was appointed to the Local Government Advisory Committee (LGAC) by Governor Erlich. Councilwoman Elzey has served on the Maryland Association of Counties (MACo) Legislative Committee and the MACo Board.

JANE BAYNARD, County Manager. Ms. Baynard was appointed as the County Administrator in April 1999 and was appointed as the County Manager when the County became a charter county in December 2002. Ms. Baynard has been employed by the County since September 1996, first as the Assistant to the County Administrator and then as Acting County Administrator before being appointed the County Administrator in 1999.

Prior to joining the County workforce, Ms. Baynard held management positions in private business. She is an alumna of Chesapeake College and was a member of the Shore Leadership Class of 2000. Ms. Baynard is currently enrolled in the Maryland Association of Counties' "Excellence in Government" program which is sponsored by the University of Maryland.

MICHAEL J. SPEARS, Director of Finance. Mr. Spears is a Certified Public Accountant and is a Certified Government Financial Manager. He is a graduate of Transylvania University earning a Business Administration—Accounting Degree. He is a member of the American Institute of Certified Public Accountants, the Maryland Association of Certified Public Accountants, the Association of Government Accountants, and the Maryland Government Finance Officers Association.

Mr. Spears has been employed with Dorchester County since August 1995.

Pension and Retirement System

Generally, all regular employees of the County participate in the State of Maryland Employees' Retirement and Pension Systems (the "Employee Systems"). Teachers employed by the Board of Education generally participate in the State of Maryland Teachers Retirement and Pension Systems (the "Teachers Systems"). Both the Employees Systems and the Teachers Systems (collectively the "Systems") are agent multiple-employer public retirement systems sponsored by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly. The Maryland State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201.

Participants in the Systems may retire with full benefits after 30 years of service regardless of age or at various ages with specified years of eligibility service for reduced benefits. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating in the retirement system prior to specified retirement age are refunded their accumulated contributions plus earned interest or may defer receipt of accumulated contributions until age 60. Participants and their beneficiaries may also be eligible for disability and death benefits based on years of credible service and average final compensation.

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

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

	<u>Fiscal Year 2009</u>	<u>Fiscal Year 2008</u>	<u>Fiscal Year 2007</u>
Total payroll.....	\$45,183,285	\$46,233,135	\$41,407,611
Payroll covered under the plans	40,963,901	42,528,763	38,687,276
Contributions paid:			
County payments	730,777	984,018	822,465
Board of Education payments	545,587	579,697	441,306
State On-Behalf payments:			
Board of Education.....	3,146,098	2,957,761	2,414,577

Source: 2009 Audited Financial Statements of Dorchester County.

As a result of a 1997 actuarial study of the State Retirement and Pension System of Maryland, the County was identified as one of 23 Maryland local governments not having enough assets in the Systems to fund the present value of accrued benefits for participants. Under legislation enacted by the Maryland General Assembly, the County will pay the \$622,014 fund deficit (an increase of \$15,915 over the prior fiscal year) over a period of 40 years. The fiscal year 2009 annual payment was \$32,910 and will increase 5% per year until maturity at December 31, 2035.

Post-Employment Health Care Benefits

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

County employees are eligible upon retirement for employees with 30 years of service at any age or employees who have attained age 55 with at least 16 years of service if enrolled in the active medical plan immediately upon retiring. As of July 1, 2008, the date of the last actuarial valuation, approximately 67 retirees were receiving benefits, and an estimated 262 active employees are potentially eligible to receive future benefits.

The Board's benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teacher's pension system, which are age 55 with 15 years of service, 30 years of service or age 62 with 5 years of service. As of January 1, 2007, the date of the last actuarial valuation, approximately 209 retirees were receiving benefits, and an estimated 579 active employees are potentially eligible to receive future benefits.

The County's retired employees who complete 16 years of service will receive full health care benefits (including dependents) of which the employer pays 85%. Employees with less than 16 years of service will pay on a pro-rata basis. Surviving spouses must pay 100% of the premium to continue coverage. For fiscal year 2009, the County contributed \$334,121 to the Plan for 67 eligible retirees.

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

The County and the Board's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The County and the Board implemented GASB Statement 45 prospectively in fiscal year 2009, therefore the net OPEB obligation at the beginning of the fiscal year was zero. The County and the Board pay post retirement benefits (normal cost) from the General Fund.

The following table shows the components of the County's and the Board's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes to the County's and the Board's net OPEB obligation.

	<u>County</u>	<u>Board</u>
Annual required contribution	\$1,704,933	\$1,174,000
Interest on net pension obligation	0	0
Adjustment to annual required contribution	0	0
Annual OPEB cost	1,704,933	1,174,000
Payments to retirees from general fund	(334,121)	0
Contributions made	(2,203,445)	(779,746)
Increase (decrease) in net OPEB obligation	(832,633)	394,254
Net OPEB obligation, beginning of year	0	0
Net OPEB obligation, end of year	(832,633)	394,254

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

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

As of fiscal year 2010, the County has temporarily suspended its trust fund contributions and is returning to the historical pay-as-you-go funding. Two million dollars has already been contributed to the trust fund and will remain in such trust fund.

Labor Relations

As of June 30, 2009, the County employed 320 full-time permanent employees. The County is not a party to any collective bargaining agreements. The County has not experienced a work stoppage due to labor relations disputes and considers its relationship with employees to be satisfactory.

Budgeting

The Board of Estimates is responsible for the formulation of the County's capital and operating budgets. The Council members, sitting as the Board of Estimates for Dorchester County, have budget work sessions during the months of April and May of each year to review the requests of the County's operating agencies. The Board of Estimates holds public hearings in June regarding revenue estimates and the associated tax rates for the ensuing fiscal year.

In preparing their operating and capital budget submissions, County agencies are guided by an adopted County Comprehensive Plan, which provides the long-range goals and objectives of the County, and a five-year County Capital Improvement Program (CIP). The CIP is updated annually and the Comprehensive Plan is reviewed almost every year.

The County's operating and capital budgets are developed on a work program/line item basis. The County's budget classifications follow guidelines that are specified by the State's Department of Legislative Services (the "Department"). The Department's reporting manual sets forth revenue and expenditure charts, which are based upon principles of governmental accounting and financial reporting developed by the Governmental Accounting Standards Board and adapted to specific provisions of Maryland law. Local governments may deviate from the Department's classifications for their own accounting purposes as long as the local systems provide comparable results for reporting purposes.

All County contracts are awarded by a formal vote of the Board. Budget amendments, if required during a fiscal year, must be approved by the Board. Surplus funds (revenues collected in excess of expenditures) are applied in the second subsequent fiscal year's budget.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial reports and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual

basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Revenues-Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the County, available is defined as collected within 60 days of the fiscal year end.

Non-exchange transactions, in which the County received value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: charges for services, fines and forfeitures, State-levied locally shared taxes, interest, grants, fees and rentals.

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

Property taxes for which there was an enforceable legal claim at June 30, 2009, but which were levied to finance fiscal year 2009 operations have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

Education

The educational policies, procedures and programs of the public school system in Dorchester County are the responsibility of the Dorchester County Board of Education working with the County Superintendent of Schools and his staff. The Board of Education is an appointed body. There are 12 schools including two high schools, a school of technology, two middle schools, six elementary schools and a kindergarten through 8th grade school and over 5,000 students.. There are four non-public schools in the County.

A technology/vocational center is located in Cambridge, and served approximately 400 students in 2009. The technology/vocational center trains students in practical skills such as auto mechanics, body and fender work, horticulture, medical paramedics, food service, welding, masonry, carpentry, electronics and related technologies to supply part of the local labor market's demand for skilled workers.

Chesapeake College offers courses at its satellite center located in Cambridge. The college, a two year regional community college located in Queen Anne's County, also serves County residents by offering courses of study for degrees, certificates, and Letters of Recognition in both academic and career programs. It is located at the intersection of U.S. Route 50 and Maryland Route 213.

The University of Maryland Center for Estuarine and Environment Studies is located outside of Cambridge. Wor-Wic Tech Community College, a "college without walls," is a two-year occupational college which utilizes existing college facilities throughout the lower Eastern Shore to offer both credit and non-credit programs. Washington College in Kent County, Salisbury University in Wicomico County, and the University of Maryland, Eastern Shore in Somerset County are four-year colleges located nearby.

Planning and Zoning

The Dorchester County Planning Commission was created in 1960 and consists of seven members appointed by the County

Council for five-year terms.

The Planning Commission is responsible for the development and implementation of land use and zoning plans for the County. The Commission is also responsible for the review and approval of site plans and subdivision plats, and advises the County Council on amendments to the County's Zoning Ordinance and maps.

The County first adopted a Comprehensive Plan, as well as a Zoning Ordinance, in 1963. Major revisions and updates to the Plan were adopted in 1974 and 1996. The County is required by the Maryland Economic Growth Resource Protection and Planning Act of 1992 to review and update its Plan every six years. The Plan provides for long-range growth objectives. The economic development goal of the Plan is to realize the County's employment, business and commercial service opportunities.

Major comprehensive rezoning ordinances were adopted by the Board in 1976 and 1998. Subdivision regulations were first adopted by the Board in 1972, with major updates occurring in 1988 and 1996.

Police and Fire

County police protection is provided by the Sheriff's Office, the Maryland State Police and municipal police services. The Dorchester County Sheriff's Department has approximately 35 sworn deputies and 35 radio-dispatched vehicles. The City of Cambridge and Town of Hurlock employ 45 and seven officers, respectively.

There are approximately 510 volunteer firemen in 15 volunteer fire companies in the County. These companies use approximately 89 pieces of radio-dispatched motor equipment including ambulances. Thirty of the fire trucks have a pumping capacity of 1,000 gallons per minute each. Twenty-four hour ambulance service is provided in the County by the fire companies and several private organizations.

Hospital and Medical Care

Dorchester General Hospital is a 38-bed adult medical/surgical community hospital, providing 24-hour emergency services. The Dorchester General Hospital Emergency Department handles over 18,000 visits a year. Inpatient services include medical, surgical, gynecological, orthopedic, acute rehabilitation and critical care. The hospital also has a 16-bed adult behavioral health inpatient unit, which provides acute psychiatric care for patients.

Dorchester General Hospital merged with Easton Memorial Hospital to form the Shore Health System in 1996. Shore Health System has over 1,900 employees, a medical staff consisting of over 200 attending, consulting, and associate staff members, and a corps of over 500 volunteers. On July 1, 2006, Shore Health System merged with the University of Maryland Medical System (UMMS) to enhance clinical programs and facilities, and to facilitate physician recruitment.

Public health services are provided through the Dorchester County Health Department, which maintains administrative offices in Cambridge and clinics at various locations in the County.

There are two privately operated nursing homes in Dorchester County with a total capacity of 212 beds.

Utilities

Electricity

The Delmarva Power and Light Company supplies electricity to most of the County's towns and developed areas through a transmission system serving the County from lines of 69,000 and 138,000 volts. These lines are tied in with two steam generating plants of 350,000 KW capacities and with the Pennsylvania-New Jersey-Maryland interchange. The substation facilities in the County are adequate for the electric load in the area.

The Choptank Electric Cooperative, Inc. provides central station electricity to the rural areas of Dorchester County. Both single and 3-phase electric current are available from several large substations through an extensive network of electric distribution lines.

Gas

The Eastern Shore Natural Gas Company is the natural gas transmission company serving the Delmarva Peninsula. Dorchester County is served by a six-inch pipeline from Bridgeville, Delaware. The Chesapeake Utilities Corp. distributes natural gas purchased from the Eastern Shore Natural Gas Company.

Fuel Oil and Coal

The County's proximity to Baltimore provides access to supplies of fuel oil and coal via barge, truck and rail. Additional bulk storage terminals are available at Easton, 15 miles from Cambridge.

Water and Sewer

There are municipal water and sewer systems in Cambridge, East New Market, Hurlock, Secretary and Vienna.

Transportation

Highway U.S. 50, which extends from the District of Columbia to Ocean City, Maryland, bisects Dorchester County. This route handles the majority of east-west truck and automobile traffic between the Western and Eastern Shore areas of Maryland.

Railroad, Truck and Bus Service

The Maryland-Delaware Railroad company provides short line freight services to the County's industries. There is no rail passenger service. The State Railroad Administration, a unit of the Maryland Department of Transportation, has acquired most of the rail lines in the County from Penn Central and has upgraded the Penn Central right-of-way and track in the County. Delmarva Power and Light purchased the remaining trackage and freight from Hurlock to Vienna, in anticipation of supplying a new plant at Vienna with coal. Private businesses and the Federal and State governments are providing rail freight operating subsidies.

Motor freight common carriers of general commodities are authorized to serve Dorchester County. Daily inter-county bus service is provided to local residents by a private carrier, which also provides a small package freight service.

Waterways

The Port of Cambridge is now the only deepwater seaport on the Delmarva Peninsula. The Port is a public facility available for use by the tourism/cruise ship industry. The Port terminal includes a 500-foot wharf and a 16,800-square-foot convention center. The Port is 20 nautical miles from the main channel of the Chesapeake Bay by way of a Choptank River channel. The Choptank channel has been dredged to a mean depth of 25 feet.

Air

The Cambridge Dorchester Airport was taken over by the County effective October 1, 1981. A taxiway and an administration building were completed in 1982. Approximately 25,500 arrivals and departures of charter or private flights were handled during the period from July 1, 2007 to June 30, 2008. The runway was extended to a length of 4,476 feet during 1999. A new terminal was completed and operational in February 2003. An additional runway extension is planned to increase the runway to 5,400 feet.

Communications

County residents are served by 19 post offices. Telephone service in the County is provided by Verizon, AT&T, MCI, Comsat, Sprint and Western Union. Several radio stations and one newspaper are located in Cambridge. Radio broadcasts and newspapers from Salisbury, Wilmington, Philadelphia, Baltimore and Washington, D.C. are also available to County residents. A cable television network is available to Cambridge residents and to residents within a 3-mile area around that city.

IV. Economic and Demographic Information

Population of the County and Municipalities

During the period from 1960 to 2000, the population of the County remained relatively stable. The following table shows the population of the County.

Population of the County

1960.....	29,700
1970.....	29,405
1980.....	30,623
1990.....	30,243
2000.....	30,674
2008.....	31,998

Source: Maryland Office of Planning & U.S. Census Bureau.

The following table sets forth the County's municipalities and their populations for the year 2000:

Municipalities	
Brookview.....	63
Cambridge.....	10,860
Church Creek.....	105
East New Market.....	147
Eldorado.....	44
Galestown.....	119
Hurlock.....	1,786
Secretary.....	479
Vienna.....	241

Source: Maryland Department of Planning.

Income

Median household income in Dorchester County was \$41,650 and \$42,100 for the years 2007 and 2008, respectively. The median household effective buying incomes for the County and other counties in the Eastern Shore area of Maryland were estimated to be as follows:

**Median Household Income
Eastern Shore of Maryland**

	2007	2008
Caroline County.....	\$47,450	\$48,200
Dorchester County.....	41,650	42,100
Kent County.....	52,300	54,950
Somerset County.....	35,450	35,850
Talbot County.....	55,900	57,850
Wicomico County.....	47,750	48,550
Worchester County.....	55,200	57,850

Source: Maryland Department of Planning.

Employment

The chart below shows employment statistics for the County and the State during the five most recent calendar years for which information is available.

<u>Calendar Year</u>	<u>Dorchester County</u>		<u>Maryland</u>	
	<u>Labor Force</u>	<u>Unemployment Rate</u>	<u>Labor Force</u>	<u>Unemployment Rate</u>
2004.....	17,052	5.9%	2,891,486	4.3%
2005.....	17,107	5.5	2,942,960	4.2
2006.....	16,811	5.6	2,973,838	3.8
2007.....	16,768	5.9	2,987,698	3.5
2008.....	16,858	6.9	2,997,709	4.4

Source: Maryland Department of Labor, Licensing and Regulation (December 2009).

The following table shows Dorchester County's average unemployment rate as compared with other Eastern Shore counties and the State of Maryland for calendar years 2006-2008 and comparisons for October 2008 and October 2009.

	<u>October 2009</u>	<u>October 2008</u>	<u>Annual Average 2008</u>	<u>Annual Average 2007</u>	<u>Annual Average 2006</u>
Maryland.....	7.2%	4.8%	4.4%	3.5%	3.8%
Dorchester County.....	11.2	6.8	6.9	5.9	5.6
Somerset County	9.6	7.0	6.6	5.4	5.4
Talbot County.	7.0	4.6	4.3	3.4	3.5
Wicomico County	8.3	6.1	5.4	4.0	4.0
Worcester County.....	10.0	7.5	7.5	5.9	5.9

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information (December 2009).

The following table provides the distribution of employment by employer classifications for certain periods.

**Business Employment Composition ⁽¹⁾
Dorchester County**

	<u>2nd Quarter 2009</u>		<u>1st Quarter 2009</u>		<u>4th Quarter 2008</u>	
	<u>Employees</u>	<u>%</u>	<u>Employees</u>	<u>%</u>	<u>Employees</u>	<u>%</u>
Federal Government	156	1.38	154	1.41	150	1.36
State Government	768	6.77	759	6.96	782	7.07
Local Government	1,472	12.98	1,471	13.49	1,469	13.28
Natural Resources and Mining	293	2.58	267	2.45	292	2.64
Construction	514	4.53	504	4.62	566	5.12
Manufacturing	2,237	19.72	2,231	20.45	2,170	19.61
Trade, Transportation, and Utilities	1,895	16.71	1,753	16.07	1,819	16.44
Information	71	0.69	79	0.72	84	0.76
Financial Activities	327	2.88	334	3.06	337	3.05
Professional and Business Services	411	3.62	409	3.75	412	3.74
Education and Health Services	1,477	13.02	1,473	13.51	1,409	12.74
Leisure and Hospitality	1,374	12.11	1,133	10.39	1,216	10.99
Other Services	347	3.06	342	3.14	356	3.22
	<u>11,343</u>	<u>100.00</u>	<u>10,907</u>	<u>100.00</u>	<u>11,063</u>	<u>100.00</u>

(1) Figures do not include railroad, domestic service, self-employed, agricultural, and unpaid family workers. Percentage calculations may not add to 100% due to rounding.

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information (1/21/10).

The following table is a list of selected employers within the County as of October 2009.

<u>Firm</u>	<u>Product</u>	<u>Employment</u>
Allen Family Foods	Poultry processing	1,048
Hyatt Regency Chesapeake Bay Golf Resort	Resort, golf, and conference center	585
Shore Health System	Medical services	385
Delmarva Community Services	Vocational and day habilitation services	350
Cambridge International	Conveyor belts	278
Wal-Mart	Consumer goods	230
Mallard Bay Care Center	Nursing care	175
Potomac Ridge Behavioral Health System Eastern Shore	Medical services	150
John W. Tieder	Electrical contractor	135
Bloch & Guggenheimer	Pickle processing	130

Source: Maryland Department of Business & Economic Development.

Industrial Development

Dorchester County offers a variety of industrial and office property for businesses. Two industrial parks are located in Cambridge and Hurlock, with easy access to U.S. Routes 50 and 13. Water and sewer serve sites in both parks. Maryland/Delaware Rail line serves the Chesapeake Industrial Park in Cambridge. Both parks are in the State Enterprise Zone.

The County, in collaboration with the City of Cambridge, as well as federal and State agencies, is in the process of developing a 113-acre business and technological park, with an "incubator" to serve small high-tech start-up businesses. The park will consist of 13 lots ranging in size from four to five acres and will have water and sewer service. Additionally, the park's HUBZone status will provide special advantages to small firms doing business with the government. Ground work for the park has begun.

