

**NEW ISSUE
BOOK-ENTRY ONLY
BANK QUALIFIED**

**Moody's Investors Service: A2
Standard & Poor's: A**

(See "RATINGS")

In the opinion of Piper Rudnick LLP, Bond Counsel, (i) the Bonds will be valid and legally binding general obligations of Dorchester County, Maryland (the "County"), to the payment of which the full faith and credit and unlimited taxing power of the County will be pledged, (ii) under existing law, interest on the Bonds will be exempt from State of Maryland income taxation; but no opinion is expressed as to estate or inheritance taxes, or any other tax not levied or assessed directly on the Bonds or the interest thereon, and (iii) interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, and decisions and is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, as described herein under "LEGAL MATTERS"- "Tax Matters" interest earned on the Bonds, for federal income tax purposes, may be included in the calculation of a corporation's alternative minimum taxable income and may be subject to the branch profits tax imposed on foreign corporations.

The Bonds have been designated as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

\$9,430,000
DORCHESTER COUNTY, MARYLAND
CONSOLIDATED GENERAL IMPROVEMENTS AND REFUNDING SERIES, 2004

Dated: April 1, 2004

Due: February 1, as shown below

The Bonds will be issued in book-entry form only. Purchases of the Bonds will be in the denominations of \$5,000 each or any integral multiple thereof. The Bonds will bear interest from April 1, 2004, and interest on the Bonds will be payable on February 1, and August 1, commencing August 1, 2004. The Bonds are subject to redemption prior to maturity as described herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIPS									
Maturing February 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP	Maturing February 1	Principal Amount	Interest Rate*	Price or Yield*	CUSIP
2005	\$595,000	2.000%	1.000%	258129PK5	2013	\$1,050,000	3.150%	3.150%	258129PT6
2006	580,000	2.000	1.250	258129PL3	2014	1,090,000	3.300	3.300	258129PU3
2007	590,000	2.250	1.550	258129PM1	2015	445,000	3.400	3.450	258129PV1
2008	915,000	2.500	1.900	258129PN9	2016	60,000	3.600	3.650	258129PW9
2009	940,000	2.500	2.200	258129PP4	2017	60,000	3.700	3.750	258129PX7
2010	965,000	2.750	2.500	258129PQ2	2018	60,000	3.800	3.850	258129PY5
2011	995,000	2.750	2.750	258129PR0	2019	65,000	3.900	3.950	258129PZ2
2012	1,020,000	3.000	3.000	258129PS8					

(Accrued Interest from April 1, 2004 to be added.)

The Bonds are offered for delivery when, as and if issued, subject to the approving opinion of Piper Rudnick LLP, Baltimore, Maryland, Bond Counsel. It is expected that the Bonds in definitive form will be available for delivery to the Depository Trust Company in New York, New York on or about April 20, 2004.

* The interest rates shown above are the interest rates payable by the County resulting from the successful bid for the Bonds on April 1, 2004 by an investment-banking firm. The prices or yields shown above were furnished by the successful bidders. Any other information concerning the terms of the re-offering of the Bonds should be obtained from the winning bidder and not from the County. (See "SALE AT COMPETITIVE BIDDING" herein.)

DORCHESTER COUNTY, MARYLAND

County Council

Glenn L. Bramble, President
First District

William V. Nichols
Second District

Dr. Thomas A. Flowers
Third District

David Yockey
Fourth District

Effie M. Elzey
Fifth District

Administration

Jane Baynard, County Manager

Michael J. Spears, Director of Finance

County Treasurer
Gerald J. Grindle
Cambridge, Maryland

Auditor
Trice, Geary & Myers LLC
Salisbury, Maryland

Counsel
Harrington and Merryweather
Cambridge, Maryland

Bond Counsel
Piper Rudnick LLP
Baltimore, Maryland

Paying Agent

The Bank of New York
West Paterson, New Jersey

Financial Advisor

Public Advisory Consultants, Incorporated
Owings Mills, Maryland

No dealer, broker, salesman or other person has been authorized by Dorchester County, Maryland (the "County") or the underwriter to give any information or to make any representations with respect to the Bonds or the County 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 either 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.

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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, 2003, unless otherwise noted

Population	30,674	(1)
Assessed market valuation for fiscal year 2003	\$1,741,157,455	(2)
Tax rate per \$100 of assessed market value	\$2.33	
Portion of fiscal year 2003 levy collected		
Amount	\$14,901,248	
Percentage.....	91.23%	
Gross Bond Indebtedness	\$25,836,857	(3)
Less: Self supporting debt	\$(2,737,084)	
Direct Net debt.....	\$23,099,773	
Underlying debt	\$12,159,833	(4)
Overall Net debt.....	\$35,259,606	
Per capita:		
Ratio of Gross Bond Indebtedness to Population	\$842	
Ratio of Direct Net Debt to Population	\$753	
Ratio of Overall Net Debt to Population	\$1,149	
Assessed Value of \$1,741,157,455 Fiscal Year 2003		
Ratio of Gross Bond Indebtedness to Assessed Value	1.48%	
Ratio of Direct Net Debt to Assessed Value	1.33%	
Ratio of Overall Net Debt to Assessed Value	2.03%	

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- (1) Source: 2000 U.S. Census
- (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 \$9,430,000.
- (4) This figure represents indebtedness incurred by the incorporated towns 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, 2003.

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 \$9,430,000 Consolidated General Improvements and Refunding Series, 2004.

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.

The County

The County is a political subdivision of the State of Maryland, a body politic and corporate 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 about 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 was 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) new capital projects consisting of communications system upgrades, road and bridge improvements, and miscellaneous projects (ii) to refund all or a portion of the County Commissioners of Dorchester County, Maryland Public Facilities Bonds of 1995, dated February 1, 1995 and maturing on or after February 1, 2008 (the "Refunded Bonds") and (iii) paying certain costs associated with the issuance of the Bonds.

Refunding Program

A portion of the proceeds of the Bonds will be used to refund all or a portion of the Refunded Bonds. The County may not refund some or all of the maturities of the Refunded Bonds if appropriate levels of savings cannot be achieved. The Refunded Bonds represent only the callable maturities; the Bonds which are not callable will continue to be serviced and paid at maturity from the revenues of the County and other sources designated for such purposes.

The refunding method being used is frequently termed a "net defeasance" in that provision is made to set aside immediately, from the proceeds of a refunding bond issue and other funds then available for debt service on the refunded bonds, monies for

investment which, together with the interest to be received thereon, shall be sufficient to satisfy all payments of principal of and premium, if any, and interest on the Refunded Bonds to and including the dates on which such bonds are redeemed.

The proceeds of the Bonds which will be applied to refund the Refunded Bonds will be applied to the purchase of non-callable direct obligations of the United States of America ("Government Obligations") and used to pay certain expenses of the County related to the issuance and disposition of the proceeds of the Bonds. The Government Obligations will be held in trust by The Bank of New York (the "Escrow Agent") pursuant to an escrow agreement between the Escrow Agent and the County. The Government Obligations will mature at such times and in such amounts, and will bear interest payment at such times and in such amounts so that sufficient money will be available to pay when due, all principal of and premium, if any, and interest on the Refunded Bonds to and including their respective dates of redemption. (See "VERIFICATION OF MATHEMATICAL COMPUTATIONS"). The Escrow Agent will apply the maturing principal of and the interest on the Government Obligations to the payment of the interest on the Refunded Bonds on specific redemption dates. The Government Obligations will be pledged only to the payment of the principal of, interest on and premium, if any, of the Refunded Bonds, and are not available for the payment of principal or premium, if any, of or interest on the Bonds.

Description of the Bonds

The Bonds will be dated April 1, 2004, and will mature, on February 1, in annual installments, beginning with the year 2005 and ending with the year 2019, in the principal amounts and at the interest rates set forth on the 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, 2004, at the rates set forth on the cover page of the 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 next 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 April 1, 2004.

Authorization

The Bonds are issued pursuant to the authority of Section 24 of Article 31 of the Annotated Code of Maryland (2003 Replacement Volume) and Article 25A of the Annotated Code of Maryland (2001 Replacement Volume and 2003 Supplement) (the "Enabling Law"), the Charter of Dorchester County, Maryland (the "Charter") and in accordance with Bill No. 2003-15, passed by the County Council of Dorchester County on November 18, 2003, and effective January 17, 2004, as amended (the "Ordinance").

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.

There will be deducted from the gross proceeds received from the sale of the Bonds, the amounts received by the County on account of accrued interest from the date of the Bonds to the date of delivery thereof and such amounts will be set apart by the County in a separate account and applied to the first interest payment on the Bonds.