Economic Development

The Maryland Economic Development Corporation ("MEDCO") completed on November 23, 1999 a \$124,165,000 bond issue for the purpose of financing the Hyatt Regency Chesapeake Bay Resort. The monies were used to construct a golf course, marina, hotel, and conference center in the City of Cambridge. The Hyatt Corporation operates this project under a management agreement. The project is built on an approximately 256-acre site with approximately one mile of frontage on the Choptank River and over one mile of frontage on U.S. 50.

The resort offers 400 guest rooms, a conference center containing approximately 23,850 square feet of meeting space, six food and beverage outlets, an 18-hole championship golf course, a 150-slip marina expandable to 450 slips, an approximately 20,000 square foot spa, multi-level indoor and outdoor swimming pools, and a children's recreation center. The resort is a part of a larger mixed-use development, which will include the resort complex as well as residential and time-share components.

The resort opened in September 2002. The resort has approximately 585 employees.

According to hospitality consulting services, HVS International, which performed a market study and financial projections pertaining to this project, the resort is a first-class full service resort. As such, it is comparable to other similar facilities such as the Hyatt Regency, Gainy Ranch in Scottsdale, AZ, and the Hyatt Hill Country Resort in San Antonio, TX. The Hyatt affiliation draws business to this hotel as well as its proximity to the Baltimore/Washington region. The resort draws business from two primary market sections, leisure travelers and groups.

The project is owned and operated by the issuer of the bonds, the Maryland Economic Development Corporation. MEDCO is a body corporate and politic of the State of Maryland and a public instrumentality established by statute to assist and encourage economic development and financial assistance programs with the Maryland State Department of Business and Economic Development.

Agriculture

Agriculture is a major industry in the County. Approximately 133,188 of Dorchester County's 379,904 acres are farmland. There are a total of 424 farms in the County averaging 314 acres in size. In 2007, the market value of agricultural products sold within the County was approximately \$166,732,000. Average net cash return per farm in 2007 (2007 Agricultural Census) was \$96,267. Total farm production expenses were \$131,466,000 with \$310,062 the average per farm.

Construction Activity

Building Permits*

Year Ended December 31,	Residential New Construction Permits		Other Permits		Total*	
	Number	Value	Number	Value	Number	Value
2008	73	\$16,024,007	511	\$12,157,332	584	\$28,181,339
2007	103	18,323,938	547	11,235,649	650	29,559,587
2006	118	20,562,218	631	16,490,442	749	37,052,660
2005	153	27,911,944	643	15,347,944	796	43,259,888
2004	233	34,971,107	709	13,228,253	942	48,199,360
2003	192	26,797,401	792	13,822,338	984	40,619,739
2002	176	20,811,015	739	12,376,164	915	33,187,179
2001	120	17,645,462	691	10,025,025	811	27,670,487
2000	104	10,557,265	704	8,178,524	808	18,735,789
1999	124	12,401,058	641	6,875,813	765	19,276,871

* Totals are computed on a calendar year basis.
 Source: Dorchester County Planning and Zoning.

Housing

The number of housing starts for the past 10 years for which information is available is listed below:

Year Ended December 31	Single Family (one and two-family structures)
2008	73
2007	103
2006	118
2005	153
2004	233
2003	192
2002	176
2001	120
2000	104
1999	124

Source: Dorchester County Planning and Zoning.

V. Financial Information

General

The County's principal source of revenues is Property, Income and Other Local taxes, which comprised approximately 79.16% of General Fund revenues in fiscal year 2009. In 2010, these taxes are projected to comprise 77.70% of revenues.

In accordance with the general practice of governmental units, the County records its transactions under various funds. The largest, the General Fund, is that from which all general costs of County government are paid and to which taxes and other revenues, not specifically directed by law to be recorded in special funds, are directed. In addition to the General Fund, several special funds receive revenues from particular sources for specific purposes, all as prescribed by law.

General Fund

The County Council has adopted a General Fund budget of \$53,018,481 for fiscal year 2010, a decrease of \$127,336 from the prior year's budget. The following table shows the Adopted 2010 Fiscal Year General Fund Budget compared to the Adopted 2009 Fiscal Year General Fund Budget.

**Adopted General Fund Budget
Fiscal Years 2010 and 2009**

	<u>Fiscal Year 2010</u>	<u>Fiscal Year 2009</u>
REVENUES		
Property Tax.....	\$29,228,392	\$27,269,547
Income Tax	9,700,000	10,248,498
Other Local Taxes.....	2,266,386	3,205,000
State Shared Taxes.....	3,000	3,000
Service Charges.....	2,282,741	2,535,452
Licenses & Permits	219,025	276,350
Federal, State, and Local	4,914,735	7,216,359
Fines and Forfeitures	13,500	24,000
Miscellaneous	4,390,702	2,367,611
Total Revenues	\$53,018,481	\$53,145,817
EXPENDITURES		
General Government.....	\$ 4,397,018	\$ 4,616,854
Public Safety	11,120,923	11,135,093
Public Works.....	4,396,651	4,765,839
Health	1,035,000	1,035,000
Social Services	503,942	493,244
Education.....	18,281,935	18,673,333
Recreation and Parks	556,984	622,587
Natural Resources	409,932	449,587
Economic Development	621,423	603,387
Debt Service.....	3,314,293	2,867,963
Miscellaneous	8,380,380	7,882,930
Total Expenditures	\$53,018,481	\$53,145,817

Source: Fiscal Year 2010 Dorchester County Budget.

The following table shows the actual results of the General Fund on a GAAP basis for the five most recent fiscal years ended June 30. Total revenues for fiscal year 2009 were \$52,871,556, a decrease of \$1,647,288 from fiscal year 2008. Total expenditures for fiscal year 2009 were \$48,775,503, an increase of \$740,246 from fiscal year 2008.

**General Fund
Statement of Revenues, Expenditures and Encumbrances and
Changes in Fund Balance
Fiscal Years Ending June 30**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
REVENUES					
Taxes.....	\$32,889,963	\$35,357,660	\$36,974,221	\$41,047,912	\$41,853,954
Licenses and Permits.....	379,495	351,103	325,863	285,357	237,134
Intergovernmental.....	6,272,465	7,438,497	7,280,904	10,178,326	7,437,326
Service charges and fees.....	2,328,659	2,595,276	2,662,369	2,533,075	2,938,278
Miscellaneous.....	1,126,507	1,765,601	438,519	474,174	404,864
Total Revenues.....	\$42,997,089	\$47,508,137	\$47,681,876	\$54,518,844	\$52,871,556
EXPENDITURES					
General government.....	\$ 2,661,218	\$ 3,043,142	\$ 3,461,781	\$ 3,513,553	\$ 3,787,476
Public safety.....	5,694,632	8,547,224	10,295,400	10,523,879	10,932,094
Public works.....	3,281,208	4,322,801	5,292,691	5,244,001	4,632,837
Social services.....	201,600	403,833	370,411	401,605	497,466
Education.....	16,628,995	16,948,694	17,856,075	18,154,243	19,220,417
Recreation and parks.....	362,404	410,466	486,443	485,031	509,074
Natural resources.....	348,400	363,984	405,274	423,183	423,918
Economic development.....	746,965	398,815	517,525	563,063	613,882
Intergovernmental.....	947,596	929,376	---	---	---
Capital outlay.....	1,105,523	1,421,096	155,094	4,125,096	482,576
Debt service.....	4,044,380	4,360,979	3,520,197	3,416,501	2,774,679
Miscellaneous.....	2,338,056	2,781,090	4,354,390	4,601,603	4,901,084
Total Expenditures.....	\$38,360,977	\$43,931,500	\$46,715,281	\$51,451,758	\$48,775,503
Excess of revenues over expenditures.....	\$ 4,636,112	\$ 3,576,637	\$ 966,595	\$ 3,067,086	\$ 4,096,053
OTHER FINANCING SOURCES (USES)					
Operating transfers, net.....	(1,898,743)	(3,020,259)	(5,188,734)	(4,620,705)	(5,009,001)
Other financing sources (uses)	20,419	13,284	512,100	1,360,626	(342,515)
Total other financing sources (uses).....	(1,878,324)	(3,006,975)	(4,676,634)	(3,260,079)	(5,351,516)
Excess of revenues and other sources over (under) expenditures and other uses.....	2,757,788	569,662	(3,710,039)	(192,993)	(1,255,463)
Prior year's Fund balances as of July 1.....	4,780,762	\$ 7,538,550	\$ 8,108,212	\$ 4,398,173	\$ 4,205,180
Fund balances by June 30.....	\$ 7,538,550	\$ 8,108,212	\$ 4,398,173	\$ 4,205,180	\$ 2,949,717
Unreserved Fund Balance.....	\$ 7,504,515	\$ 7,949,222	\$ 4,301,486	\$ 4,163,594	\$ 2,893,971
Unreserved Fund Balance					
As a Percentage of Revenues.....	17.5%	16.7%	9.0%	7.6%	5.5%
As a Percentage of Expenditures.....	21.9%	20.1%	10.0%	8.7%	5.9%
Unreserved Undesignated Fund Balance.....	\$ 3,602,857	\$ 2,796,461	\$ 1,793,433	\$ 2,270,161	\$ 1,000,538
As a Percentage of Revenues.....	8.4%	5.9%	3.8%	4.2%	1.9%
As a Percentage of Expenditures.....	10.5%	7.1%	4.2%	4.7%	2.1%

Source: Audited financial statements of Dorchester County for fiscal years 2005 through 2009.

The following table shows the Balance Sheet for the General Fund on a GAAP basis for the five most recent fiscal years ended June 30.

**General Fund
Balance Sheet
Fiscal Years Ending June 30**

	2005	2006	2007	2008	2009
ASSETS					
Cash and short-term investments	\$ 6,137,598	\$ 9,746,557	\$11,151,372	\$ 7,985,180	\$ 3,172,329
Receivables:					
State and local property taxes	2,349,511	3,430,326	3,963,586	3,082,492	3,684,144
Federal government.....	157,150	---	---	---	183,610
State of Maryland.....	2,246,336	(84)	---	---	---
Local	263,867	2,595,276	2,558,976	2,981,477	1,632,918
Other	47,535	153,827	140,470	430,201	1,398,197
Interfund	4,468,336	1,367,660	140,335	1,633,155	8,681,433
Prepaid expenditures	34,035	158,990	---	---	---
Other	---	---	99,909	41,586	55,746
Total Assets	<u>\$15,704,368</u>	<u>\$17,472,014</u>	<u>\$18,054,648</u>	<u>\$16,154,091</u>	<u>\$18,808,377</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts payable and accrued expenses.....	\$ 393,316	\$ 731,863	\$ 1,232,307	\$ 2,356,606	\$ 1,631,961
Due to State of Maryland.....	197,127	217,292	124,788	287,559	372,693
Due to delinquent taxpayers.....	236,465	383,685	500,575	375,887	426,599
Interfund payables	4,911,798	4,318,132	5,432,456	5,686,034	9,593,539
Due to others.....	70,197	52,573	35,779	19,278	26,170
Deferred revenue	2,352,956	3,621,478	6,290,648	3,128,187	3,705,126
Other	3,959	38,779	39,922	95,360	102,572
Total Liabilities.....	<u>\$ 8,165,818</u>	<u>\$ 9,363,802</u>	<u>\$13,656,475</u>	<u>\$11,948,911</u>	<u>\$15,858,660</u>
FUND BALANCES					
Reserved for:					
Prepaid expenditures	\$ 34,035	\$ 158,990	\$ 96,687	\$ 41,586	\$ 55,746
Unreserved:					
Designated for legal indemnification.....	100,000	100,000	100,000	100,000	100,000
Designated for next year expenditures	2,222,999	3,602,857	2,262,467	1,793,433	1,793,433
Designated for highway use	1,578,659	1,449,904	145,586	---	---
Undesignated	3,602,857	2,796,461	1,793,433	2,270,161	1,000,538
Total Fund balances	<u>\$ 7,538,550</u>	<u>\$ 8,108,212</u>	<u>\$ 4,398,173</u>	<u>\$ 4,205,180</u>	<u>\$ 2,949,717</u>
Total liabilities and fund balances	<u>\$15,704,368</u>	<u>\$17,472,014</u>	<u>\$18,054,648</u>	<u>\$16,154,091</u>	<u>\$18,808,377</u>

Source: Audited financial statements of Dorchester County for fiscal years 2005 through 2009.

The chart below shows the actual results and the original budget for fiscal years 2006 through 2009.

**Schedule of Revenues and Expenditures Compared to Budget
County Commissioners of Dorchester County, Maryland
General Fund Fiscal Years Ending June 30**

	2009		2008		2007		2006	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:								
Taxes	\$41,853,954	\$40,726,045	\$41,047,912	\$38,428,241	\$36,974,221	\$37,031,457	\$35,357,660	\$33,536,934
Licenses/Permits	237,134	276,350	285,357	326,100	325,863	350,565	351,103	392,600
Intergovernmental	7,437,326	7,151,359	10,178,326	7,595,858	7,280,904	6,986,226	7,438,497	7,117,882
Service Charges	2,938,278	2,535,452	2,533,075	2,717,379	2,662,369	2,069,638	2,595,267	2,098,559
Miscellaneous	404,864	2,177,492	474,174	2,797,682	438,519	4,834,023	1,765,601	3,086,568
<i>Total Revenue</i>	<u>\$52,871,556</u>	<u>\$52,844,905</u>	<u>\$54,518,844</u>	<u>\$51,865,260</u>	<u>\$47,681,876</u>	<u>\$51,271,819</u>	<u>\$47,508,137</u>	<u>\$46,232,543</u>
Expenditures & Other								
General Government	\$ 3,787,476	\$ 4,019,770	\$ 3,513,553	\$ 4,031,389	\$ 3,461,781	\$ 3,846,620	\$ 4,000,342	\$ 3,501,423
Public Safety	10,932,094	11,135,093	10,523,879	10,258,734	10,295,400	9,330,007	8,842,569	8,541,529
Public Works	4,632,837	4,772,659	5,244,001	4,738,271	5,292,691	5,362,578	4,462,052	4,564,612
Social Services	497,466	536,424	401,605	484,025	370,411	412,064	403,833	352,540
Education	19,220,417	19,220,417	18,154,242	18,154,242	17,856,075	17,856,075	16,948,694	16,948,694
Recreation and Parks	509,074	543,437	485,031	531,904	486,443	471,072	424,421	423,427
Natural Resources	423,918	449,587	423,183	443,212	405,274	419,859	363,984	386,900
Economic Development	613,882	603,387	563,063	682,114	517,525	547,543	398,815	432,845
Intergovernmental	---	---	---	---	---	---	929,376	999,400
Miscellaneous	4,901,084	5,289,741	4,601,603	4,852,221	4,354,390	4,312,073	2,796,615	2,783,880
Debt Service	2,774,679	2,867,963	---	3,385,279	---	3,812,895	---	3,876,225
Capital Outlay	482,576	32,000	4,125,096	---	155,094	---	---	---
<i>Total Expenditures</i>	<u>\$48,775,503</u>	<u>\$49,470,478</u>	<u>\$48,035,257</u>	<u>\$47,561,391</u>	<u>\$43,195,084</u>	<u>\$46,370,786</u>	<u>\$39,570,521</u>	<u>\$42,811,475</u>
Excess of Revenues & Other Sources Over (Under) Expenditures	\$ 4,096,053	\$ 3,374,427	\$ 6,483,587	\$ 4,303,869	\$ 4,486,792	\$ 4,901,033	\$ 7,937,616	\$ 3,421,068
Other Financing Sources (Uses)								
Operating Transfers	(6,075,772)	(3,675,339)	(8,037,206)	(4,593,869)	(8,708,931)	(5,164,966)	(7,108,138)	(3,147,968)
Total Other Financing Sources (Uses)	<u>(5,218,287)</u>	<u>(3,374,427)</u>	<u>(6,676,580)</u>	<u>(4,303,869)</u>	<u>(8,196,831)</u>	<u>(4,901,033)</u>	<u>(7,367,954)</u>	<u>(3,421,068)</u>
Excess (Deficiency) of Expenditures and Other Financing Uses Over Revenues and Other Financing Sources	(1,122,234)	---	(192,993)	---	(3,710,039)	---	569,662	---

Source: Audited financial statements of Dorchester County for fiscal years 2006 through 2009.

Taxes

Ad valorem property taxes, the County's largest source of tax revenue, have increased slightly as a percentage of total tax revenues from 61.6% in fiscal year 2000 to 64.3% in fiscal year 2009. During the same period, income tax revenues as a percentage of all tax revenues have decreased slightly, from about 30.1% of total tax revenues in fiscal year 2000 to about 30.0% in fiscal year 2009. The following table presents the County's tax revenues by source for each of the last 10 fiscal years.

Tax Revenues By Source

Fiscal Year Ended June 30,	General Total Taxes	Local Property Taxes*	Local Income Taxes	State Shared Taxes	Other Local Taxes**
2009	\$41,853,954	\$26,903,025	\$12,561,789	\$ ---	\$2,389,140
2008	41,047,912	26,057,854	11,523,663	---	3,466,395
2007	36,974,221	22,344,833	10,229,499	---	4,399,889
2006	35,357,660	19,850,595	10,164,499	3,130	5,339,436
2005	32,889,963	18,561,835	9,839,284	2,028	4,486,816
2004	29,505,494	17,624,406	8,505,222	2,157	3,373,710
2003	26,771,695	16,334,582	7,676,378	1,895	2,758,841
2002	25,678,285	15,437,365	7,980,229	3,856	2,256,835
2001	25,380,380	14,474,215	8,515,646	4,239	2,113,280
2000	23,457,524	14,449,417	7,067,239	2,253	1,938,615

* Includes payments in lieu of taxes, additions and abatements, interest on taxes, discounts on taxes and tax credits for the elderly and disabled.

** Includes Recordation taxes and Admission taxes.

Source: Fiscal Year 2000-2009 Audited Financial Statements of Dorchester County.

General Property Taxes

Property valuations and assessments are determined by the State Department of Assessments and Taxation of Maryland, which maintains local offices in Baltimore City and each of the counties. Assessments on real property are subject to annual review and revision, and every piece of real property in Dorchester County is physically inspected at least once every three years as part of the continuing reassessment process.

For State and County real property tax purposes, real property is assessed at market value ("full cash value"). All property is physically inspected once every three years and any increase in full cash value arising from such inspection is phased in over the ensuing three taxable years in equal annual installments. Beginning in fiscal year 1992 a Homestead Tax Credit is applied to each owner-occupied residence which limits the amount that assessments may increase. The increase is limited to a range from 0% to 10%, which is set by the County. Beginning in fiscal year 2006, the limit is 5% for County property tax purposes.

Under current law, certain residents of owner-occupied residential real estate may elect to pay real property taxes semiannually on September 30 and January 31, without interest but with a service charge on the second installment. The first installment is due July 1 and is in arrears on October 1. The second installment is due December 1, and is in arrears on January 1. Appropriate service charges will be applied to all semi-annual payment plans as provided by law.

The State provides a tax credit based on the ability of homeowners to pay property taxes. The credit is calculated by use of a scale, which indicates a maximum tax liability for various income levels.

Tangible personal property is assessed at cost, less 10% depreciation for each year held to a minimum of 25%. Manufacturing inventory of business is exempt from County tax. Commercial inventory is currently assessed at 100% as determined from annual reports filed with the State Department of Assessments and Taxation. Public utility property is assessed at fair market value determined by reference to both income and property values.

The following table sets forth the assessed value of all taxable property in Dorchester County for each of its five most recent fiscal years, and the County and State tax rate applicable in each of those years. Assessed value of tax-exempt properties owned by Federal, State

FINANCIAL INFORMATION

and County governments, churches, schools, fraternal organizations, cemeteries, disabled veterans and the blind is not included in the table. Under applicable law, there is no limit as to the total tax levy for property taxes set forth in the table.

Fiscal Years Ended June 30

Assessable Base	2009	2008	2007	2006	2005
Real Property	\$3,102,840,000	\$2,695,155,000	\$2,266,874,000	\$2,030,581,000	\$1,805,001,000
Personal Property:					
Railroads & Public					
Utilities	86,772,000	85,265,000	88,263,000	76,134,000	78,126,000
Business	45,200,000	47,410,000	45,780,000	47,310,000	56,200,000
Total Assessable Base	\$3,234,812,000	\$2,827,830,000	\$2,400,917,000	\$2,154,025,000	\$1,939,327,000
Total Market Value	\$3,234,812,000	\$2,827,830,000	\$2,400,917,000	\$2,154,025,000	\$1,939,327,000
County Real Property					
Tax Rate (per \$100					
assessed value).....	\$0.896	\$0.896	\$0.896	\$0.896	\$0.92
County Personal					
Property Tax Rate					
(per \$100 assessed					
value).....	\$2.24	\$2.24	\$2.24	\$2.24	\$2.30
County Utility Property					
Tax Rate (per \$100					
assessed value).....	\$2.24	\$2.24	\$2.24	\$2.24	\$2.30
State Real Property Tax					
Rate (per \$100					
assessed value).....	\$0.112	\$0.112	\$0.112	\$0.112	\$0.132
State Utility Property					
Tax Rate (per \$100					
assessed value).....	\$0.28	\$0.28	\$0.28	\$0.28	\$0.33

Source: Maryland State Department of Assessments and Taxation.

The following table shows the total assessed value and the total market value of property within the County.

Assessment and Market Value Trend

Fiscal Year	Assessed	Percent	Market
Ending	Value	Increase	Value
		(Decrease)	
2009.....	\$3,234,812,000	14.39%	\$3,234,812,000
2008.....	2,827,830,000	17.78	2,827,830,000
2007.....	2,400,917,000	11.46	2,400,917,000
2006.....	2,154,025,000	11.07	2,154,025,000
2005.....	1,939,327,000	6.70	1,939,327,000
2004.....	1,817,529,000	4.39	1,817,529,000
2003.....	1,741,157,455	10.15	1,741,008,200
2002.....	1,580,715,128	128.82	1,565,336,960
2001.....	690,799,279	(0.11)	1,468,231,260
2000.....	691,564,500	1.85	1,314,002,550
1999.....	678,981,000	3.50	1,278,057,290
1998.....	656,013,000	2.50	1,287,608,760
1997.....	640,012,000	2.56	1,208,029,990
1996.....	624,012,000	2.90	1,204,469,360

Source: Dorchester County and Maryland State Department of Assessments and Taxation.

Delinquent taxes are collected, after two years of delinquency, by tax sales conducted by the County. Historically, the County has conducted tax sales on an annual basis. The following table sets forth certain pertinent information with respect to the County's tax levies and tax collections for each of its 10 most recent fiscal years.

Year Ending June 30,	Taxes Levied	Collected Within Year of Levy	Percentage Collected	Total Collections	Percentage Collected	Accumulated Delinquent Taxes	Accumulated Delinquent Taxes as % of Current Year's Tax Levy
2009	\$26,903,025	\$24,589,454	91.40%	\$24,589,454	91.40%	\$3,431,595	12.76%
2008	26,057,854	24,185,741	92.82	25,910,868	99.44	2,870,474	11.02
2007	22,344,833	19,558,313	87.53	22,276,704	99.70	3,728,905	16.69
2006	19,850,595	17,470,646	88.01	19,799,126	99.74	3,304,283	16.65
2005	18,561,835	17,157,332	92.43	18,544,404	99.91	2,929,529	15.78
2004	17,624,406	16,358,574	92.82	17,509,912	99.35	2,119,283	12.02
2003	16,334,583	14,901,248	91.23	16,238,032	99.41	2,056,347	12.59
2002	15,437,365	13,870,518	89.85	15,363,429	99.52	2,018,960	13.08
2001	15,233,854	14,048,995	92.22	15,135,943	99.36	1,976,964	12.98
2000	15,041,528	13,761,669	91.49	14,987,746	99.64	2,113,730	14.05

Source: Audited Financial Statements of Dorchester County.

The 10 largest taxpayers in Dorchester County, ranked by assessed value, are listed below.

Name of Taxpayer	Assessed Valuation June 30, 2009
Delmarva Power and Light Co.	51,721,600
Verizon Maryland	19,428,100
Koski Enterprises, Inc.	12,320,800
Choptank Electric Cooperative., Inc	11,667,410
Wal-Mart Real Estate Business	8,127,966
Vienna Power LLC.	5,976,966
Airpax Acquisition, LLC.	5,620,400
Tudor Farms, Inc.	5,595,200
Conifer Village at Cambridge, LLC.	5,507,133
Cambridge Properties, LLC.	5,114,800

Source: Dorchester County Finance Office.

Income Tax

The State imposes an income tax on the adjusted gross income of individuals as determined for Federal income tax purposes, subject to certain adjustments. Beginning January 1, 2008 the State income tax rates are as follows:

Taxpayers Filing Joint, Surviving Spouse or Head of Household Returns		All Other Individual Taxpayers	
<u>Taxable Income</u>	<u>Tax Rate</u>	<u>Taxable Income</u>	<u>Tax Rate</u>
\$1-\$1,000	2.00%	\$1-\$1,000	2.00%
\$1,001-\$2,000	3.00%	\$1,001-\$2,000	3.00%
\$2,001-\$3,000	4.00%	\$2,001-\$3,000	4.00%
\$3,001-\$200,000	4.75%	\$3,001-\$150,000	4.75%
\$200,001-\$350,000	5.00%	\$150,001-\$300,000	5.00%
\$350,001-\$500,000	5.25%	\$300,001-\$500,000	5.25%
\$500,000-\$1,000,000	5.50%	\$500,000-\$1,000,000	5.50%
In excess of \$1,000,000	6.25%	In excess of \$1,000,000	6.25%

Pursuant to State law, each county and Baltimore City must levy a local income tax. Dorchester County currently levies a local income tax at the rate of 2.62%. The County does not levy a local income tax on corporations. In the event that a taxpayer lives in an incorporated municipality, the County receives only 33% of the income tax with the remaining portion going to that incorporated municipality.

VI. Debt Information

Bonded Indebtedness of the County

Pursuant to the Enabling Act, the amount of general obligation indebtedness that the County may have outstanding at any one time shall not exceed a total of 6% of the assessable basis of real property of the County and 15% of the County's assessable basis of personal property and operating real property described in Section 8-109(c) of the Tax-Property Article of the Annotated Code of Maryland. Under the Enabling Act, (i) tax anticipation notes or other evidences of indebtedness having a maturity not in excess of 12 months, (ii) bonds or other evidences of indebtedness issued or guaranteed by the County payable primarily or exclusively from taxes levied in or on, or other revenues of, special taxing areas or districts established by law, and (iii) bonds or other evidences of indebtedness issued for self-liquidating and other projects payable primarily or exclusively from the proceeds of assessments or charges for special benefits or services are not subject to, or included as bonds or evidences of indebtedness in computing or applying, the debt limitation described in the preceding sentence.

Section 509(b) of the Charter limits the aggregate amount of County bonds and other evidences of indebtedness outstanding at any one time to an amount not exceeding 10% of the assessable base of the County. The types of debt detailed in the preceding paragraph that are excludable from calculation of the debt limitation set forth in the Enabling Act are also excluded from computation or application of the debt limitation set forth in Section 509(b) of the Charter.

The following tables set forth the amount of the County's direct and contingent general obligation debt.

Statement of Direct and Contingent Bonded Governmental Activities Debt Outstanding As of June 30, 2009⁽¹⁾

	Balances at June 30, 2008	Additions (Reductions)	Balances at June 30, 2009
Dell Financial Services capital lease agreement	\$ 79,209	\$ (34,057)	\$ 45,152
1996 Public Facilities Bonds	665,000	(210,000)	455,000
2000 Public School Capital Improvement Bonds	1,795,000	(220,000)	1,575,000
2002 Public School Capital Improvement Bonds	5,230,000	(410,000)	4,820,000
2004 General Improvements and Refunding Bonds	6,750,000	(940,000)	5,810,000
Maryland Industrial Land Act loan due March 2016	363,516	(40,858)	322,658
Maryland Industrial Land Act loan due April 2012	549,455	(60,252)	489,203
Shore Erosion Control 3-92 loan	52,572	(4,780)	47,792
Shore Erosion Control 7-92 loan	71,708	(5,516)	66,192
Shore Erosion Control 8-92 loan	20,202	(1,683)	18,519
Shore Erosion Control 9-92 loan	32,619	(2,718)	29,901
Shore Erosion Control 3-95 loan	14,072	(3,519)	10,553
Shore Erosion Control 2-96 loan	41,030	(8,207)	32,823
Shore Erosion Control 03-03 loan	233,667	232,131	465,798
Shore Erosion Control 04-02 loan	118,602	(5,930)	112,672
Shore Erosion Control 05-03 loan	92,333	272,500	364,833
Shore Erosion Control 18-02 loan	323,957	0	323,957
County Commissioners of Queen Anne's County loan due November 2013	95,700	(13,200)	82,500
County Commissioners of Queen Anne's County loan due January 2020	440,000	(25,000)	415,000
County Commissioners of Queen Anne's County loan due January 2023	134,122	(6,188)	127,934
Note for Delmarva Power and Light Building	514,651	(71,174)	443,477
MDOT note	1,013,000	342,750	1,355,750
Rippons Pier deferred purchase price	195,000	(40,000)	155,000
	<u>\$18,825,415</u>	<u>\$(1,255,701)</u>	<u>\$17,569,714</u>

(1) Excluded from this debt statement are the Bonds.

Source: Audited financial statements of Dorchester County for the year ended June 30, 2009.

Business-Type Activities Debt Outstanding
As of June 30, 2009⁽¹⁾

	<u>Balances at June 30, 2008</u>	<u>Additions (Reductions)</u>	<u>Balances at June 30, 2009</u>
Dorchester County Landfill:			
Refuse and bid bonds payable	\$ 2,000	\$ 0	\$ 2,000
Dorchester County Airport:			
Airport Improvement Bonds of 2003	496,000	(31,000)	465,000
	<u>\$498,000</u>	<u>(31,000)</u>	<u>\$467,000</u>

Source: Audited financial statements of Dorchester County for the year ended June 30, 2009.

Sanitary Districts Debt Outstanding
As of June 30, 2009⁽¹⁾

	<u>Balances at June 30, 2008</u>	<u>Additions (Reductions)</u>	<u>Balances at June 30, 2009</u>
1974 Water Quality loan	\$ 38,285	\$ (2,182)	\$ 36,103
1974 Water Quality loan	8,609	(1,527)	7,082
1974 Water Quality loan	35,663	(3,981)	31,682
1983 Water Quality loan	75,892	(4,325)	71,567
1983 Water Quality loan	83,582	(4,238)	79,344
Bank of Eastern Shore loan	9,663	(4,937)	4,726
Drinking Water State Water Revolving Fund loan	20,807	(4,002)	16,805
	<u>\$272,501</u>	<u>\$(25,192)</u>	<u>247,309</u>
Less: current maturities			<u>26,231</u>
			<u>\$221,078</u>

(1) Subsequent to June 30, 2009, the Sanitary District issued long term debt to finance an expansion of its sewer system in the amount of \$2,044,000. Construction is being financed through an interim bank loan with closing on the permanent loan (USDA) to take place at the project completion, estimated to be January 2011. The USDA loan is to be repaid over 40 years at 2.75% interest. Source: Audited financial statements of Dorchester County for the year ended June 30, 2009.

Schedule of Debt Service Requirements on County Debt

The following table sets forth the debt service requirements for the County's direct general obligation bonded debt as of June 30, 2009.

Dorchester County, Maryland
Schedule of Debt Service Requirements for Governmental Activities Long-Term Obligations⁽¹⁾
As of June 30, 2009
Excluding the Issuance of the Bonds (This Issue)

<u>June 30</u>	<u>General County Public Facilities Bonds and Loans</u>		<u>State of Maryland Industrial Land Act⁽²⁾</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,351,933	\$ 527,325	\$103,993	\$ 41,849	\$ 2,455,926	\$569,174
2011	2,395,062	450,138	109,422	36,420	2,504,484	486,558
2012	2,237,591	377,991	410,394	18,204	2,647,958	396,195
2013	2,310,077	307,003	50,309	10,825	2,360,386	317,828
2014	2,348,126	230,904	53,302	7,832	2,401,428	238,736
2015	1,666,600	150,961	56,472	4,662	1,723,072	155,623
2016	761,398	93,403	27,969	1,303	789,367	94,706
2017	796,823	62,577			796,823	62,577
2018	832,308	29,624			832,308	29,624
2019	187,791	9,963			187,791	9,963
2020	123,503	4,633			123,503	4,633
2021	69,644	1,558			69,644	1,558
2022	64,674	1,070			64,674	1,070
2023	65,277	554			65,277	554
2024	52,966	-			52,966	-
2025	52,966	-			52,966	-
2026	52,966	-			52,966	-
2027	52,966	-			52,966	-
2028	52,966	-			52,966	-
2029	47,036	-			47,036	-
2030	47,036	-			47,036	-
2031	47,036	-			47,036	-
2032	47,036	-			47,036	-
2033	47,036	-			47,036	-
2034	47,036	-			47,036	-
Total	\$16,757,853	\$2,247,704	\$811,861	\$121,095	\$17,569,714	\$2,368,799

(1) Numbers may not add due to rounding

(2) MILA loans are repaid in full from lease payments made to the County and are therefore considered self-supporting debt.

Source: Dorchester County Finance Office.

DEBT INFORMATION

The schedule below presents (i) the County's gross and net bonded debt as of June 30, 2009; (ii) the County's gross and net bonded debt outstanding assuming issuance of the Bonds; and (iii) the ratio of such gross and net debt to the County's assessed value.

**Dorchester County
Summary of Gross Direct and Overall Net Bonded Debt
(Excluding This Issue)**

I. GROSS DEBT (as of 6/30/09)*:	
General Fund Debt**	\$16,757,853
Sanitary District Debt***	221,078
MILA Loans.....	811,861
Business-type Activities Debt	467,000
Gross Bonded Indebtedness	\$18,257,792
II. LESS: SELF-SUPPORTING DEBT	
Sanitary District***	221,078
MILA Loans.....	811,861
Business-type Activities Debt	467,000
Net Direct Debt.....	\$16,757,853
III. UNDERLYING DEBT (as of 6/30/09)****	\$13,993,031
IV. TOTAL OVERALL NET DEBT	\$30,750,884

* Excludes Highway Revenue Bond.

** Excludes MILA loans.

*** Excludes Sanitary District debt of \$2,044,000 issued subsequent to June 30, 2009.

**** Excludes \$10,124,418 City of Cambridge Business-type Fund debt, which is self-supporting and \$3,028,687 Town of Hurlock Water System debt, which is also self-supporting.

Source: Dorchester County, Maryland General Assembly's Department of Legislative Services, City of Cambridge Financial Statements (6/30/09) and the Town of Hurlock's Financial Statements (6/30/09).

**Dorchester County, Maryland
Debt Per Capita and Ratio of Debt to Assessed Value**

Per capita: (Population 31,998)	
Gross Debt*	\$570.59
Direct Net Debt	\$523.72
Overall Net Debt	\$961.03
Assessed Value as a percent of: (Assessed value of \$3,234,812,000—Fiscal Year 2009)	
Gross Debt.....	0.56%
Net Direct Debt	0.52%
Overall Net Debt	0.95%

* Excludes Highway Revenue Bond.

Source: Dorchester County, Maryland General Assembly's Department of Legislative Services, City of Cambridge Treasurer's Office and the Town of Hurlock's Financial Statement (6/30/09)

Bonded Indebtedness of Incorporated Municipalities

The City of Cambridge and the Town of Hurlock are two of the incorporated municipalities in the County that have outstanding bonded indebtedness. The County is not obligated to pay such debt or the interest thereon and neither the faith and credit nor the taxing power of the County is pledged to the payment of principal of or interest on such indebtedness.

	As of June 30, 2009
Cambridge - General (Net Direct)*	\$ 13,505,488
Hurlock - General (Net Direct)*	<u>487,543</u>
	\$ 13,993,031

* Excludes \$10,124,418 City of Cambridge Business-type Fund debt, which is self-supporting and \$3,028,687 Town of Hurlock Water System debt, which is also self-supporting.

Source: Maryland General Assembly's Department of Legislative Services and City of Cambridge Financial Statements (6/30/09), Town of Hurlock's Financial Statements (6/30/09).

Future Plans to Issue County Debt

In connection with the business and technology park, (See "ECONOMIC AND DEMOGRAPHIC INFORMATION-Industrial Development") the County may issue up to \$2,000,000 in new debt around December 2010.

VI. Miscellaneous

Litigation

Bay Organics, LLC filed a claim against the County Council of Dorchester County on August 31, 2009, in Civil Law No. 09-C-09-017-011, claiming damages for breach of a Consultant Agreement dated February 3, 2006 concerning the operation of a compost facility at one of the County's solid waste disposal facilities. The Plaintiff seeks damages in the amount of \$130,000.00. The County's insurance does not cover this claim. In the opinion of the County's attorney, there are meritorious defenses to the suit; however, the outcome of the litigation cannot be predicted with certainty. In addition the County is a party to various zoning appeals, none of which involves a claim for monetary damages against the County. The County is also involved in various workers' compensation and automobile negligence cases. The County, however, is insured by statutory workers' compensation insurance and automobile liability insurance and, in the opinion of the County Attorney, such cases are not likely to have a material adverse effect on the County's financial position. The County is also a party defendant in various other actions. The County, however, is insured by various insurance carriers and such actions are being defended by counsel for the County's insurance companies pursuant to the terms of the County's policies of insurance. In the opinion of the County Attorney, such cases are not likely to have a material adverse effect on the County's financial position.

Ratings

Moody's Investors Service, Inc. and Standard & Poor's, a division of The McGraw-Hill Companies Inc. have assigned the ratings indicated on the cover page of this Official Statement to the Bonds. An explanation of the significance of such ratings may be obtained from the respective rating agencies. The County furnished to the rating agencies the information contained in a preliminary form of this Official Statement, and other materials and information. Generally, rating agencies base their ratings on such material and information, as well as their own investigations, studies and assumptions. It should be noted that either such rating may be changed at any time and that no assurance can be given that either such rating will not be revised downward or withdrawn by the applicable rating agency if, in its judgment, circumstances should warrant such action. Such circumstances may include, without limitation, changes in or unavailability of information relating to the County. Any such downward revision or withdrawal of a rating could have an adverse effect on market prices of the Bonds.

Sale at Competitive Bidding

The Bonds were offered by the County at a competitive bidding on February 2, 2010 in accordance with the official Notice of Sale (the form of which is attached as Appendix C). The Series 2010A Bonds and the Series 2010B Bonds were awarded to a syndicate managed by Robert W. Baird & Co., Inc. The interest rates shown on the inside cover page of this Official Statement are the interest rates to the County resulting from the award of the Bonds at the competitive bidding. The yields or prices shown on the inside cover page of this Official Statement with respect to each series of the Bonds were furnished by the successful bidder therefor. All other information concerning the nature and terms of any re-offering of the Bonds of either series should be obtained from the successful bidder for such series of the Bonds and not from the County.