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 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

Optional Redemption

The Bonds that mature on February 1, 2014 are not subject to redemption prior to their maturities. Bonds maturing on or after February 1, 2015 are subject to redemption, at the option of the County, on or after February 1, 2014 as a whole or in part at any time in any order of maturities, after at least thirty days' notice, at a redemption price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

General Provisions

If less than all of the Bonds of any one maturity of an issue shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar; except that so long as DTC or its nominee is the sole registered owner of the Bonds, the selection of individual ownership interests in the Bonds to be credited with any such partial redemption shall be made through DTC, in such manner as DTC shall determine. When less than all of a 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, Bonds in any of the authorized denominations as shall be specified by the registered owner. The aggregate amount of such Bonds shall be equal to the unredeemed balance of the principal amount of such Bond. Such Bonds in such authorized denominations shall be issued without charge.

If the County elects to redeem all outstanding Bonds, or less than all, it will give a redemption notice by letter mailed first class, postage prepaid, to the holders of such Bonds at least thirty (30) days prior to the redemption dates at the addresses of such holders appearing on the registration books kept by the Bond Registrar; 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 Bonds. Such notice shall state whether such Bonds are redeemed in whole or in part and, if in part, the maturities and numbers of the Bonds called, shall state that the interest on the Bonds so called shall cease on the date fixed for redemption, shall state the redemption date and the redemption price, and shall require that the Bonds redeemed be then presented for redemption and payment at the principal corporate trust office of the Paying Agent. From and after the date fixed for redemption, if notice has been given as therein provided and the funds sufficient for payment of the redemption price and accrued interest shall be available therefor on such date, the Bonds so designated for redemption shall cease to bear interest. Upon presentation and surrender in compliance with such notices, the Bonds so called for redemption shall be paid by the Paying Agent at the redemption price. If not so paid on presentation thereof, such Bonds so called shall continue to bear interest at the rates expressed 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 shall be maintained under a book-entry system; Beneficial Owners shall have no right to receive physical possession of the Bonds, 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 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 Bank of New York, West Paterson, New Jersey, will act as Bond Registrar and Paying Agent for the Bonds.

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 principal corporate trust office of the 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 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 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 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 Paying Agent is authorized or obligated by law or required by executive order to remain closed.

Book-Entry-Only System—General

The Depository Trust Company ("DTC"), New York, NY, 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). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC 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 provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 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 ("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, but Beneficial Owners are 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 Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance 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.

Redemption notices shall be sent to Cede & Co. 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 in such series to be redeemed.

Principal and interest payments on the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date.

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 Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the County, disbursement of such payments to Direct Participants shall be

the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates 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.

Book-Entry-Only System—Miscellaneous

The information in the section "Book-Entry-Only System—General" has been obtained by the County by DTC. The County takes no responsibility for the accuracy or completeness thereof. Neither the County, the Bond Registrar nor the Paying Agent will have any responsibility or obligations to DTC Participants or the persons for whom they act as nominees with respect to the payments to or the providing of notice to the DTC Participants, or the Indirect Participants, or Beneficial Owners. The County cannot and does not give any assurance that DTC Participants or others will distribute principal and interest payments paid to DTC or its nominees, as the registered owner, or any redemption or other notices, to the Beneficial Owners, 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, the Bonds will be delivered to DTC to the Bond Registrar and such Bonds will be exchanged for Bonds registered in the names of the DTC Participants or the Beneficial Owners identified to the Bond Registrar. 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 below. The County may designate another entity as Bond Registrar and Paying Agent upon twenty days prior written notice to the registered owners of the Bonds.

The Bonds in fully certificated form will be fully registered Bonds without coupons in the denomination of \$5,000 each or any integral multiple thereof. Bonds will be transferable only upon the registration books kept at the principal corporate trust office of the Bond Registrar, by the registered owner thereof in person, or by an attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer in the form attached thereto and satisfactory to the Bond Registrar and duly executed by the registered owner or a duly authorized attorney. The County 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 or redemption price thereof and interest due thereon and for all other purposes.

The Bonds may be transferred or exchanged at the principal corporate trust office of the Bond Registrar. Upon any such transfer or exchange, the County shall execute and the Bond Registrar shall authenticate and deliver a new registered Bond or Bonds without coupons of any of the authorized denominations in an aggregate principal amount equal to the principal amount of the Bond exchanged or transferred, and maturing on the same date and bearing interest at the same rate. In each case, the Bond Registrar may require payment by any holder of Bonds requesting exchange or transfer of Bonds of any tax, fee, or other governmental charge, shipping charges, and insurance they may be required to be paid with respect to such exchange or transfer, but otherwise no charge shall be made to the holder of Bonds for such exchange or transfer. The Bond Registrar shall not be required to transfer or exchange any Bond after the mailing of notice calling such Bond or portion thereof for redemption as herein above described; provided, however, that the foregoing limitation shall not apply to that portion of a Bond in excess of \$5,000 which is not being called for redemption.

II. Legal Matters

Approval of Legal Proceedings

Piper Rudnick LLP, 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 an opinion substantially in the form set forth in Appendix B of this Official Statement.

Tax Matters

In the opinion of Bond Counsel (i) interest on the Bonds will be excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions, and (ii) under existing law, interest on the Bonds will be exempt from State of Maryland income taxation; but no opinion is expressed as to estate or inheritance taxes or any other taxes not levied or assessed directly on the Bonds or the income thereon.

Under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds. These include a requirement that certain investment earnings received from the investment of the proceeds of the Bonds be rebated (or that certain payments in lieu of rebate be made) to the United States of America and other requirements applicable to the investment of the proceeds of the Bonds and the use of the proceeds of such Bonds and the facilities financed with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The County has covenanted to regulate the investment of the proceeds of the Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds.

Interest on the Bonds is not included in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. However, for purposes of calculating the corporate alternative minimum tax, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" would include, among other items, interest income from the Bonds. In addition, interest income on the Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States.

Certain Other Federal Tax Consequences

There are other federal income tax consequences of ownership of obligations such as the Bonds under certain circumstances, including the following: (i) deductions are disallowed for certain expenses of taxpayers allocable to interest on tax-exempt obligations, as well as interest on indebtedness incurred or continued to purchase or carry tax exempt obligations and interest expense of financial institutions allocable to tax-exempt interest; (ii) for property and casualty insurance companies, the amount of the deduction for losses incurred must be reduced by 15% of the sum of tax-exempt interest income and the deductible portion of dividends received by such companies; (iii) interest income which is exempt from tax must be taken into account for the purpose of determining whether, and what amount of, social security or railroad retirement benefits are includable in gross income for federal income taxation purposes; and (iv) for S corporations having subchapter C earnings and profits, the receipt of certain levels of passive investment income, which includes interest on tax-exempt obligations such as the Bonds, can result in the imposition of tax on such passive investment income and, in some cases, loss of S corporation status.

Purchase, Sale, and Retirement of the Bonds

Except as noted below in the case of market discount, the sale or other disposition of a Bond will normally result in capital gain or loss to its holder. A holder's initial tax basis in a Bond will be its cost. Upon the sale or retirement of a Bond, for federal income tax purposes a holder will recognize capital gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the tax basis in such Bond, determined by adding to the original cost basis in such Bond the amount of original issue discount that is treated as having accrued as described below under "Tax Accounting Treatment of Discount Bonds." Such gain or loss will be long-term capital gain or loss if at the time of the sale or retirement the Bond has been held for more than one year. Present law taxes

both long and short-term capital gains of corporations at the rate applicable to ordinary income. For noncorporate taxpayers, however, net capital gains will be taxed at a maximum rate of 15% in the case of gains realized in taxable years beginning on or before December 31, 2008, while short-term capital gains and other ordinary income will be taxed at a maximum rate of 35%. In the absence of further legislation, the maximum rate of tax on net capital gains of noncorporate taxpayers will increase to 20% for taxable years beginning after December 31, 2008 and the maximum rate of tax on short-term capital gains and other ordinary income will increase to 39.6% for taxable years beginning after December 31, 2010. Net capital gains are the excess of net long-term capital gain (gains on capital assets held for more than one year) over net short-term capital losses. Because of the limitation on itemized deductions and the deduction for personal exemptions applicable to higher income taxpayers, the effective rate of tax may be higher in certain circumstances.

Market Discount

If a holder acquires a Bond after its original issuance at a discount below its principal amount (or in the case of a Bond issued at an original issue discount, at a price that produces a yield to maturity higher than the yield to maturity at which such bond was first issued), the holder will be deemed to have acquired the bond at "market discount," unless the amount of market discount is *de minimis*, as described in the following paragraph. If a holder that acquires a Bond with market discount subsequently realizes a gain upon the disposition of the Bond, such gain shall be treated as taxable interest income to the extent such gain does not exceed the accrued market discount attributable to the period during which the holder held such Bond, and any gain realized in excess of such market discount will be treated as capital gain. Potential purchasers should consult their tax advisors as to the proper method of accruing market discount.