Continuing Disclosure

In order to enable participating underwriters (as defined in Securities and Exchange Commission Rule 15c2-12) to comply with the requirements of such Rule, the County will execute and deliver a Continuing Disclosure Agreement (the "Continuing Disclosure Agreement") prior to or simultaneously with the delivery of the Bonds. In the Continuing Disclosure Agreement, the County will covenant for the benefit of the registered owners or Beneficial Owners from time to time of the Bonds to provide certain financial information and operating data relating to the County (the "Annual Report") by not later than 275 days after the end of each fiscal year, commencing with the fiscal year ending June 30, 2010, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the County with the Municipal Securities Rulemaking Board (the "MSRB") and/or any other repository required by the Securities and Exchange Commission in accordance with Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12"). The notices of material events, if any, will be filed by the County with the MSRB and/or any other repository required by the Securities and Exchange Commission in accordance with Rule 15c2-12. Potential purchasers of the Bonds should note that certain of the 11 events listed in Section 4(a) of the Continuing Disclosure Agreement (including events related to debt service reserves, credit enhancement or liquidity providers and release, substitution or sale of property securing the Bonds) have been included for purposes of compliance with Rule 15c2-12 but are not relevant for the Bonds.

The County has not failed in the previous five years to comply in all material respects with any prior continuing disclosure

undertaking entered into by the County pursuant to SEC Rule 15c2-12.

The proposed form of the Continuing Disclosure Agreement is set forth in Appendix D.

Experts

The basic financial statements of the County for the year ended June 30, 2009, included as Appendix A to this Official Statement, have been examined by TGM Group LLC, independent certified public accountants, to the extent and for the period stated in their report which appears in Appendix A, and should be read in their entirety. The independent accountants were not requested to review or update such basic financial statements or their report in connection with the issuance of the Bonds, and the County did not request such independent accountants' consent to the inclusion of their report in this Official Statement. Such report speaks only as of its date. Certain information referenced in such independent auditor's report is not included in Appendix A to this Official Statement.

Financial Advisor

Public Advisory Consultants, Incorporated, Owings Mills, Maryland, has rendered financial advice to the County in the preparation of this Official Statement.

Miscellaneous

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made orally or in writing is to be construed as a contract with the holders of any of the Bonds.

The Official Statement has been approved and its distribution authorized by the County.

DORCHESTER COUNTY, MARYLAND

By: /s/ Jane Baynard
Jane Baynard, County Manager

By: /s/ Michael J. Spears
Michael J. Spears, Director of Finance

**Audited Financial Statements
For the Year Ended June 30, 2009**

Page number references contained in the Independent Auditor's Report, the Management's Discussion and Analysis and certain other text set forth in this Appendix A may not correlate to the actual presentation of the referenced information herein due to formatting adjustments.

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**COUNTY COUNCIL OF
DORCHESTER COUNTY, MARYLAND**

FINANCIAL REPORT

JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT

County Council of
Dorchester County, Maryland
Cambridge, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Dorchester County, Maryland (the "County") as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dorchester County Sanitary Districts. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dorchester County Sanitary Districts, is based solely upon the reports of the other auditors.

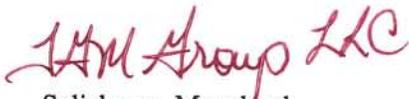
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our separate report dated December 11, 2009 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The additional supplementary information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The additional supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Salisbury, Maryland
December 11, 2009

DORCHESTER COUNTY, MARYLAND
Management's Discussion and Analysis

INTRODUCTION

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

FINANCIAL HIGHLIGHTS

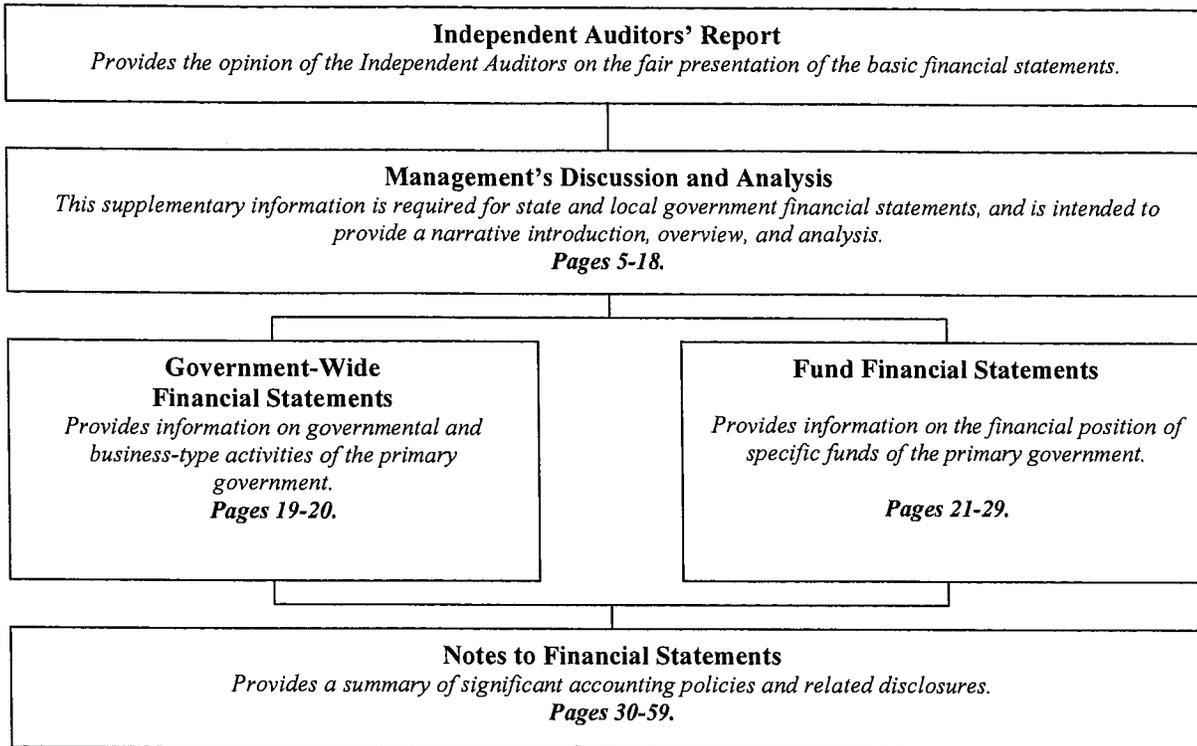
- The government-wide assets of the County exceeded its liabilities at the close of Fiscal Year 2009 (FY09) by \$58.6 million (total net assets). Of this amount, \$10.9 million (unrestricted net assets) may be used to meet the County's ongoing obligations to citizens and creditors.
- The County's overall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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Organization and Flow of Financial Section Information



Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

CONTINUED ON NEXT PAGE

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

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

Statement of Net Assets

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

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

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

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

Statement of Activities

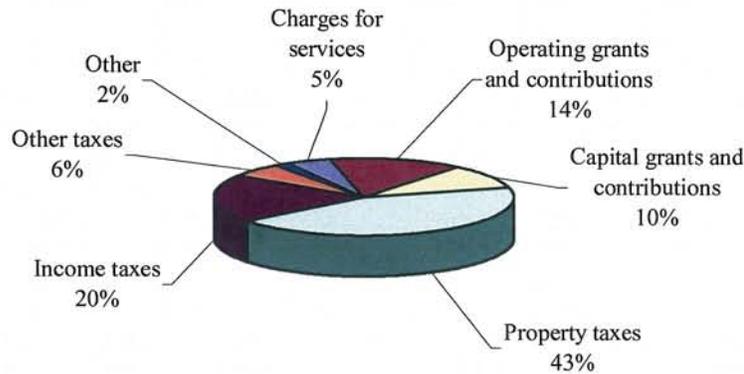
The following table summarizes the County's change in net assets for the years ended June 30, 2009 and 2008:

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

Governmental Activities

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

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

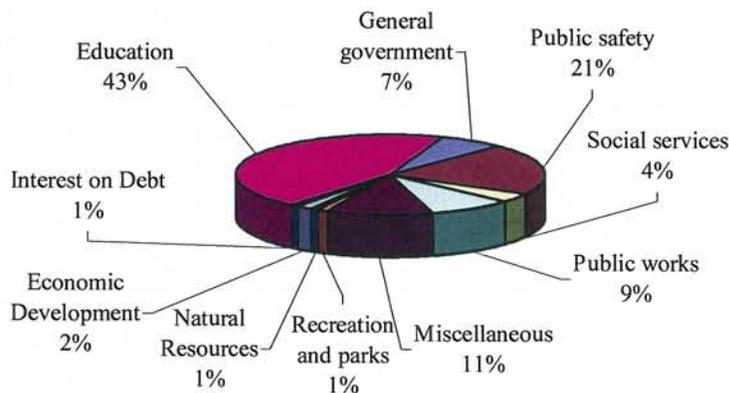


- Taxes constitute the largest source of County revenues, amounting to \$43.7 million for FY09. Property and local income tax combined comprise 63 percent of County governmental activities revenues. Each County in Maryland sets its income tax rate within parameters established by the State. The local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

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

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

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



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

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

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

Business-type Activities

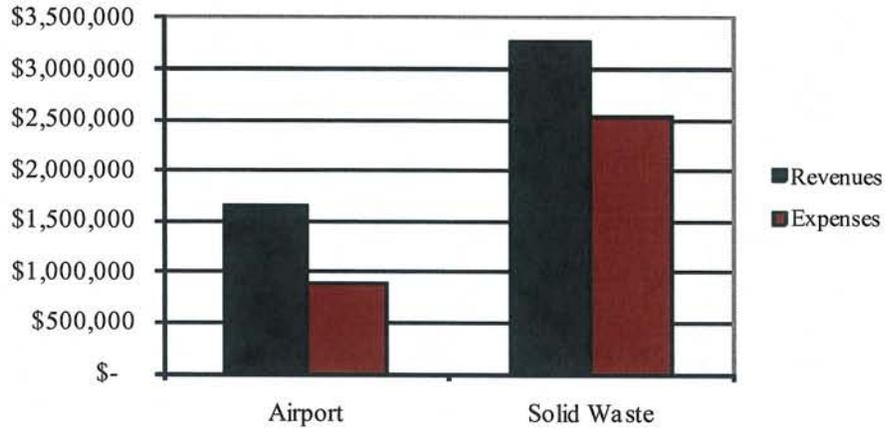
Highlights of the County's business-type activities for FY09 are as follows:

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

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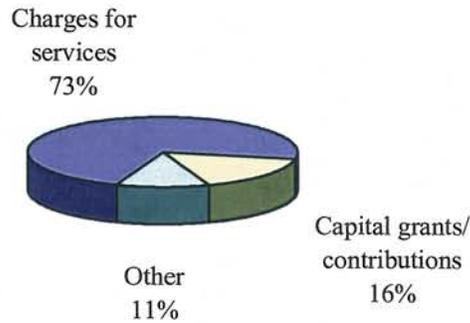
Business-type activities are shown below comparing costs to revenues generated by related services:

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



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

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



FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

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

Governmental funds

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

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

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

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

The Reserve Fund ended the year with a fund balance of \$5.4 million, which is an increase of \$2.4 million. The purpose of the Reserve Fund is to provide a fiscal means for the County to respond to potential adversities such as public emergencies, natural disasters, major unanticipated projects or economic downturns. Beginning in fiscal year 2006 and for each subsequent fiscal year, the County shall include in the budget bill an appropriation to the Strategic Reserve Fund equal to at least the lesser of \$200,000 or whatever amount is required for the Strategic Reserve Fund balance to equal 5% of the estimated General Fund operating revenues for that fiscal year.

The Building Excise Tax Fund ended the year with a fund balance of \$1.1 million. This fund was created by Dorchester County Bill Number 2004-6, effective date of September 15, 2004, which established an excise tax on new development. The proceeds of the tax are dedicated for the capital costs associated with new growth specific to schools (\$0.9 million balance), emergency communications (\$0.1 million balance), and Sheriff's Office (\$0.1 million balance).

The Transfer Tax Fund ended the year with a fund balance of \$1.8 million, which is a decrease of \$0.8 million. The purpose of this fund is to account for the proceeds of the transfer tax which is dedicated for repairs, maintenance and security of the Circuit Courthouse as well as public school capital facility expenditures.

Proprietary funds

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

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

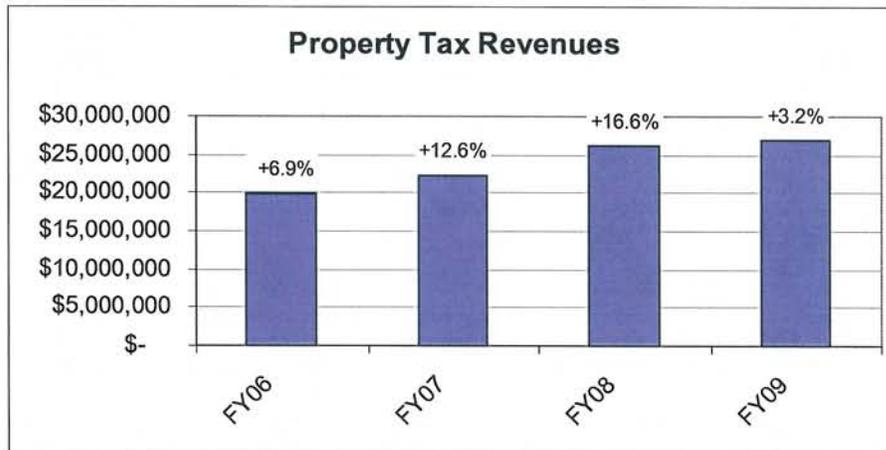
The Landfill Enterprise Fund total net assets amounted to \$5.4 million, with unrestricted net assets of \$1.9 million, and an operating income of \$0.5 million. The fund ended FY09 with an increase in net assets of \$0.7 million

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

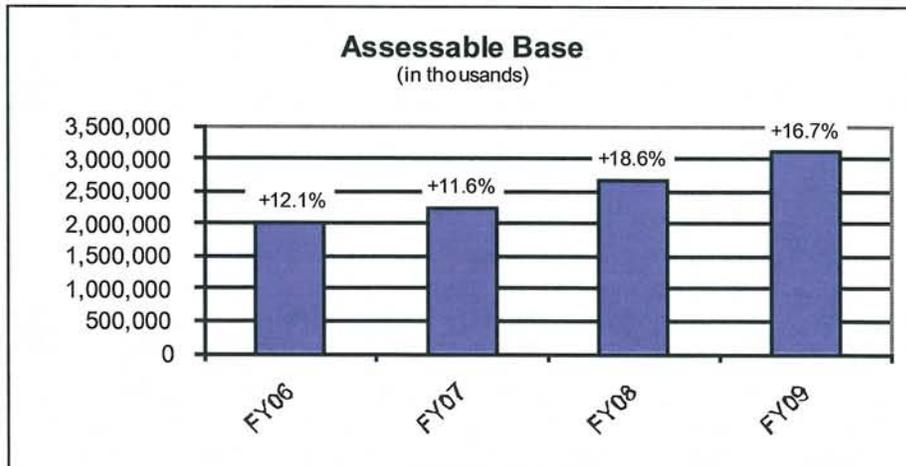
General Fund Budgetary Highlights

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

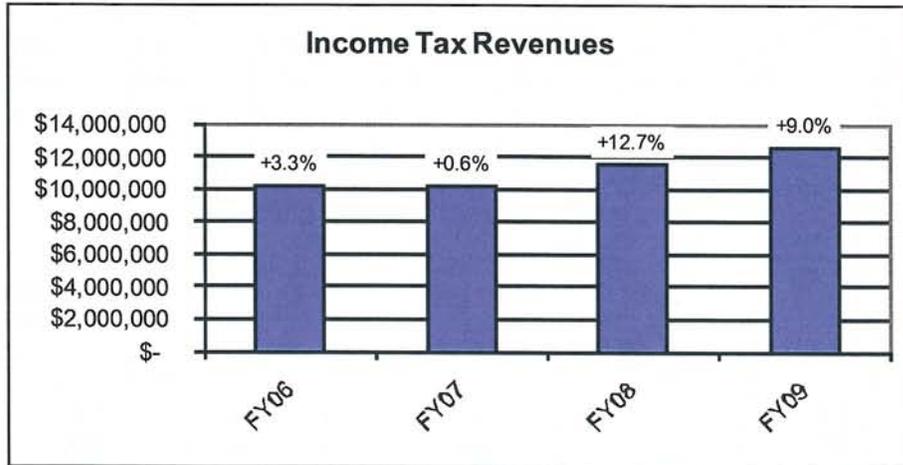
- Overview – Actual revenues for the General Fund totaled \$52.9 million and were \$2.2 million or 4.1 percent below the final budget estimate for the fiscal year and 3.0 percent below actual revenues for FY08. The two major variances between budgeted revenues and actual revenues were the inclusion in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



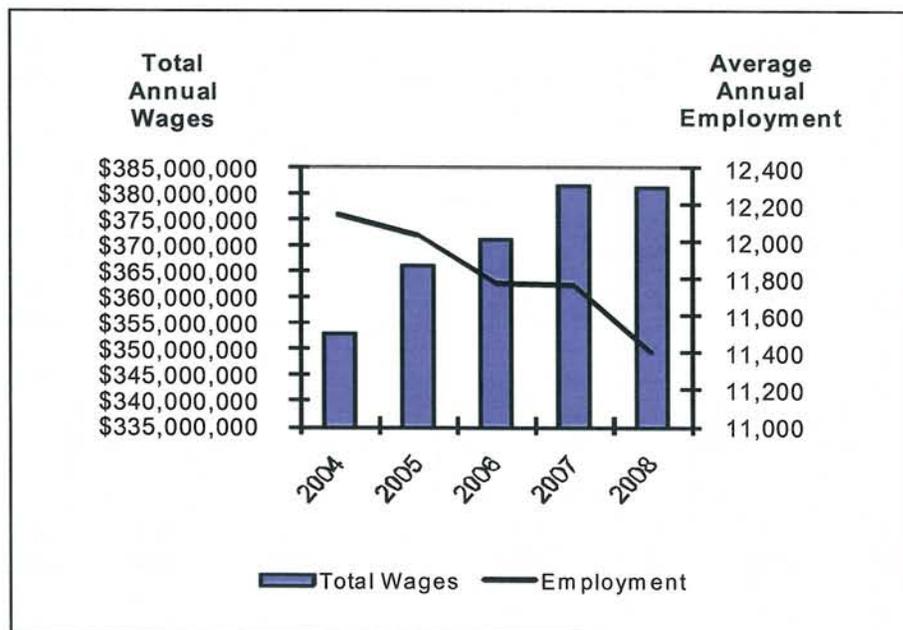
- Assessments of real property continued its strong growth with an increase of a 16.7 percent in FY09, following an increase of 18.6 percent in FY08.