In the case of a Bond not issued at an original issue discount, market discount will be *de minimis* if the excess of the Bond's stated redemption price at maturity over the holder's cost of acquiring the Bond is less than 0.25% of the stated redemption price at maturity multiplied by the number of complete years between the date the holder acquires the Bond and its stated maturity date. In the case of a Bond issued with original discount, market discount will be *de minimis* if the excess of the Bond's revised issue price over the holder's cost of acquiring the Bond is less than 0.25% of the revised issue price multiplied by the number of complete years between the date the holder acquires the Bond and its stated maturity date. For this purpose, a Bond's "revised issue price" is the sum of (i) its original issue price and (ii) the aggregate amount of original issue discount that is treated as having accrued with respect to the Bond during the period between its original issue date and the date of acquisition by the holder.

A Bond will be considered to have been issued at a premium if, and to the extent that, the holder's tax basis in the Bond exceeds the amount payable at maturity. The amount of premium would be determined with reference to the amount payable on that call date (including for this purpose the maturity date), which produces the lowest yield to maturity on the Bond. The holder will be required to reduce his tax basis in the Bond for purposes of determining gain or loss upon disposition of the Bond by the amount of amortizable bond premium that accrues (determined on a constant yield method) during his period of ownership. No deduction (or other tax benefit) is allocable in respect of any amount of amortizable bond premium on the Bonds.

Tax Accounting Treatment of Discount Bonds

Certain maturities of the Bonds may be issued at an initial public offering price, which is less than the amount payable on such Bonds at maturity (the "Discount Bonds"). The difference between the initial offering price (including accrued interest) at which a substantial amount of the Discount Bonds of each maturity was sold and the principal amount of such Discount Bonds payable at maturity constitutes original issue discount. In the case of any holder of Discount Bonds, the amount of such original issue discount which is treated as having accrued with respect to such Discount Bonds is added to the original cost basis of the holder in determining, for federal income tax purposes, gain or loss upon disposition (including sale, early redemption or repayment at maturity). For federal income tax purposes (i) any holder of a Discount Bond will recognize gain or loss upon the disposition of such security (including sale, early redemption or payment at maturity) in an amount equal to the difference between (a) the amount received upon such disposition and (b) the sum of (1) the holder's original cost basis in such Discount Bond, and (2) the amount of original issue discount attributable to the period during which the holder held such Discount Bond, and (ii) the amount of the basis adjustment described in clause (i)(b)(2) will not be included in the gross income of the holder.

Original issue discount on Discount Bonds will be attributed to permissible compounding periods during the life of such Discount Bonds in accordance with a constant rate of interest accrual method. The yield to maturity of the Discount Bonds of each maturity is determined using permissible compounding periods. In general, the length of the permissible compounding period cannot exceed the length of the interval between debt service payments on the Discount Bonds and must begin or end on the date of such payments. Such yield then is used to determine an amount of accrued interest for each permissible compounding period. For this

purpose, interest is treated as compounding periodically at the end of each compounding period. The amount of original issue discount which is treated as having accrued in respect of a Discount Bond for any particular compounding period is equal to the excess of (i) the product of (a) the yield for the Discount Bond (adjusted as necessary for an initial short period) divided by the number of compounding periods in a year multiplied by (b) the amount that would be the tax basis of such Discount Bond at the beginning of such period if held by an original purchaser who purchased at the initial public offering price, over (ii) the amount actually payable as interest on such Discount Bond during such period. For purposes of the preceding sentence (i) only that portion of the interest payment due on August 1, 2004, allocable to the period extending from the date of initial delivery of the Bonds to August 1, 2004, will constitute interest and (ii) the tax basis of a Discount Bond, if held by an original purchaser, can be determined by adding to the initial public offering price (including interest from April 1, 2004, to the date of initial delivery, such interest being referred to as "pre-issuance accrued interest") of such Discount Bond the original issue discount that is treated as having accrued during all prior compounding periods and subtracting the pre-issuance accrued interest. Under the income tax regulations, pre-issuance accrued interest may be excluded from the issue price under certain circumstances and, if so excluded, the pre-issuance accrued interest will be treated as a nontaxable return of the pre-issuance accrued interest and not as a payment on the Discount Bond. If a Discount Bond is sold or otherwise disposed of between compounding periods, then interest which would have accrued for that compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

Holders of Discount Bonds should note that, under the referenced regulations, the yield and maturity of a Discount Bond is determined without regard to commercially reasonable sinking fund payments and any original issue discount remaining unaccrued at the time that a Discount Bond is redeemed in advance of stated maturity will be treated as taxable gain.

The foregoing summarizes certain federal income tax consequences of original issue discount with respect to Discount Bonds but does not purport to deal with all aspects of federal income taxation that may be relevant to particular investors or circumstances, including those set out above. Prospective purchasers of Discount Bonds should consider possible state and local income, excise or franchise tax consequences arising from original issue discount on Discount Bonds. In addition, prospective corporate purchasers should consider possible federal tax consequences arising from original issue discount on such Discount Bonds under the alternative minimum tax or the branch profits tax. The amount of original issue discount considered to have accrued may be reportable in the year of accrual for state and local tax purposes or for purposes of the alternative minimum tax or the branch profits tax without a corresponding receipt of cash with which to pay any tax liability attributable to such discount. Purchasers with questions concerning the detailed tax consequences of transactions in the Discount Bonds should consult their tax advisors.

Recent Developments

The Internal Revenue Service recently proposed regulations (the "Proposed Regulations") governing "tax shelter opinions" that would characterize municipal bonds such as the Bonds as "tax shelters", and that, therefore, would govern opinions concerning the tax status of municipal bonds. The Proposed Regulations, if made final in their current form, would change substantially the form and content of such opinions and would require statements that the opinions do not protect purchasers against penalties that may be assessed pursuant to the Internal Revenue Code, and that such purchasers should seek personal tax advice regarding the opinions. No prediction can be made regarding the likelihood that the Proposed Regulations will be made final in their current form; whether any, some, or all municipal bond transactions, including the Bonds, will be subject to such final regulations; what the effective date of such final regulations will be; or what impact the final regulations will have on the market for municipal bonds. Purchasers of the Bonds are advised to consult their tax advisors regarding the Proposed Regulations and their effect on the Bonds.

Information in this "Legal Matters" section is only a general summary of certain provisions of the Code as enacted and in effect on the date hereof, as well as certain proposed regulatory changes, but does not purport to be complete; holders of the Bonds should consult their own tax advisors as to the effects, if any, of the Code (and any proposed or subsequently enacted amendments to the Code or applicable regulations) in their particular circumstances.

See Appendix B hereto for the proposed form of opinion of Bond Counsel.

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. 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 Council members expire in 2006.

The County Council appoints a County Administrator who is charged generally with the day-to-day management of the County. County financial matters are administered by the Finance Officer and the Treasurer of Dorchester County, an elected official. The Treasurer's duties include the collection of County taxes, the enforcement of collection of taxes in the manner provided by law, the deposit of County funds, and the preparation and submission to the Board of reports concerning the receipt and disbursement of County funds. The Finance Officer is charged with the keeping of books of accounts concerning the financial condition of the County and the preparation of warrants authorizing the disbursement of County funds by the Treasurer.

The formulation of the County's budget is the responsibility of the Board of County Commissioners, sitting as the Board of Estimates for Dorchester County.

Certain County Elected and Appointed Officials

GLENN L. BRAMBLE, First District.

Glenn L. Bramble is a life long resident of Dorchester County, born in 1948 and spending his childhood in the southern part of Dorchester County. Councilman Bramble's educational background includes graduating from South Dorchester High School in 1966, receiving his certificate from the National Oil Federation Institute in 1966 and receiving his certificate from Chesapeake College in Business Management in 1990. He successfully completed courses beginning in 1982 and became certified in business and technical skills from Bryant, Peerless, Carrier, Hydronics Instate and Thermal Energy Transfer Corporation. Councilman Bramble continued to further his education through certification from Penco, Advanced Gas Ignition training, Master Restricted Maryland State HVAC as well as Maryland and Dorchester County Master Electrician.