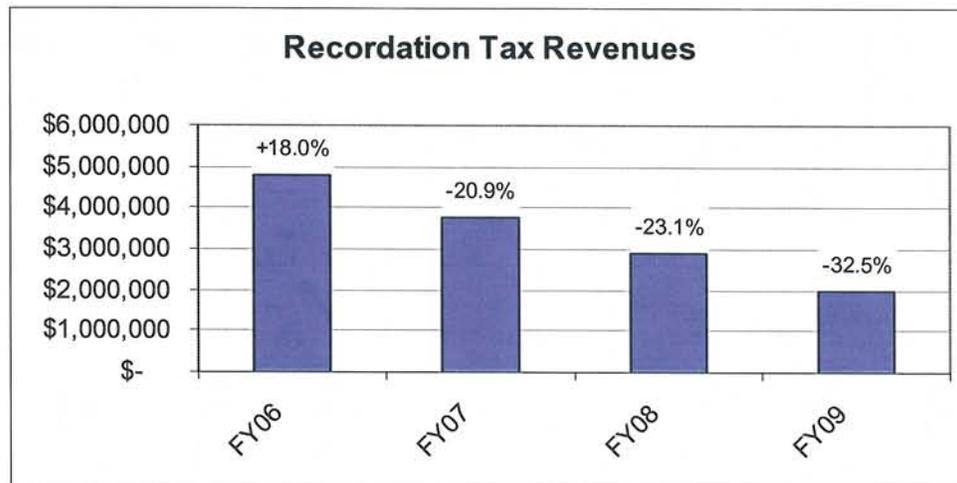
- Income Taxes – The second largest revenue source for the General Fund is the County income tax. Revenues from the income tax were \$12.6 million which were \$0.1 million or 0.5% higher than the final budget estimate and \$1.0 million or 9.0 percent above actual revenues in FY08. Income taxes represent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



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



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



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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

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

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

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

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

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

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

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

Long-Term Debt

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

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

At June 30, 2009, the County had outstanding general obligation bonds of \$12.7 million. General obligation (GO) bonds are backed by the issuer's pledge of its full faith, credit and taxing power for the payment of the bond. GOs are generally viewed as the most secure type of municipal security and typically finance public projects such as schools, parks, libraries, roads and county buildings. Over the last ten years, the County issued its GO bonds four times totaling \$19.6 million. Dorchester County also issues debt to finance the capital construction of Dorchester County Public Schools and Chesapeake College not otherwise financed by the State of Maryland. The County continues to maintain its status as a stable smaller government issuer of municipal securities, with the third highest credit rating possible for a local government. For its GO bonds, the County is rated A2 from Moody's Investors Service, Inc., and A from Standard and Poor's. These bond ratings, by definition, represent the County is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than counties in higher-rated categories. However, the County's capacity to meet its financial commitment on the bonds is still strong.

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

REQUESTS FOR INFORMATION

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

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

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

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

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

DORCHESTER COUNTY, MARYLAND

STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

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

General Revenues (Expenses)

Taxes:
 Property
 Income
 Other
 Licenses and permits
 Interest
 Other
 Total General Revenues
 Transfers
 Total General Revenues and Transfers
 Change in Net Assets
 Net Assets, Beginning of Year
 Net Assets, End of Year

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

Net (Expense) Revenue and Changes in Net Assets

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

DORCHESTER COUNTY, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2009

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

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

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

DORCHESTER COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balances, governmental funds	\$ 8,198,283
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets.	48,423,987
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Certain revenues that do not provide current financial resources are reported as deferred income in the fund financial statements, but are reported as revenue in the governmental activities of the Statement of Net Assets.	3,048,015
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Some liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Assets. Those liabilities consist of:

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

Total long-term liabilities	<u>(18,083,912)</u>
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Net assets of governmental activities in the Statement of Net Assets	<u>\$ 41,586,373</u>
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DORCHESTER COUNTY, MARYLAND

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

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

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

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

DORCHESTER COUNTY, MARYLAND

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2009

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

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

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

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

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

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

Principal payments on long-term debt 2,303,082

Because some revenues will not be collected for several months after the County's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year. 481,426

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

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

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

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

DORCHESTER COUNTY, MARYLAND

STATEMENT OF FUND NET ASSETS

PROPRIETARY FUNDS

June 30, 2009

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

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

DORCHESTER COUNTY, MARYLAND

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

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

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

DORCHESTER COUNTY, MARYLAND

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Year Ended June 30, 2009

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

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

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

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

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

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

	Other Post-Employment Benefits Trust Fund
ADDITIONS:	
Contributions	
Employer	\$ 2,203,430
<div style="display: flex; justify-content: space-between;"> Total contributions 2,203,430 </div>	
Investment income	
Interest	15
<div style="display: flex; justify-content: space-between;"> Total additions 2,203,445 </div>	
Change in net assets	2,203,445
Net assets beginning of year	-
<div style="display: flex; justify-content: space-between;"> Net assets end of year \$ 2,203,445 </div>	

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

NOTES TO FINANCIAL STATEMENTS

Note 1. Reporting Entity

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

Financial Reporting Entity

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

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

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

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

Note 2. Summary of Significant Accounting Policies

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

A. Basis of Presentation

The County’s basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Fund Types

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

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The Dorchester County Reserve Fund, the Special Revenue Grants Fund, which includes Local Management Board (LMB) grant activity, the Commissary Fund, the Transfer Tax Fund and the Tourism Marketing Fund are special revenue funds of the County.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

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

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

Reserve Fund – The purpose of the strategic Reserve fund is to provide a fiscal means for the County to respond to potential adversities such as public emergencies, natural disasters, major unanticipated projects or economic downturns.

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

Proprietary Fund Types

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

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

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

Fiduciary Fund Types

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

Other Post-Employment Benefits Trust Fund – Trust funds are used to account for assets held by the County as an agent for other funds.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

C. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

D. Basis of Accounting

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

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

Nonexchange transactions, in which the County receives value without directly giving equal value in return, include property taxes, sales taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: charges for services, fines and forfeitures, state-levied locally shared taxes, interest, grants, fees and rentals.

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

Property taxes for which there was an enforceable legal claim at June 30, 2009, but which were levied to finance fiscal year 2008 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements were met have also been recorded as deferred revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets and Budgetary Accounting

All funds, other than agency funds, are legally required to be budgeted and appropriated. The budget is prepared on the budgetary basis of accounting. The budget establishes a limit on the amounts that the County may appropriate and sets annual limits as to the amounts of expenditures at a level of control selected by the County. The legal level of control has been established by the County at the category level within each fund.

The budget may be amended during the year if projected increases or decreases in revenue are identified. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original budget was adopted. The amounts reported in the final budgeted amounts reflect amendments approved by the County during the year.

F. Inventory

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

G. Property Tax

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

H. Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Buildings and Improvements	10 - 40 years	20 - 40 years
Furniture and Equipment	3 - 40 years	3 - 15 years
Vehicles	3 - 10 years	3 - 8 years
Infrastructure	10 - 50 years	5 - 23 years

I. Interfund Receivables and Payables

On the fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

J. Compensated Absences

Vacation and Sick Leave

Vacation benefits are earned by employees of the reporting entity based on time in service, and the rights to such benefits are vested. Sick leave is also accumulated by employees based on time in service. However, accumulated sick leave benefits do not vest and are not paid unless sickness causes employees to be absent.

Upon retirement, employees of the Board of Education (a component unit) ("Board") receive severance pay for unused sick leave accumulated for service while employed at the Board. This estimated liability is computed on the accumulated sick leave of Board employees who have 20 years of service with the Board at the rate of \$20 per day. In addition, employees are granted vacation benefits in varying amounts depending on tenure. Compensated absences are reported as accrued in the government-wide and proprietary financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees, which are included in other accrued expenses.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital leases are recognized as a liability on the fund financial statements when due.

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

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

M. Fund Balance Reserves

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

N. Operating Revenues and Expenses

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

O. Interfund Transactions

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

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

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

P. Estimates

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

Note 3. Cash and Short-Term Investments

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

Primary Government

At June 30, 2009, the Primary Government had bank deposits with various commercial banks totaling \$20,050,550 (carrying value \$19,667,740). As required by law, each depository is required to pledge securities in addition to FDIC insurance at least equal to the amount on deposit at all times. The depository banks pledge collateral for specific accounts which are held in the Primary Government's name at several banks. As of June 30, 2009, the County was exposed to custodial risk in the amount of \$3,634,572 in uninsured and/or uncollateralized deposits. On October 15, 2009, the Bank pledged securities to fully collateralize bank deposits.

Board of Education of Dorchester County

At June 30, 2009, the Board had bank deposits with various commercial banks totaling \$1,929,299 (carrying value \$1,399,819). As required by law, each depository is to pledge securities in addition to FDIC insurance at least equal to that amount on deposit at all times. The depository banks pledge collateral for specific accounts which are held in the Board's name at the Federal Reserve Bank of Boston. As of June 30, 2009, bank deposits were fully insured or collateralized. Investments of \$3,808,940 consist solely of U.S. Government Securities made through the State of Maryland Local Government Investment Pool (MLGIP) which provide local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Safe Deposit and Trust Company, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP is rated AAAM by Standard and Poors. The fair value of the pool is the same as the value of the pool shares. Investments are recorded at cost, which approximates market value. Statutes authorize the Board to invest in obligations of the U.S. Treasury and U.S. Agencies, municipal securities and repurchase agreements, collateralized certificates of deposit, bankers acceptance or money market funds. The Board's exposure to investment rate and credit risk is minimal, as all investments are in cash and MLGIP and are thus precluded from having to sell below original cost. Custodial credit risk is mitigated by attempting to have all investments fully collateralized by securities. Cash is invested pursuant to the Annotated Code of Maryland and County Code.

Dorchester County Sanitary Districts

At June 30, 2009 the Dorchester County Sanitary Districts had bank deposits with various commercial banks totaling \$887,350 (carrying value \$886,204). Of the bank balance, \$554,484 was covered by federal depository insurance, and \$332,866 was covered by collateral segregated on the books of local banks, but not in the Sanitary District's name.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

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

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

Depreciation expense was charged to governmental functions as follows:

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (continued)

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

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets (continued)

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

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt

The following is a summary of long-term debt transactions of the Primary Government for the year ended June 30, 2009:

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

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

Dorchester County Governmental Activities Long-Term Debt

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

	Balances at June 30, 2008	Additions	Reductions	Balances at June 30, 2009	Amounts Due in One Year
Public Facilities Bonds					
1996 Public Facilities Bonds due in annual principal installments of \$190,000 to \$1,065,000 through November 1, 2010; interest, payable semi-annually, from 3.5% to 6.7%.	\$ 665,000	\$ -	\$ (210,000)	\$ 455,000	\$ 225,000
Public School Capital Improvement Bonds for 2002 due in annual principal installments of \$320,000 to \$650,000 through August 1, 2017; interest, payable semi-annually, from 3.5% to 4.5%.	5,230,000	-	(410,000)	4,820,000	435,000
General Improvements and Refunding Bonds of 2004, payable in annual payments from \$65,000 to \$1,050,000 through February 1, 2019; interest payable annually from 2% to 3.9%.	6,750,000	-	(940,000)	5,810,000	965,000
Public School Capital Improvement Bonds of 2000 due in annual principal installments of \$145,000 to \$300,000 through March 1, 2015; interest, payable semi-annually, from 4.5% to 5.2%.	1,795,000	-	(220,000)	1,575,000	230,000
Total public facilities bonds	\$ 14,440,000	\$ -	\$(1,780,000)	\$ 12,660,000	\$ 1,855,000

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

	Balances at June 30, 2008	Additions	Reductions	Balances at June 30, 2009	Amounts Due in One Year
<u>Notes Payable</u>					
County Commissioners of Queen Anne's County loan due in annual principal installments of \$5,500 to \$18,700 through November 2013; interest payable semi-annually at 5.91% (known as the Chesapeake College Economic Development Center).	\$ 95,700	\$ -	\$ (13,200)	\$ 82,500	\$ 14,300
County Commissioners of Queen Anne's County loan due in annual principal installments of \$20,000 to \$50,000 through January 2020; interest payable annually at 5.173% to 5.25% (known as the Learning Resource Center).	440,000	-	(25,000)	415,000	30,000
County Commissioners of Queen Anne's County loan due in annual principal installments of \$5,096 to \$12,314 through January 2023; interest payable semi-annually at 4%.	134,122	-	(6,188)	127,934	6,551
Note due in quarterly principal installments of \$24,313, plus interest at 5.33% through 2014 (known as the Delmarva Power and Light Building).	514,651	-	(71,174)	443,477	75,135
MDOT due in annual installments of \$200,000 to January 2013; no interest.	1,013,000	542,750	(200,000)	1,355,750	225,958
The Rippons Pier deferred purchase price due in annual principal installments of \$35,000 to \$40,000 through 2012, no interest.	195,000	-	(40,000)	155,000	40,000
Total notes payable	2,392,473	542,750	(355,562)	2,579,661	391,944
Total governmental activities debt	\$ 18,825,415	\$ 1,047,381	\$(2,303,082)	\$ 17,569,714	\$ 2,455,926

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

Dorchester County Business-Type Activities Long-Term Debt

	Balances at June 30, 2008	Additions	Reductions	Balances at June 30, 2009	Amounts Due in One Year
Dorchester County Landfill:					
Refuse and bid bonds payable	\$ 2,000	\$ -	\$ -	\$ 2,000	\$ 2,000
Dorchester County Airport:					
Airport Improvement Bonds of 2003 issued through M&T Bank for 15 years with annual payments of \$31,000 through 2018 and a final payment of \$186,000 in 2019; interest payable quarterly at 4.19%.	496,000	-	(31,000)	465,000	31,000
Total enterprise fund debt	\$ 498,000	\$ -	\$ (31,000)	\$ 467,000	\$ 33,000

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

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

Governmental Activities

Year Ending June 30	Principal	Interest	Totals
2010	\$ 2,455,926	\$ 569,174	\$ 3,025,100
2011	2,504,484	486,558	2,991,042
2012	2,647,985	396,195	3,044,180
2013	2,360,386	317,828	2,678,214
2014	2,401,428	238,736	2,640,164
2015 - 2019	4,329,360	352,491	4,681,851
2020 - 2024	376,062	7,815	383,877
2025 - 2029	258,898	-	258,898
2030 - 2034	235,185	-	235,185
Total governmental activities debt	\$ 17,569,714	\$ 2,368,797	\$ 19,938,511

Business-Type Activities

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

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

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

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

	Balances at June 30, 2008	Additions	Reductions	Balances at June 30, 2009
<u>Dorchester County Sanitary Districts</u>				
Loan payable to the State of Maryland under the Water Quality Loan of 1983. Annual interest rate of 6.6726%. Annual installments of principal and interest of \$9,389 began March 30, 1993 and continue to March 30, 2020.	\$ 75,892	\$ -	\$ (4,325)	\$ 71,567
Loan payable to the State of Maryland under the Water Quality Loan of 1974. Annual interest rate of 6.6726%. Annual installments of principal and interest of \$4,736 began March 30, 1993, and continue to March 30, 2020.	38,285	-	(2,182)	36,103
Loan payable to the State of Maryland under the Water Quality Loan of 1983. Annual interest rate of 6.6726%. Interest only payments of \$8,207 due September 17, 1991 and 1992. Annual installments of principal and interest of \$9,816 began September 17, 1993, and continue to September 17, 2020.	83,582	-	(4,238)	79,344
Loan payable to Bank of Eastern Shore due in monthly installments of \$488 including interest of 6.4% until April, 2010. Collateralized by a certificate of deposit held at the Bank of the Eastern Shore.	9,663	-	(4,937)	4,726
Loan payable to the State of Maryland under the Water Quality Loan of 1974; due in annual installments of \$2,051 including interest of 6.09956% until October 2012.	8,609	-	(1,527)	7,082
Loan payable to the State of Maryland under the Water Quality Loan of 1974 due in annual installments of \$6,898 including interest of 8.178824% until July 2014.	35,663	-	(3,981)	31,682
Loan payable to the State of Maryland under the Drinking Water State Water Revolving Fund; due in annual installments of \$4,653 including interest of 3.13% until February 2013.	20,807	-	(4,002)	16,805
Total Sanitary Districts' debt	\$ 272,501	\$ -	\$ (25,192)	247,309
Less: current maturities				26,231
				\$ 221,078

NOTES TO FINANCIAL STATEMENTS

Note 5. Long-Term Debt (continued)

The annual requirements to amortize all Dorchester County Sanitary Districts' debt outstanding as of June 30, 2009 are as follows:

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

Note 6. Capital Leases

Primary Government

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

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Long-Term Operating Lease

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

Component Unit - Board of Education

The Board of Education of Dorchester County leases computers, copy machines and internet access service for the majority of the educational system over three to five year terms.

Approximate future minimum lease commitments are as follows:

<u>Year Ending June 30,</u>	
2010	\$ 521,842
2011	521,348
2012	376,372
2013	374,247
2014	267,551

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

Note 8. Interfund Receivables and Payables

As a result of its operations, the County affects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2009, appropriate due to/from other funds have been established.

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

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

Note 9. Pension Plans

Plan Description

Generally, all regular employees of the County participate in the State of Maryland Employees Retirement and Pension Systems (Employees Systems). Teachers employed by the Board generally participate in the State of Maryland Teachers Retirement and Pensions Systems (Teachers Systems). Both the Employees System and the Teachers Systems (collectively the Systems) are cost sharing multiple-employer public retirement systems sponsored by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly. The Maryland State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the systems. That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (continued)

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

Funding Policy

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

Employers' Payroll and Contributions Under the Plans

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

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

Funding Status

As a result of a 1997 actuarial study of the State Retirement and Pension System of Maryland, the County Commissioners of Dorchester County, Maryland (Highway Department) were identified as one of 23 municipal corporations not having enough assets in the system to fund the present value of accrued benefits for participants in the retirement system. Under rules of House Bills 1348 and 430, the County will repay the \$637,574 fund deficit (an increase of \$15,560 over the prior fiscal year) over a period of 40 years. The fiscal year 2009 annual payment was \$32,910 and will increase 5% per year until maturity at December 31, 2035. This liability has been recorded in the governmental activities column on the Statement of Net Assets.

NOTES TO FINANCIAL STATEMENTS

Note 9. Pension Plans (continued)

Dorchester County Sanitary Districts

All full-time employees of the Sanitary Districts are considered and treated as employees of the County and as such come under the benefit package of the County including retirement and health benefits. Part-time employees are not considered County employees, are paid by the Sanitary District, and receive no benefits. The Sanitary District reimburses the County for all payroll costs of the full-time employees including pension and post-employment health care benefits. Pension cost for the year ended June 30, 2009 and 2008 were \$5,220 and \$5,992, respectively. Post-employment health care cost for the year ended June 30, 2009 and 2008 were \$2,867 and \$3,802, respectively.

Note 10. Post-Employment Health Care Benefits

Plan Description

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

The County's employees are eligible upon retirement for employees with 30 years of service at any age or employees who have attained age 55 with at least 16 years of service if enrolled in the active medical plan immediately prior to retiring. As of July 1, 2008, the date of the last actuarial valuation, approximately 67 retirees were receiving benefits, and an estimated 262 active employees are potentially eligible to receive future benefits.

The Board's benefit provisions are based on contractual agreements with employee groups. Employees are eligible to participate in the Plan upon retirement. Participants must meet the eligibility requirements of the Maryland State Teachers' pension system, which are age 55 with 15 years of service, 30 years of service or age 62 with 5 years of service. As of January 1, 2007, the date of the last actuarial valuation, approximately 209 retirees were receiving benefits, and an estimated 579 active employees are potentially eligible to receive future benefits.

Funding Policy

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

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

NOTES TO FINANCIAL STATEMENTS

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

Annual OPEB Cost and Net OPEB Obligation

The County and Board's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The County and Board are implementing GASB Statement 45 prospectively in fiscal year 2009, therefore the net OPEB obligation at the beginning of the fiscal year is zero. The County and Board pay post retirement benefits (normal cost) from the General Fund.