Councilman Bramble's employment history began in 1966 through 1974 with Wise Oil and Fuel Company in Cambridge, Maryland working in their LP Gas Division providing service and installation and managing their Collections Department. In 1974 and working through 1978, he became self-employed trading as P & G Bramble in partnership with his father as a General Construction and Mechanical Contractor. The years 1978 through 1982 gained him equal partnership as Operations Manager with Dorchester Service Associates in Cambridge, Maryland as a residential and light commercial HVAC and construction contractor. Currently (from 1982-2003) Councilman Bramble is the Owner and President of Dorchester Service Associates as a General Contractor for HVAC and construction and has greatly expanded his customer base as well as his number of employees. DSA began under his leadership having 6 employees and has now expanded to employ 26 men and women.

Councilman Bramble's love of community has allowed him the opportunity to serve in various capacities/offices such as Past President of the Dorchester County Commissioners (1994-1998); Past Elected President of the Lions Club; Past President Elect of the Chamber of Commerce; Current Vice President of the Dorchester County Council; President of the Dorchester County Liquor Board; and President of the Dorchester County Roads Board. He has also enjoyed serving as Past Chair of the Trustees of St. Paul's United Methodist Church and on the Board of Trustees of Antioch Church.

Councilman Bramble currently presides as President of the Dorchester County Council.

WILLIAM VERNON NICHOLS, Second District. Councilman Nichols was born in Cambridge on November 8, 1958. He graduated from Cambridge High School in 1976 and is currently employed by Maryland Wire Belts.

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 is serving his third term on the Dorchester County Council.

DR. THOMAS A. FLOWERS, Third District.

GOVERNMENT AND ADMINISTRATION

Dr. Flowers graduated from Hoopers Island High School and holds a Bachelor of Science from Salisbury State Teachers' College, a Masters Degree from Temple University in Political Science and Economics, and a Doctorate in Education from the University of Maryland. He has been a Teacher at Cambridge High School, Cambridge Junior High School, Hurlock Elementary School, Tylerton Elementary School and St. Peter and Paul High School and has served as Principal at St. Peter and Paul Elementary School and Academy Elementary School. He retired from the Dorchester County School system as Interim Director of Education. He also has experience in retail and real estate sales, public relations and the seafood industry and is currently a partner and First Manager of Phillips Crab House.

Dr. Flowers is a renowned writer, historian and folklorist who has authored several books of local folk tales and history. He conducts lectures and tours and is a local radio personality and newspaper columnist.

Dr. Flowers served as Tech. Sergeant in the 45th Division in World War II and was awarded the Bronze Star. He is a life member of the Veterans of Foreign Wars and a member of the American Legion.

Dr. Flowers is active in civic and community activities. He is a past President of the American Association for Retired Persons - Dorchester County Chapter and the Dorchester Retired Educators Association. He is a member of the Dorchester Democratic Club, the Cambridge Yacht Club, the Dorchester Historical Society, the Dorchester Heritage Museum, the East New Market Heritage Association, the Friends of Blackwater Committee, and the Maryland Film Commission. He is a member of the Christ Episcopal Church in Cambridge and he is the honorary Chaplain at the Dorchester County Detention Center.

Councilman Flowers is serving his fourth term as a County Council member, having held the office from 1974 to 1982 prior to being reelected in 1998.

Councilman Flowers serves as President of the Roads Board.

DAVID YOCKEY, Fourth District. Councilman Yockey is employed as a Child and Adolescent Specialist with Crossroads Community, Inc. Councilman Yockey attended the Student of the Word Bible School and is a Youth Pastor of Jubilee Christian Fellowship Bond Servants.

Councilman Yockey is also a life member of the National Rifle Association and an Honorary Member of the Secretary Volunteer Fire Department. Councilman Yockey is serving his first term on the Dorchester County Council.

Councilman Yockey presides as Vice President of the County Council and Vice President of the Roads Board.

EFFIE M. ELZEY, County Council President, Fifth District. Councilwoman Elzey worked for 34 1/2 years at Western Publishing and is retired. She is a co-owner of rental properties with her husband.

She served for two terms on the Dorchester County Republican Central Committee, is a Past President of the Dorchester County Republican Women's Club, Past Vice President of the Dorchester County Republican State Central Committee, and past Recording Secretary of the 1st Republican District Committee. Councilwoman Elzey served as the Eastern Shore Regional Chair of the Maryland Federation of Republican Women. She was appointed to the Awards Chairperson for the Maryland Federation of Republican Women for three years.