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

Funding Status and Funding Progress

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

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

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

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

In the July 1, 2008 actuarial valuation of the County, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a funded rate of 7%; an annual healthcare cost trend of 9.48% initially, reduced by decrements to ultimate rate of 5.0%. Assets are valued at their market values. The UAAL is being amortized on a closed level dollar amortization over a 30 year period. The remaining amortization period at July 1, 2008 was 30 years.

In the January 1, 2007 actuarial valuation of the Board, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4 percent investment rate of return (net of administrative expenses) based on the Board's own investments; an annual healthcare cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after five years of medical and drug insurance. The UAAL is being amortized on a level of percentage of payroll basis over a 30 year period. The remaining amortization period at July 1, 2008 was 30 years.

NOTES TO FINANCIAL STATEMENTS

Note 11. Deferred Compensation

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

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

The County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. In accordance with GASB Statement No. 32, adopted by the County in 1998, the plan's assets are not reported on the combined balance sheet of the County. A summary of the activity in the plan is presented in the supplementary information for the year ended June 30, 2009.

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

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

Note 13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the County to place a final cover on Dorchester County landfills when closed and to perform certain maintenance and monitoring functions at the landfill sites for thirty years after closure. It is the County's position that the State of Maryland will require continuous monitoring of all closed landfills with no termination period set for post-closure care, and as such will continue to accrue an estimate for these costs over a thirty year period.

The Secretary landfill stopped accepting waste in 1982. The landfill has been capped and only has postclosure care costs associated with it, currently estimated to be approximately \$10,900 each year for the next thirty years.

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Secretary landfill

Postclosure care costs	\$ 328,224
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Golden Hill landfill

Postclosure care costs	425,280
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Old Beulah landfill

Closure costs	3,988,450
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Postclosure care costs	602,616
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	4,591,066
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New Beulah landfill - cells 1 - 4

Closure costs	2,444,949
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Postclosure care costs	263,650
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	2,708,599
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Total closure and postclosure care costs	\$ 8,053,169
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The above amounts are based on the current costs to perform all closure and postclosure care as of June 30, 2009. As noted above, the County expects to cap the Old Beulah landfill over the next fiscal year. However, actual costs may ultimately be higher than estimated costs due to inflation, changes in technology, or changes in regulations.

Though there are currently no legal restrictions on available funds, the County has approximately \$7,828,000 of currently available assets for landfill closure and postclosure care costs. The shortfalls may need to be covered by any combination of charges to future landfill users, future tax revenues, or additional borrowings.

The New Beulah landfill will consist of six cells. Cells 1 & 2 began accepting waste in November 1995 and were completely filled in 2003. Accruals of closure and postclosure care costs have been recognized. Total closure and postclosure care costs for Cells 1 & 2 are estimated to be approximately \$1,268,000 and \$137,000, respectively.

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

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

NOTES TO FINANCIAL STATEMENTS

Note 14. Commitments and Contingencies

Dorchester County

Grants

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

Conduit Debt

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

Risk Management

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Note 14. Commitments and Contingencies (continued)

Board of Education of Dorchester County

The Board regularly enters into contracts for goods and services during the normal course of operations. The contracts often extend over fiscal years. In the opinion of the Board, there are no approved contracts that would have a material effect on the financial statements. The Board receives a substantial amount of its support from Federal, State and local agencies in the form of grants. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Board has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2009 may be impaired. In the opinion of the Board, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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

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

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

Risk Management

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

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

In September 2001, the Board joined the Eastern Shore of Maryland Educational Consortium (ESMEC) Health Alliance Trust, a public entity risk pool operating as a common risk management and insurance program for health insurance coverage. It is intended that ESMEC be self-sustaining through member premiums. Callable deficits, which are paid to ESMEC to cover potential shortfalls, are 5% for medical insurance and 15% for prescription coverage. In fiscal year 2009, ESMEC made payments on behalf of the Board in the amount of \$228,000 which is recognized as a revenue and expenditure/expense (included in fixed charges) in the financial statements.

NOTES TO FINANCIAL STATEMENTS

Note 14. Commitments and Contingencies (continued)

Dorchester County Sanitary Districts

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

Note 15. Individual Fund Disclosures

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

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

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

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

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

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

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DORCHESTER COUNTY, MARYLAND

REVENUE AND EXPENDITURE DETAIL

BUDGET AND ACTUAL

TRANSFER TAX FUND

Year Ended June 30, 2009

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

DORCHESTER COUNTY, MARYLAND

SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
July 1, 2008	-	15,302,442	15,302,442	0.0%	13,581,270	113%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

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

ADDITIONAL SUPPLEMENTARY INFORMATION

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

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

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

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

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

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

DORCHESTER COUNTY, MARYLAND

STATEMENT OF REVENUES AND EXPENSES

BUDGET AND ACTUAL

AIRPORT ENTERPRISE FUND

Year Ended June 30, 2009

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

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

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

DORCHESTER COUNTY, MARYLAND

COMBINING BALANCE SHEET

TAX FUNDS

June 30, 2009

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

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

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

DORCHESTER COUNTY, MARYLAND

COMBINING BALANCE SHEET

CAPITAL PROJECTS FUNDS

June 30, 2009

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

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

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

DORCHESTER COUNTY, MARYLAND

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS**

June 30, 2009

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

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

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

DORCHESTER COUNTY, MARYLAND

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

	Balances, June 30, <u>2008</u>	Employee Contributions	Earnings on Investments	Distributions	Gains/Losses	Balances, June 30, <u>2009</u>
Assets:						
Investments	\$ 1,140,792	\$ 169,922	\$ (20,525)	\$ (130,446)	\$ (45,593)	\$ 1,114,150
	<hr/>					
Liabilities:						
Due to participants	\$ 1,140,792	\$ 169,922	\$ (20,525)	\$ (130,446)	\$ (45,593)	\$ 1,114,150
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PROPOSED FORMS OF OPINIONS OF BOND COUNSEL

**PROPOSED FORM OF OPINION OF BOND COUNSEL
REGARDING SERIES 2010A BONDS**

[DATE OF ISSUANCE]

County Council of Dorchester County, Maryland
Cambridge, Maryland 21613

Dear County Council Members:

We have examined a record of proceedings of Dorchester County, Maryland (the "County"), relating to the issuance of \$8,760,000 aggregate principal amount of Consolidated Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010A (the "Bonds"), which are described as follows:

Dated the date hereof; interest payable semi-annually on the first days of February and August commencing August 1, 2010; fully registered in form, in the denominations of \$5,000 and any integral multiples thereof; issued under the authority of the American Recovery and Reinvestment Act of 2009, Section 5(P) of Article 25A of the Annotated Code of Maryland, as amended (the "Enabling Act"), the Dorchester County Charter (the "Charter"), Bill No. 2009-7, passed the County Council of the County on July 14, 2009 and effective on September 11, 2009 ("Bill No. 2009-7") and Bill No. 2009-10, passed the County Council of the County on September 8, 2009 and effective on November 6, 2009 ("Bill No. 2009-10" and, together with Bill No. 2009-7, the "Bills"), and Resolution No. 479, adopted by the County Council of the County on January 19, 2010 and effective on January 19, 2010 (the "Resolution" and, together with the Bills, the "Authorizing Legislation"); and maturing on February 1 in each of the years and amounts and bearing interest as provided in the Bonds:

The Bonds are not subject to redemption at the option of the County prior to their maturity.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photocopies and the authenticity of the originals of such latter documents.

We express no opinion herein concerning any law other than the law of the State of Maryland and the federal law of the United States of America.

With respect to the first executed and authenticated Bond of this issue, which we have examined, and Bonds similarly executed and authenticated and identical thereto in form except for numbers, interest rates, denominations and maturities, we are of the opinion under existing law, and as of the date hereof, that:

(a) The County is a validly created and existing body politic and corporate and a political subdivision of the State of Maryland, possessing authority under the Enabling Act, the Charter, the Bills and the Resolution to issue the Bonds.

(b) Each Bill has been fully and validly enacted and is in full force and effect, and the Resolution has been duly and validly adopted and is in full force and effect.

(c) The Bonds are valid and legally binding general obligations of the County to the payment of which the full faith and credit and taxing power of the County are pledged and for the payment of which the County is empowered to levy ad valorem taxes unlimited as to rate and amount upon all real and tangible personal property subject to assessment for unlimited County taxation.

(d) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Authorizing Legislation, has covenanted to levy said ad valorem taxes as and when necessary in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

(e) By the terms of the Enabling Act, the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland, or by any of its political subdivisions, municipal corporations or public agencies of any kind, but no opinion is expressed as to Maryland estate or inheritance taxes or any other Maryland taxes not levied or assessed directly on the Bonds, their transfer or the income therefrom.

(f) Interest on the Bonds is includable in gross income for federal income tax purposes. The federal income tax advice contained herein is not intended or written to be used, and cannot be used, by a holder of a Bond for purposes of avoiding federal income tax penalties that may be imposed on the holder of such a Bond. Such federal tax advice is provided to support the promotion or marketing of the Bonds. Each purchaser of a Bond should seek advice based on such purchaser's particular circumstances from an independent tax advisor. This notice is intended to comply with the provisions of Section 10.35 of the United States Treasury Publication Circular 230.

Our services as bond counsel have been limited to rendering the opinions expressed above based on our review of such information and proceedings as we deem necessary to opine as to the validity of the Bonds and the tax status of the interest payable on the Bonds. We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and, accordingly, we express no opinion as to the accuracy, completeness or sufficiency of any such information that may have been relied upon by any person in making a decision to purchase the Bonds.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. This opinion is given as of its date and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

**PROPOSED FORM OF OPINION OF BOND COUNSEL
REGARDING SERIES 2010B BONDS**

[DATE OF ISSUANCE]

County Council of Dorchester County, Maryland
Cambridge, Maryland 21613

Dear County Council Members:

We have examined a record of proceedings of Dorchester County, Maryland (the "County"), relating to the issuance of \$12,070,000 aggregate principal amount of Consolidated Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010B (the "Bonds"), which are described as follows:

Dated the date hereof; interest payable semi-annually on the first days of February and August commencing August 1, 2010; fully registered in form, in the denominations of \$5,000 and any integral multiples thereof; issued under the authority of the American Recovery and Reinvestment Act of 2009, Section 5(P) of Article 25A of the Annotated Code of Maryland, as amended (the "Enabling Act"), the Dorchester County Charter (the "Charter"), Bill No. 2009-7, passed the County Council of the County on July 14, 2009 and effective on September 11, 2009 ("Bill No. 2009-7") and Bill No. 2009-10, passed the County Council of the County on September 8, 2009 and effective on November 6, 2009 ("Bill No. 2009-10" and, together with Bill No. 2009-7, the "Bills"), and Resolution No. 479, adopted by the County Council of the County on January 19, 2010 and effective on January 19, 2010 (the "Resolution" and, together with the Bills, the "Authorizing Legislation"); and maturing on February 1 in each of the years and amounts and bearing interest as provided in the Bonds:

The Bonds are subject to redemption at the option of the County, as a whole or in part at any time on or after February 1, 2020, in any order of maturities directed by the County, at a redemption price equal to the principal amount of the Bonds (or portions thereof) to be redeemed, together with interest accrued to the date fixed for redemption, without premium or penalty.

We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion. The scope of our engagement as bond counsel extends solely to an examination of the facts and law incident to rendering the opinions specifically expressed herein.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. We have assumed the authenticity of all documents submitted to us as originals, the genuineness of all signatures, the conformity to original documents of all documents submitted to us as certified or photocopies and the authenticity of the originals of such latter documents.

We express no opinion herein concerning any law other than the law of the State of Maryland and the federal law of the United States of America.

With respect to the first executed and authenticated Bond of this issue, which we have examined, and Bonds similarly executed and authenticated and identical thereto in form except for numbers, interest rates, denominations and maturities, we are of the opinion under existing law, and as of the date hereof, that:

(a) The County is a validly created and existing body politic and corporate and a political subdivision of the State of Maryland, possessing authority under the Enabling Act, the Charter, the Bills and the Resolution to issue the Bonds.

(b) Each Bill has been fully and validly enacted and is in full force and effect, and the Resolution has been duly and validly adopted and is in full force and effect.

(c) The Bonds are valid and legally binding general obligations of the County to the payment of which the full faith and credit and taxing power of the County are pledged and for the payment of which the County is empowered to levy ad valorem taxes unlimited as to rate and amount upon all real and tangible personal property subject to assessment for unlimited County taxation.

(d) To provide for the payment of the principal of and interest on the Bonds, the County, by the adoption of the Authorizing Legislation, has covenanted to levy said ad valorem taxes as and when necessary in rate and amount sufficient for that purpose in each fiscal year in which provision must be made for the payment of such principal and interest.

(e) By the terms of the Enabling Act, the Bonds, their transfer, the interest payable on them, and any income derived from them, including any profit realized in their sale or exchange, shall be exempt at all times from every kind and nature of taxation by the State of Maryland, or by any of its political subdivisions, municipal corporations or public agencies of any kind, but no opinion is expressed as to Maryland estate or inheritance taxes or any other Maryland taxes not levied or assessed directly on the Bonds, their transfer or the income therefrom.

(f) Interest on the Bonds is includable in gross income for federal income tax purposes. The federal income tax advice contained herein is not intended or written to be used, and cannot be used, by a holder of a Bond for purposes of avoiding federal income tax penalties that may be imposed on the holder of such a Bond. Such federal tax advice is provided to support the promotion or marketing of the Bonds. Each purchaser of a Bond should seek advice based on such purchaser's particular circumstances from an independent tax advisor. This notice is intended to comply with the provisions of Section 10.35 of the United States Treasury Publication Circular 230.

Our services as bond counsel have been limited to rendering the opinions expressed above based on our review of such information and proceedings as we deem necessary to opine as to the validity of the Bonds and the tax status of the interest payable on the Bonds. We have not been engaged and have not undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and, accordingly, we express no opinion as to the accuracy, completeness or sufficiency of any such information that may have been relied upon by any person in making a decision to purchase the Bonds.

The opinions expressed above are limited to the matters set forth above, and no other opinions should be inferred beyond the matters expressly stated. This opinion is given as of its date and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

NOTICE OF SALE AND PROPOSALS FOR BONDS**OFFICIAL NOTICE OF SALE****DORCHESTER COUNTY, MARYLAND
GENERAL OBLIGATION BONDS****Consisting of:**

\$8,760,000
Consolidated Public Improvement Bonds,
[Tax-Exempt Series 2010A]
[Taxable Build America Bonds
(Direct Payment) Series 2010B]

\$12,070,000
Consolidated Public Improvement Bonds,
[Tax-Exempt Series 2010B]
[Taxable Build America Bonds
(Direct Payment) Series 2010B]

Sealed proposals or electronic bids via Parity®
 will be received until 11:00 a.m., Eastern time, on February 2, 2010

Overview

Sealed proposals or electronic bids via **Parity®** will be received by the County Manager of Dorchester County, Maryland (the "County") at 501 Court Lane, Cambridge, Maryland 21613 for the purchase of all (but not less than all) of either or both series of the County's general obligation bonds identified above (respectively, the "Series 2010A Bonds" and the "Series 2010B Bonds" and, collectively, the "Bonds"). Bids will be received up to the time (unless postponed as described herein) and in the manner described herein.

Each series of the Bonds will be issued as either (i) bonds the interest on which is excludable from gross income of the holders thereof for federal income tax purposes, in which case they will be designated as the "Dorchester County, Maryland Consolidated Public Improvement Bonds, Tax-Exempt Series 2010A" (the "Tax-Exempt Series 2010A Bonds") or as the "Dorchester County, Maryland Consolidated Public Improvement Bonds, Tax-Exempt Series 2010B" (the "Tax-Exempt Series 2010B Bonds"), as applicable, or (ii) bonds the interest on which is includable in gross income of the holders thereof for federal income tax purposes, and which are issued as "build America bonds" for purposes of Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code") with direct payment of the tax credit payment thereon being made to the County pursuant to Code Section 54AA(g), in which case they will be designated as the "Dorchester County, Maryland Consolidated Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010A" (the "Taxable Series 2010A Bonds") or as the "Dorchester County, Maryland Consolidated Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010B" (the "Taxable Series 2010B Bonds"), as applicable. If issued as the Tax-Exempt Series 2010A Bonds or the Tax-Exempt Series 2010B Bonds, each such series of the Bonds is referred to herein as a series of the "Tax-Exempt Bonds". If issued as the Taxable Series 2010A Bonds or the Taxable Series 2010B Bonds, each such series of the Bonds is referred to herein as a series of the "Taxable Bonds". Neither series of the Bonds will be split between Tax-Exempt Bonds and Taxable Bonds.

To the extent the Series 2010A Bonds or the Series 2010B Bonds are issued as a series of the Tax-Exempt Bonds, each such series is designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

Bidders may submit bids for the Series 2010A Bonds and/or the Series 2010B Bonds. Bidders for each series of the Bonds must submit bids for all, but not less than all, of such series of the Bonds as either Tax-Exempt Bonds or

as Taxable Bonds.

By submitting a bid, a prospective bidder represents and warrants to the County that such bidder's bid for the purchase of the applicable series of the Bonds (if a bid is submitted in connection with the sale) is submitted for and on behalf of such prospective bidder by an officer or agent who is duly authorized to bind the prospective bidder to a legal, valid and enforceable contract for the purchase of such series of the Bonds.

Bond Details; Bond Registrar and Paying Agent

Each series of the Bonds will be dated the date of its delivery, and will bear interest payable semi-annually beginning on August 1, 2010 and thereafter on the first days of February and August until maturity or, with respect to the Series 2010B Bonds only, prior redemption. The Bank of New York Mellon will serve as the Bond Registrar and Paying Agent for the Bonds. Each series of the Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as partnership nominee of The Depository Trust Company, New York, New York ("DTC"). Purchasers will not receive certificates representing their interests in the applicable series of the Bonds. Individual purchases will be in the principal amount of \$5,000 and multiples thereof.

The Bonds are authorized by Section 5(P) of Article 25A of the Annotated Code of Maryland, the Charter of Dorchester County, Maryland (the "Charter"), Bill No. 2009-7, passed by the County Council of Dorchester County, Maryland (the "County Council"), on July 14, 2009 and effective on September 11, 2009, Bill No. 2009-10, passed by the County Council on September 8, 2009 and effective on November 6, 2009, and a Resolution adopted by the County Council on January 19, 2010.

The proceeds of the Bonds will be expended for certain school projects and costs of issuance.

The full faith and credit and unlimited taxing power of the County is pledged to the payment of each series of the Bonds.

Maturity Schedule

The Series 2010A Bonds will be subject to principal amortization through serial maturities on February 1 in the years and in the amounts set forth below. The Series 2010B Bonds will be subject to principal amortization either through serial maturities and/or mandatory sinking fund redemptions or a combination thereof on February 1 in the years and in the amounts set forth below:

<u>SERIES 2010A BONDS</u>		<u>SERIES 2010B BONDS</u>	
<u>Maturity Date</u>	<u>Maturity Payment Amount</u>	<u>Maturity or Sinking Fund Payment Date</u>	<u>Maturity or Sinking Fund Payment Amount</u>
2011	\$830,000	2021	\$1,015,000
2012	810,000	2022	1,050,000
2013	820,000	2023	1,090,000
2014	835,000	2024	1,130,000
2015	850,000	2025	1,170,000
2016	870,000	2026	1,220,000
2017	895,000	2027	1,265,000
2018	920,000	2028	1,320,000
2019	950,000	2029	1,375,000
2020	980,000	2030	1,435,000

Serial Bonds and/or Term Bonds – Series 2010B Bonds Only

Bidders for the Series 2010B Bonds may designate in their proposal two or more consecutive principal amounts provided for in the Series 2010B Bonds amortization schedule above as a term bond, which matures on the date of the last payment in the sequence. More than one such sequence of principal amounts provided for above may be designated as a term bond. Any term Series 2010B Bond so designated shall be subject to mandatory sinking fund redemption in each year on the principal payment date and in the entire amount of such principal amount designated for inclusion in such term bond.

Optional Redemption—Series 2010B Bonds Only

The Series 2010A Bonds are not subject to redemption at the option of the County. The Series 2010B Bonds are subject to redemption to the option of the County as a whole or in part at any time on or after February 1, 2020, in the order of maturity directed by the County, upon at least 30 days' prior notice, at a redemption price of the par amount to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

Written Sealed Bids

Sealed bids will be accepted in written form on the applicable form of Proposal for Bonds. Each proposal for a series of the Bonds must be submitted on the applicable form, and all written bids of a bidder must be enclosed in a sealed envelope addressed to the County Manager and marked on the outside "Bid for Purchase of Dorchester County General Obligation Bonds", and delivered by 11:00 a.m. Eastern time on the date of sale. For purposes of the sealed bidding process, the time as maintained on **Parity®** shall constitute the official time.

Electronic Bids

Electronic bids must be submitted electronically via Parity® in accordance with this Notice of Sale until 11:00 a.m. Eastern time on the date of sale. If any provisions of this Notice of Sale shall conflict with information provided by **Parity®** as approved provider of electronic bidding services, this Notice of Sale shall control. In the event of a malfunction in the electronic bidding process, the bid time and/or date may be postponed at the option of the County.

Neither the County nor **Parity®** shall have any duty or obligation to provide or assure access to **Parity®** to any prospective bidder, and the County will not confirm any registration or be responsible for any failure of a prospective bidder to register. Neither the County nor **Parity®** shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by **Parity®**. The County is using **Parity®** as a communication

mechanism, and not as the County's agent, to conduct the electronic bidding for the Bonds. If a prospective bidder encounters any difficulty in submitting, modifying, or withdrawing a bid for Bonds, such bidder should telephone **Parity®** at (212) 849-5021 and notify the County's financial advisor, Public Advisory Consultants, Inc. by facsimile at (410) 581-9808 or by telephone at (410) 581-4820. Further information about **Parity®**, including qualification, registration, rules and any fee charged, may be obtained by calling **Parity®** Customer Support at (212) 849-5021.

All costs and expenses incurred by prospective bidders in connection with submitting bids are the sole responsibility of the bidders, and the County is not responsible, directly or indirectly, for any of such costs or expenses.

Electronic bids submitted via **Parity®** will be communicated electronically to the County at or shortly after 11:00 a.m. Eastern time on the date of sale. Prior to 11:00 a.m. Eastern time on the date of sale, a prospective bidder may (1) submit the proposed terms of its bid for a series of the Bonds via **Parity®**, (2) modify the proposed terms of its bid, in which event the proposed terms as last modified will (unless the bid is withdrawn as described herein) constitute its bid for the Bonds of such series, or (3) withdraw its proposed bid. Once the bids are communicated electronically via **Parity®** to the County, each bid will constitute an irrevocable offer to purchase the Bonds of the applicable series on the terms therein and herein provided.

An electronic bid made through the facilities of **Parity®** shall be deemed an offer, in response to this official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the County.

Acquisition of Insurance at the Purchaser's Option

Any bidder, if it so chooses and at its own expense, may qualify one or more maturities of the Bonds of a series for municipal bond insurance. If any Bonds of a series qualify for municipal bond insurance, any purchase of such insurance or commitment therefor shall be made at the sole option and expense of the bidder and any increased costs of issuance of the Bonds of such series resulting by reason of such insurance (including, without limitation, the premium for any such bond insurance and the fees of any rating agencies in connection therewith) shall be paid by such bidder. In the event that all or any part of the Bonds of a series are initially reoffered with bond insurance secured by the successful bidder therefor, the successful bidder shall be required to notify promptly the County at the time of sale and shall provide the County with any information reasonably requested regarding such bond insurance, including the amounts paid for such insurance. The County will, at the request and expense of the successful bidder for an applicable series, include customary language in the Official Statement referred to below and in the Bonds of such series regarding the insurance policy. Any failure of the Bonds of a series to be so insured or of any such policy of bond insurance to be issued shall not in any way relieve the successful bidder of its contractual obligations arising from the acceptance of its proposal for purchase of the Bonds of such series.

Bid Specifications

Each bidder must submit a bid for a series of the Bonds on an "all or none" basis. Each bid must be unconditional. Bidders may submit bids for the purchase of all the Series 2010A Bonds and/or all the Series 2010B Bonds, but bids shall be stated separately for each such series. Bidders may submit bids for the purchase of all of the Bonds of either series as Tax-Exempt Bonds and/or as Taxable Bonds; however, each separate bid for a series of the Bonds must be for either all Tax-Exempt Bonds or all Taxable Bonds. Bidders must specify a rate of interest for each maturity of a series of the Bonds for which a bid is submitted. The rates so specified must be in multiples of one-eighth ($\frac{1}{8}$) or one-twentieth ($\frac{1}{20}$) of one percent (1%). Bidders may specify more than one rate of interest to be borne by the Bonds of a series but all Bonds of a single maturity must bear interest at the same rate. A zero rate may not be named for any maturity.

Bids for either series of the Bonds as Tax-Exempt Bonds must not be for less than 100% of par and the highest rate specified for a series of the Tax-Exempt Bonds in a bid may not exceed the lowest rate for such series in such bid by more than 3%.

Bids for either series of the Bonds as Taxable Bonds must not be for less than 100% of par and must specify the expected reoffering price for each maturity of such Taxable Bonds, and such reoffering price cannot

exceed the par amount of each such maturity by more than as follows:

Taxable Series 2010A Bonds		Taxable Series 2010B Bonds	
Maturity Date (February 1)	Maximum Reoffering Price	Maturity Date (February 1)	Maximum Reoffering Price
2011	100.00%	2021	102.25%
2012	100.25	2022	102.25
2013	100.50	2023	102.25
2014	100.75	2024	102.25
2015	101.00	2025	102.25
2016	101.25	2026	102.25
2017	101.50	2027	102.25
2018	101.75	2028	102.25
2019	102.00	2029	102.25
2020	102.25	2030	102.25

For maturities of the Series 2010B Bonds from 2021 through 2030, inclusive, no interest rate may be bid that is lower than the interest rate in the immediately preceding year (i.e. interest rates must ascend or remain level from a base year of 2021).

Basis of Awards

The Bonds of each series will be awarded on behalf of the County by the County Manager upon written order, to the bidder for such series whose proposal provides the lowest interest cost to the County within the guidelines of this Notice of Sale, and such official will determine whether each series of the Bonds will be issued as Tax-Exempt Bonds or as Taxable Bonds. The lowest interest cost of each proposal for the Bonds of a series shall be determined in accordance with the true interest cost (TIC) method by doubling the semi-annual interest rate (compounded semi-annually) necessary to discount the debt service payments (less 35% of the amount of such payments in respect of interest for bids for Taxable Bonds) from the payment dates to the date of the Bonds of such series and to the price bid. If two or more responsible bidders offer to purchase the Bonds of a series at the same lowest true interest cost, then such award will be made to the bidder offering the highest purchase price. If two or more responsible bidders offer to purchase the Bonds of a series at the same lowest true interest cost, with the same purchase price, then the Bonds of such series may be awarded, with their consent, in a ratable portion among such bidders, or the County shall have the right to award all the Bonds of such series to one bidder. The County Manager will execute and deliver an order or orders of award promptly after the acceptance of the bids or, to the extent the apparent successful bidder for a series pays the Deposit for such series provided for herein by federal funds wire transfer, either prior to or promptly upon receipt of such wire transfer (see "Good Faith Deposit" herein). The County, by the County Manager, reserves the right to reject any and all proposals and to waive any informality or irregularity in any proposal, and the judgment of such County official with respect to such matters shall be final and binding upon all bidders with respect to the form and adequacy of any proposal received and as to its conformity to the terms of this Notice of Sale.

Reoffering Information

By submitting a proposal for the Bonds of a series, a bidder agrees, if it is the successful bidder for such series, (1) to provide full and complete pricing information to the County so that the County may fulfill its obligations relating to the delivery of the Official Statement to the purchasers of the Bonds of such series in accordance with the requirements of the Securities and Exchange Commission and the Municipal Securities Rulemaking Board, (2) to comply with the requirements of SEC Rule 15c2-12 and the applicable rules of the Municipal Securities Rulemaking Board in connection with the offer and sale of the Bonds of such series, and (3) to furnish to the County before the delivery of the Bonds of such series such information as shall be necessary to enable the County to determine the "issue price" of such series. The successful bidder for a series of the Bonds also will be required, prior to delivery of such series, to furnish to the County a certificate acceptable to the County's bond counsel stating the amount of the initial reoffering price to the public

(excluding bond houses and brokers) at which a substantial portion (at least 10%) of the Bonds of each maturity of such series were sold and that there was a bona fide public offering made of each such maturity. The certificate shall state that it is made on the best knowledge, information and belief of the successful bidder after appropriate investigation.

Good Faith Deposit

A good faith deposit in the amount of \$87,600.00 for the Series 2010A Bonds and a good faith deposit in the amount of \$120,700.00 for the Series 2010B Bonds is required (each, a "Deposit"). A Deposit may be provided in the form of (i) a certified check upon, or a cashier's, treasurer's or official check of, a responsible banking institution, payable to the order of "Dorchester County, Maryland" (and delivered to the attention of the County Manager at the address set forth above prior to the opening of the electronic bids), (ii) a financial surety bond (a "Surety Bond") from an insurance company acceptable to the County and licensed to issue such a bond in the State of Maryland, or (iii) a federal funds wire transfer to be submitted to the County by the successful bidder for the applicable series not later than 3:00 p.m. Eastern time (the "Deposit Deadline"), on the date of sale, options (ii) and (iii) as described in more detail below. The Deposit of the successful bidder for a series will be retained by the County to be applied in partial payment for the Bonds of such series and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder for such series shall fail to comply with the terms of its bid, the proceeds thereof will be retained as and for full liquidated damages. Any checks of the unsuccessful bidders will be returned promptly after the Bonds are awarded.

If a Surety Bond is used, it must be submitted to the County Manager prior to 5:00 p.m. Eastern time on the day prior to the date for receipt of bids, and must be in form and substance acceptable to the County, including (without limitation) identifying the bidder whose Deposit is guaranteed by such Surety Bond. If the Bonds of a series are awarded to a bidder utilizing a Surety Bond, then such successful bidder is required to submit its Deposit to the County not later than 12:00 p.m. Eastern time on the next business day following the award by federal funds wire transfer in accordance with wire instructions delivered by the County or the County's financial advisor to such bidder. If such Deposit is not received by that time, the Surety Bond may be drawn by the County to satisfy the Deposit requirement.

If a bidder chooses to submit bids for the Series 2010A Bonds as both Tax-Exempt Bonds and as Taxable Bonds, it need only submit a single Deposit with respect to the Series 2010A Bonds under options (i) or (ii) above. If a bidder chooses to submit bids for the Series 2010B Bonds as both Tax-Exempt Bonds and as Taxable Bonds, it need only submit a single Deposit with respect to the Series 2010B Bonds under options (i) or (ii) above.

If a federal funds wire transfer is used as described in option (iii) above, the County or the County's financial advisor shall distribute wiring instructions for the Deposit to the applicable successful bidder upon verification of the bids submitted by the bidders and prior to the Deposit Deadline. In such event, the award of the sale of the applicable series of the Bonds will be made either upon receipt of the federal funds wire or, if made prior to such receipt, contingent upon receipt of the Deposit by the Deposit Deadline. If the Deposit is not received by the Deposit Deadline, the award of the sale of the Bonds of such series to the successful bidder may be cancelled by the County Manager, in her discretion, with the advice of the financial advisor to the County, without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds of such series to a different purchaser upon such terms and conditions as the County shall deem appropriate.

Official Statement; Continuing Disclosure

Within seven (7) business days after the award of the Bonds to the successful bidders therefor on the date of sale, the County will authorize its Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. The Preliminary Official Statement has been deemed final by the County for the purpose of SEC Rule 15c2-12, subject to revision, amendment and completion in a final Official Statement. The County will also issue any supplement or amendment to the Official Statement that may be necessary between the date of the Official Statement and the date of delivery of the Bonds. If requested and furnished to the County in writing by the successful bidder for a series of the Bonds at or before the close of business on the day of sale, the County will include in the Official Statement such pricing and other information relating to the reoffering of the Bonds of such series, if any, as may be so furnished. If the successful bidder for a series of the Bonds furnishes no such information, the Official

Statement will include the interest rates on the Bonds of such series resulting from the proposal of such successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. Whether or not any such information is included in the Official Statement, the successful bidder for a series of the Bonds shall be responsible to the County and its officials in all respects for the accuracy, fairness and completeness of such information, and for all decisions made with respect to the use or omission of such information in any reoffering of the Bonds of such series, including the presentation or exclusion of any such information in any documents, including the Official Statement. Within seven (7) business days after the award of the Bonds (or such earlier date as shall be required in order not to violate any applicable rules regarding delivery of official statements), the successful bidder for each series will also be furnished, without cost, with a reasonable number of copies of the Official Statement (and any amendment or supplement thereto); provided that, if any amendment or supplement to the Official Statement is required due to an error in the reoffering information or information concerning bond insurance provided by or on behalf of a successful bidder, all necessary amendments or supplements to the Official Statement shall be made at the sole cost and expense of such bidder.

The County will undertake, pursuant to a Continuing Disclosure Agreement, to provide annual reports and notices of certain material events as required by SEC Rule 15c2-12. A form of this undertaking is set forth as an appendix to the Preliminary Official Statement and will be included in the Official Statement.

Delivery of the Bonds

Delivery of the Bonds is expected to occur through the facilities of DTC in New York, New York on or about February 16, 2010. The successful bidder for each series of the Bonds shall pay for such series on the date of delivery in **IMMEDIATELY AVAILABLE FEDERAL FUNDS**. Any expenses of providing immediately available funds shall be borne by a successful bidder. Payment on the delivery date shall be made in an amount equal to the price bid for the Bonds of the applicable series, less the amount of the Deposit relating to such series.

The Bonds will be accompanied by customary closing documents. It shall be a condition to the obligation of the successful bidder for each series of the Bonds to accept delivery of and pay for such series that, simultaneously with or before delivery and payment, such successful bidder shall be furnished with a certificate of one or more officials of the County to the effect that, to the best of their knowledge and belief, the Official Statement (and any supplement or amendment thereto) (except as to any reoffering information provided by the successful bidders for the Bonds, information relating to bond insurance for a series obtained by a successful bidder, and information regarding DTC and DTC's book-entry only system, as to which no view will be expressed), as of the date of sale and as of the date of delivery of the Bonds, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and that between the date of sale and the date of delivery of the Bonds there has been no material adverse change in the financial position or revenues of the County, except as reflected or contemplated in the Official Statement (and any amendment or supplement thereto).

It is anticipated that CUSIP numbers will be printed on the Bonds, but the County will assume no obligation for the assignment or printing of such numbers on the Bonds or for the correctness of such numbers, and neither the failure to print such numbers on the Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the successful bidder for a series of the Bonds to accept delivery of and make payment for such series.

The Bonds will be issued and sold subject to approval as to legality by Funk & Bolton, P.A., Baltimore, Maryland, bond counsel, whose approving opinion with respect to each series of the Bonds will be delivered, upon request, to the successful bidder for the applicable series of the Bonds without charge.

Right to Modify or Amend Notice of Sale; Right to Postpone Sale

The County reserves the right to modify or amend this Notice of Sale, including, but not limited to, modifying any bid specification parameters, prior to the sale date. If any modifications occur, supplemental information with respect to the Bonds will be communicated via TM3 not later than 9:30 a.m. Eastern time on the date of sale, and bidders shall bid upon the Bonds based upon the terms thereof set forth in this Notice of Sale, as so modified by such supplemental information. In addition, the County reserves the right to postpone the date established for the receipt of bids. Any such

postponement will be communicated through TM3. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any alternative sale date and time and any revised date or date of expected delivery will be announced via TM3 at least 24 hours prior to such alternative sale date and time. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent date and time on which bids will again be received, notice of such subsequent sale date and time and any revised date of expected delivery to be communicated via TM3 at least 24 hours prior to such subsequent sale date and time. On any such alternative or subsequent sale date, bidders may submit electronic bids for the purchase of the Bonds in conformity with the provisions of this Notice of Sale, except for the changed date and time of sale and any revised date of delivery. Any proposal submitted shall be made in accordance with this Notice of Sale, including any modifications, amendments or changes communicated via TM3 in accordance with the provisions hereof.

Additional Information

The Preliminary Official Statement relating to the Bonds, together with this Notice of Sale and the required forms of proposal, will be supplied to prospective bidders upon request made to the County's financial advisor, in writing at Public Advisory Consultants, Incorporated, 25 Crossroads Drive, Suite 402, Owings Mills, Maryland 21117, by telephone at (410) 581-4820, by facsimile transmission at (410) 581-9808, or by e-mail at pac@paconsults.com. The Preliminary Official Statement, this Notice of Sale and the required forms of proposal also will be made available via www.idealprospectus.com; for information contact **Parity®** or Public Advisory Consultants, Inc.

By order of

DORCHESTER COUNTY, MARYLAND

FORMS OF PROPOSALS FOR BONDS

**PROPOSAL FOR
DORCHESTER COUNTY, MARYLAND
CONSOLIDATED PUBLIC IMPROVEMENT BONDS,
TAX-EXEMPT SERIES 2010A**

_____, 2010

Dorchester County, Maryland
501 Court Lane
Cambridge, Maryland 21613

Ladies and Gentlemen:

Subject to the provisions of and in accordance with the terms of the Notice of Sale, which is incorporated herein by reference and made a part hereof, we offer to purchase all but not less than all of the above-captioned series of bonds (the "Bonds"). The Bonds constitute the Tax-Exempt Series 2010A Bonds referred to in the Notice of Sale. The Bonds shall be dated as of the date of their delivery and shall mature in the amounts shown below on February 1 in the years shown below and shall bear interest (payable on August 1, 2010 and semi-annually thereafter on February 1 and August 1 until maturity) at the rates shown below:

<u>Year of Principal Payment</u>	<u>Annual Amount Payable</u>	<u>Interest Rate</u>
2011	\$830,000	_____%
2012	810,000	_____
2013	820,000	_____
2014	835,000	_____
2015	850,000	_____
2016	870,000	_____
2017	895,000	_____
2018	920,000	_____
2019	950,000	_____
2020	980,000	_____

For the Bonds, we will pay \$_____ for all of the Bonds. **NOTE THE AGGREGATE PURCHASE PRICE FOR THE BONDS MAY NOT BE LESS THAN PAR.**

We will accept delivery and pay for the Bonds awarded to us in accordance with the Notice of Sale.

If we are the successful bidder for the Bonds, we agree to comply with all of the applicable obligations and requirements of the Notice of Sale.

We enclose herewith a good faith deposit with respect to the Bonds (which constitutes the Deposit required by the Notice of Sale) in the form of (please check one) _____ a certified check upon, or a cashier's, treasurer's or official check of, a responsible banking institution or _____ a financial surety

bond, payable to the order of "Dorchester County, Maryland" in the amount of \$87,600.00, which good faith deposit is to be applied in accordance with the Notice of Sale. If this Section is not completed, we hereby represent and warrant that if chosen as the successful bidder for the Bonds we will transmit the Deposit by federal funds wire transfer by 3:00 p.m. Eastern time on the date of sale in accordance with the provisions of the Notice of Sale and acknowledge that the award of the sale of the Bonds to the successful bidder may be cancelled by the County Manager, in her discretion, with the advice of the financial advisor to the County, in the event such wire transfer is not received by 3:00 p.m. Eastern time on the date of sale without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

We understand that if we are the successful bidder for the Bonds, at the time the Bonds are awarded we will be required to advise the County of the initial reoffering prices (as described in the Notice of Sale) for each maturity of the Bonds and whether bond insurance is being obtained and, if so, the cost of such insurance to be borne by us. In this regard, you may communicate with and rely on the information provided by _____, whose telephone number (including area code) is _____.

By:
and Associates (See List Attached)

No addition or alteration, except as provided above and in the Notice of Sale, is to be made to this Proposal.

The following information is not a part of this Proposal and the omission or inaccuracy of this information will not affect the validity of this Proposal.

For the Bonds, the true interest cost of this Proposal as determined by the TIC method specified in the Notice of Sale is _____%.

Public Advisory Consultants, Inc.'s contact information is (410) 581-4820 (voice) and (410) 581-9808 (facsimile).

**PROPOSAL FOR
DORCHESTER COUNTY, MARYLAND
CONSOLIDATED PUBLIC IMPROVEMENT BONDS,
TAXABLE BUILD AMERICA BONDS (DIRECT PAYMENT) SERIES 2010A**

_____, 2010

Dorchester County, Maryland
501 Court Lane
Cambridge, Maryland 21613

Ladies and Gentlemen:

Subject to the provisions of and in accordance with the terms of the Notice of Sale, which is incorporated herein by reference and made a part hereof, we offer to purchase all but not less than all of the above-captioned series of bonds (the "Bonds"). The Bonds constitute the Taxable Series 2010A Bonds referred to in the Notice of Sale. The Bonds shall be dated as of the date of their delivery and shall mature in the amounts shown below on February 1 in the years shown below and shall bear interest (payable on August 1, 2010 and semi-annually thereafter on February 1 and August 1 until maturity) at the rates shown below:

<u>Year of Principal Payment</u>	<u>Annual Amount Payable</u>	<u>Interest Rate</u>	<u>Expected Reoffering Price</u>
2011	\$830,000	_____ %	_____
2012	810,000	_____	_____
2013	820,000	_____	_____
2014	835,000	_____	_____
2015	850,000	_____	_____
2016	870,000	_____	_____
2017	895,000	_____	_____
2018	920,000	_____	_____
2019	950,000	_____	_____
2020	980,000	_____	_____

For the Bonds, we will pay \$_____ for all of the Bonds. **NOTE THE AGGREGATE PURCHASE PRICE FOR THE BONDS MAY NOT BE LESS THAN PAR, AND BIDS MUST SPECIFY THE EXPECTED REOFFERING PRICE FOR EACH MATURITY OF THE BONDS, AND THE REOFFERING PRICE FOR EACH SUCH MATURITY CANNOT EXCEED THE AMOUNT SPECIFIED IN THE NOTICE OF SALE.**

We will accept delivery and pay for the Bonds awarded to us in accordance with the Notice of Sale.

If we are the successful bidder for the Bonds, we agree to comply with all of the applicable obligations and requirements of the Notice of Sale.

We enclose herewith a good faith deposit with respect to the Bonds (which constitutes the Deposit required by the Notice of Sale) in the form of (please check one) _____ a certified check upon, or a cashier's, treasurer's or official check of, a responsible banking institution or _____ a financial surety bond, payable to the order of "Dorchester County, Maryland" in the amount of \$87,600.00, which good faith deposit is to be applied in accordance with the Notice of Sale. If this Section is not completed, we hereby represent and warrant that if chosen as the successful bidder for the Bonds we will transmit the Deposit by federal funds wire transfer by 3:00 p.m. Eastern time on the date of sale in accordance with the provisions of the Notice of Sale and acknowledge that the award of the sale of the Bonds to the successful bidder may be cancelled by the County Manager, in her discretion, with the advice of the financial advisor to the County, in the event such wire transfer is not received by 3:00 p.m. Eastern time on the date of sale without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

We understand that if we are the successful bidder for the Bonds, at the time the Bonds are awarded we will be required to advise the County of the initial reoffering prices (as described in the Notice of Sale) for each maturity of the Bonds and whether bond insurance is being obtained and, if so, the cost of such insurance to be borne by us. In this regard, you may communicate with and rely on the information provided by _____, whose telephone number (including area code) is _____.

By:
and Associates (See List Attached)

No addition or alteration, except as provided above and in the Notice of Sale, is to be made to this Proposal.

The following information is not a part of this Proposal and the omission or inaccuracy of this information will not affect the validity of this Proposal.

For the Bonds, the true interest cost of this Proposal as determined by the TIC method specified in the Notice of Sale is _____%.

Public Advisory Consultants, Inc.'s contact information is (410) 581-4820 (voice) and (410) 581-9808 (facsimile).

**PROPOSAL FOR
DORCHESTER COUNTY, MARYLAND
CONSOLIDATED PUBLIC IMPROVEMENT BONDS,
TAX-EXEMPT SERIES 2010B**

_____, 2010

Dorchester County, Maryland
501 Court Lane
Cambridge, Maryland 21613

Ladies and Gentlemen:

Subject to the provisions of and in accordance with the terms of the Notice of Sale, which is incorporated herein by reference and made a part hereof, we offer to purchase all but not less than all of the above-captioned series of bonds (the "Bonds"). The Bonds constitute the Tax-Exempt Series 2010B Bonds referred to in the Notice of Sale. The Bonds shall be dated as of the date of their delivery and shall mature and/or be subject to mandatory sinking fund redemption in the amounts shown below on February 1 in the years shown below and shall bear interest (payable on August 1, 2010 and semi-annually thereafter on February 1 and August 1 until maturity or prior redemption) at the rates shown below:

<u>Year of Principal Payment*</u>	<u>Annual Amount Payable*</u>	<u>Interest Rate</u>
2021	\$1,015,000	_____ %
2022	1,050,000	_____
2023	1,090,000	_____
2024	1,130,000	_____
2025	1,170,000	_____
2026	1,220,000	_____
2027	1,265,000	_____
2028	1,320,000	_____
2029	1,375,000	_____
2030	1,435,000	_____

* We hereby designate that the principal amounts provided for above in the years specified below be aggregated into term bonds maturing on February 1 of the following year(s) (leave blank if none specified):

<u>Years Aggregated</u>	<u>Maturity Year</u>
-------------------------	--------------------------

For the Bonds, we will pay \$_____ for all of the Bonds. **NOTE THE AGGREGATE PURCHASE PRICE FOR THE BONDS MAY NOT BE LESS THAN PAR.**

We will accept delivery and pay for the Bonds awarded to us in accordance with the Notice of Sale.

If we are the successful bidder for the Bonds, we agree to comply with all of the applicable obligations and requirements of the Notice of Sale.

We enclose herewith a good faith deposit with respect to the Bonds (which constitutes the Deposit required by the Notice of Sale) in the form of (please check one) _____ a certified check upon, or a cashier's, treasurer's or official check of, a responsible banking institution or _____ a financial surety bond, payable to the order of "Dorchester County, Maryland" in the amount of \$120,700.00, which good faith deposit is to be applied in accordance with the Notice of Sale. If this Section is not completed, we hereby represent and warrant that if chosen as the successful bidder for the Bonds we will transmit the Deposit by federal funds wire transfer by 3:00 p.m. Eastern time on the date of sale in accordance with the provisions of the Notice of Sale and acknowledge that the award of the sale of the Bonds to the successful bidder may be cancelled by the County Manager, in her discretion, with the advice of the financial advisor to the County, in the event such wire transfer is not received by 3:00 p.m. Eastern time on the date of sale without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

We understand that if we are the successful bidder for the Bonds, at the time the Bonds are awarded we will be required to advise the County of the initial reoffering prices (as described in the Notice of Sale) for each maturity of the Bonds and whether bond insurance is being obtained and, if so, the cost of such insurance to be borne by us. In this regard, you may communicate with and rely on the information provided by _____, whose telephone number (including area code) is _____.

By:
and Associates (See List Attached)

No addition or alteration, except as provided above and in the Notice of Sale, is to be made to this Proposal.

The following information is not a part of this Proposal and the omission or inaccuracy of this information will not affect the validity of this Proposal.

For the Bonds, the true interest cost of this Proposal as determined by the TIC method specified in the Notice of Sale is _____%.

Public Advisory Consultants, Inc.'s contact information is (410) 581-4820 (voice) and (410) 581-9808 (facsimile).

**PROPOSAL FOR
DORCHESTER COUNTY, MARYLAND
CONSOLIDATED PUBLIC IMPROVEMENT BONDS,
TAXABLE BUILD AMERICA BONDS (DIRECT PAYMENT) SERIES 2010B**

_____, 2010

Dorchester County, Maryland
501 Court Lane
Cambridge, Maryland 21613

Ladies and Gentlemen:

Subject to the provisions of and in accordance with the terms of the Notice of Sale, which is incorporated herein by reference and made a part hereof, we offer to purchase all but not less than all of the above-captioned series of bonds (the "Bonds"). The Bonds constitute the Taxable Series 2010B Bonds referred to in the Notice of Sale. The Bonds shall be dated as of the date of their delivery and shall mature and/or be subject to mandatory sinking fund redemption in the amounts shown below on February 1 in the years shown below and shall bear interest (payable on August 1, 2010 and semi-annually thereafter on February 1 and August 1 until maturity or prior redemption) at the rates shown below:

<u>Year of Principal Payment*</u>	<u>Annual Amount Payable*</u>	<u>Interest Rate</u>	<u>Expected Reoffering Price</u>
2021	\$1,015,000	_____ %	_____
2022	1,050,000	_____	_____
2023	1,090,000	_____	_____
2024	1,130,000	_____	_____
2025	1,170,000	_____	_____
2026	1,220,000	_____	_____
2027	1,265,000	_____	_____
2028	1,320,000	_____	_____
2029	1,375,000	_____	_____
2030	1,435,000	_____	_____

* We hereby designate that the principal amounts provided for above in the years specified below be aggregated into term bonds maturing on February 1 of the following year(s) (leave blank if none specified):

<u>Years Aggregated</u>	<u>Maturity Year</u>
-------------------------	--------------------------

For the Bonds, we will pay \$_____ for all of the Bonds. **NOTE THE AGGREGATE PURCHASE PRICE FOR THE BONDS MAY NOT BE LESS THAN PAR, AND BIDS MUST SPECIFY THE EXPECTED REOFFERING PRICE FOR EACH MATURITY OF THE BONDS, AND THE REOFFERING PRICE FOR EACH SUCH MATURITY CANNOT EXCEED THE AMOUNT SPECIFIED IN THE NOTICE OF SALE.**

We will accept delivery and pay for the Bonds awarded to us in accordance with the Notice of Sale.

If we are the successful bidder for the Bonds, we agree to comply with all of the applicable obligations and requirements of the Notice of Sale.

We enclose herewith a good faith deposit with respect to the Bonds (which constitutes the Deposit required by the Notice of Sale) in the form of (please check one) _____ a certified check upon, or a cashier's, treasurer's or official check of, a responsible banking institution or _____ a financial surety bond, payable to the order of "Dorchester County, Maryland" in the amount of \$120,700.00, which good faith deposit is to be applied in accordance with the Notice of Sale. If this Section is not completed, we hereby represent and warrant that if chosen as the successful bidder for the Bonds we will transmit the Deposit by federal funds wire transfer by 3:00 p.m. Eastern time on the date of sale in accordance with the provisions of the Notice of Sale and acknowledge that the award of the sale of the Bonds to the successful bidder may be cancelled by the County Manager, in her discretion, with the advice of the financial advisor to the County, in the event such wire transfer is not received by 3:00 p.m. Eastern time on the date of sale without any financial liability of the County to the successful bidder or any limitation whatsoever on the County's right to sell the Bonds to a different purchaser upon such terms and conditions as the County shall deem appropriate.

We understand that if we are the successful bidder for the Bonds, at the time the Bonds are awarded we will be required to advise the County of the initial reoffering prices (as described in the Notice of Sale) for each maturity of the Bonds and whether bond insurance is being obtained and, if so, the cost of such insurance to be borne by us. In this regard, you may communicate with and rely on the information provided by _____, whose telephone number (including area code) is _____.

By:
and Associates (See List Attached)

No addition or alteration, except as provided above and in the Notice of Sale, is to be made to this Proposal.

The following information is not a part of this Proposal and the omission or inaccuracy of this information will not affect the validity of this Proposal.

For the Bonds, the true interest cost of this Proposal as determined by the TIC method specified in the Notice of Sale is _____%.

Public Advisory Consultants, Inc.'s contact information is (410) 581-4820 (voice) and (410) 581-9808 (facsimile).

**PROPOSED FORM OF
CONTINUING DISCLOSURE AGREEMENT**

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed and delivered by Dorchester County, Maryland (the "County") in connection with the issuance of its \$8,760,000 Consolidated Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010A and \$12,070,000 Consolidated Public Improvement Bonds, Taxable Build America Bonds (Direct Payment) Series 2010B (collectively, the "Bonds"). The County, intending to be legally bound hereby, and for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the County for the benefit of the owners and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The County's obligations hereunder shall be limited to those required by written undertaking pursuant to the Rule.

Section 2. Definitions. In addition to the definitions set forth above, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"**Listed Events**" shall mean any of the events listed in Section 4(a) of this Disclosure Agreement.

"**MSRB**" shall mean the Municipal Securities Rulemaking Board. To the extent the Rule is amended to refer to any additional or different repositories, references in this Disclosure Agreement to the MSRB shall be deemed to include such additional or different repositories to the extent required by the Rule.

"**Participating Underwriter**" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"**Rule**" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Provision of Annual Financial Information, Operating Data and Audited Information. (a) The County shall provide to the MSRB annual financial information and operating data as set forth in Schedule A to this Disclosure Agreement, such information and data to be updated as of the end of the preceding fiscal year, except as indicated on Schedule A, and made available within 275 days after the end of each fiscal year, commencing with the fiscal year ended June 30, 2010.

(b) The County shall provide to the MSRB annual audited financial statements of the County, such information to be made available within 275 days after the end of the County's fiscal year, commencing with the fiscal year ending June 30, 2010 unless the audited financial statements are not available on or before such date, in which event said financial statements will be provided promptly when and if available. In the event that audited financial statements are not available within 275 days after the end of the County's fiscal year (commencing with the fiscal year ending June 30, 2010), the County will provide unaudited financial statements within said time period.

(c) The presentation of the financial information referred to in paragraph (a) and in paragraph (b) shall be made in accordance with the same accounting principles as utilized in connection with the presentation of applicable comparable financial information included in the final official statement for the Bonds, provided that the County may modify the accounting principles utilized in the presentation of financial information by amending this Disclosure Agreement

pursuant to the provisions of Section 6 hereof. Changes in generally accepted accounting principles, where applicable to information to be provided by the County, shall not require the County to amend this Disclosure Agreement.

(d) The County shall provide in a timely manner to the MSRB notice specifying any failure to provide the annual financial information or operating data it has undertaken to provide in accordance with this Section 3.

(e) If the County changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the County would otherwise be required to provide financial information and operating data pursuant to this Section 3.

(f) The financial information and operating data to be provided pursuant to this Section 3 may be set forth in full in one or more documents or may be incorporated by specific reference to documents available to the public on the MSRB's Internet Website or filed with the Securities and Exchange Commission.

(g) All information provided to the MSRB pursuant to subsections (a), (b) or (d) of this Section 3 shall be in an electronic format as prescribed by the MSRB.

Section 4. Reporting of Significant Events. (a) This Section 4 shall govern the giving of notices of the occurrence of any of the following Listed Events with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to rights of Bond holders;
- (viii) Bond calls;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds; and
- (xi) rating changes.

(b) Whenever the County obtains knowledge of the occurrence of a Listed Event, the County shall as soon as possible determine if such event would constitute material information for owners of Bonds. If the Listed Event constitutes material information for owners of Bonds, the County shall promptly file a notice of such occurrence with the MSRB.

(c) All information provided to the MSRB pursuant to this Section 4 shall be in an electronic format as prescribed by the MSRB.

Section 5. Termination of Reporting Obligations. The County's obligations under this Disclosure Agreement shall terminate upon the payment in full of all of the Bonds either at their maturity or by early redemption. In addition, the County may terminate its obligations under this Disclosure Agreement if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of the Rule.

Section 6. Amendment. This Disclosure Agreement may be amended by the County in its discretion provided that (i) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the County as the obligated person with respect to the Bonds, or type of business conducted; (ii) the Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (iii) the amendment does not materially impair the interests of holders of the Bonds, as determined by counsel selected by the County that is experienced in federal securities law matters, or by an approving vote of the holders of 25% of the outstanding aggregate principal amount of the Bonds. The reasons for any amendment and the impact of the change in the type of operating data or financial information being provided will be explained in information provided with the annual financial information containing the amended

operating data or financial information.

Section 7. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the County from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is required by this Disclosure Agreement. If the County chooses to include any information in any disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the County shall have no obligation under this Disclosure Agreement to update such information or include it in any future disclosure made pursuant to Section 3(a) or (b) hereof or notice of occurrence of a Listed Event.

Section 8. Law of Maryland. This Disclosure Agreement, and any claim made with respect to the performance by the County of its obligations hereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland or the federal law of the United States of America.

Section 9. Limitation of Forum. Any suit or other proceeding seeking redress with regard to any claimed failure by the County to perform its obligations under this Disclosure Agreement must be filed in the Circuit Court for Dorchester County, Maryland.

Section 10. Limitation on Remedies. The County shall be given notice at the address set forth below of any claimed failure by the County to perform its obligations under this Disclosure Agreement, and the County shall be given 15 days to remedy any such claimed failure. Any suit or other proceeding seeking further redress with regard to any such claimed failure by the County shall be limited to specific performance as the adequate and exclusive remedy available in connection with such action. Written notice to the County shall be given to the Director of Finance, 501 Court Lane, Cambridge, Maryland 21613 or at such other alternate address as shall be specified by the County with disclosures made pursuant to Section 3(a) or (b) hereof or a notice of occurrence of a Listed Event.

Section 11. Relationship to Bonds. This Disclosure Agreement constitutes an undertaking by the County that is independent of the County's obligations with respect to the Bonds; any breach or default by the County under this Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the owners and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 13. MSRB Requirements. All documents provided to the MSRB pursuant to this Disclosure Agreement and the Rule shall be accompanied by identifying information as prescribed by the MSRB.

[SIGNATURE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, this Continuing Disclosure Agreement is being executed on behalf of Dorchester County, Maryland as of this _____ day of February, 2010.

(SEAL)

DORCHESTER COUNTY, MARYLAND

ATTEST/WITNESS:

By: _____
Jay L. Newcomb, President of the County Council

By: _____
Jane Baynard, County Manager

Schedule A

- (1) General Fund Summary of Revenues, Expenditures and Encumbrances and Changes in Fund Balance
- (2) Assessed Values, Tax Rates, Tax Levies and Collections
- (3) Bonded Debt
- (4) Schedule of Revenues and Expenditures Compared to Budget