Councilwoman Elzey is serving her third term on the Dorchester County Council. Councilwoman Elzey serves as the Council representative to the Maryland Association of Counties Legislative Committee and the RC&D Council. Councilwoman Elzey was elected as Secretary of the County Elected Women for 1999.

JANE BAYNARD, County Manager. Ms. Baynard has served as County Administrator since April, 1999. Ms. Baynard joined Dorchester County government in September 1996 and served as Assistant to the County Administrator until she accepted the position of "Acting County Administrator" in January 1999.

She was formally appointed County Administrator in April 1999 and was reappointed County Manager under the newly adopted County Charter in December 2002. Prior to joining the County workforce, Ms. Baynard held management positions in private business. She is an alumni of Chesapeake College and was a member of the Shore Leadership Class of 2000.

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.

GERALD J. GRINDLE, Treasurer. Mr. Grindle was employed by First National Bank of Maryland for thirty years prior to his election as Treasurer. He served as Clerk, Commissioner, and Mayor of Church Creek, Maryland for over twenty years. Mr. Grindle currently serves as Treasurer and Board member of the Salvation Army Corps in Cambridge, Maryland

Pension and Retirement System

All regular County employees are provided pension and retirement benefits under two plans, each of which is administered by the State of Maryland through a single board of trustees (the "Board of Trustees"). Employees hired on or after January 1, 1980 are covered under the Pension System for Employees (the "Pension System"), which was established by the Maryland General Assembly in its 1979 session. Employees hired before January 1, 1980 have the option of electing to be covered by the Pension System or remaining in the Employees' Retirement System of the State of Maryland (the "Retirement System", which together with the Pension System is sometimes referred to herein as the "Systems"). Both plans are defined in Article 73B of the Annotated Code of Maryland, as amended. The plans provide different benefits to employees and are funded in somewhat different ways.

Employee contributions to the Pension System are limited to 5% of the excess, if any, of an employee's earnable compensation over the maximum amount of annual earnings for employees subject to tax under the Federal Insurance Contribution Act, as amended. Under legislation enacted by the General Assembly at its 1984 session, employees who are members of the Retirement System contribute either 5% of their earnable compensation (in which case there will be a limitation of 5% on the annual cost-of-living adjustments applicable to their benefits) or 7% (in which case there will not be any limitation on the annual cost-of-living adjustments).

Under each plan the County is obligated to make a contribution, which consists of two components, each fixed on the basis of the liabilities of the respective Systems by actuarial valuation.

With respect to the first component of the County's contribution, for each System, the Board of Trustees' actuary, on the basis of interest and mortality and service tables and other actuarial assumptions adopted by the Board of Trustees, determines a "normal contribution" on account of each member, net of employee contributions, on the basis of the entry-age actuarial cost method. The ratio of the sum of the normal contributions so determined to the total earnable compensation of all members of the System, statewide, is the "Normal Contribution Rate".

Under each System, the County must contribute an amount equal to the total earnable compensation of its employees in that System multiplied by the Normal Contribution Rate (the "Normal Contribution"). The Board of Trustees may adjust the Normal Contribution Rate and such adjustments may provide for experience gains and losses, the effect of changes in actuarial assumptions and the effect of legislation enacted after July 1, 1980.

The second component, known as the Accrued Liability Contribution, is computed on the entry age actuarial cost method and any other assumptions adopted by the Board of Trustees. The Accrued Liability Contribution is the County's share of the appropriate percentage of the aggregate annual earnable compensation of all members of the Systems statewide that is sufficient to liquidate over a 40-year period from July 1, 1980 the Systems' unfunded accrued liabilities. Upon recommendation of the actuary, the Board of Trustees may adjust the accrued liability rate to reflect experience gains and losses or the effect of changes in actuarial assumptions within the period remaining to amortize the accrued liability, but not for less than 15 years.

The Board of Trustees annually certifies to the County the Normal Contribution Rate established by the Board of Trustees, the Normal Contribution for the County and the Accrued Liability Contribution.

The County's aggregate Normal Contribution for its own employees, for the fiscal year ended June 30, 2002, was \$353,592 to the Retirement and the Pension System.

Labor Relations

As of June 30, 2003, the County employed 267 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 Commissioners, 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 refers to the time at which revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Both the General Fund and the Capital Projects Fund of the County are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Taxpayer-assisted income, gross receipts taxes, and sales taxes are considered measurable when in the hands of intermediary collecting governments and are recognized as revenue at the time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (i) principal and interest on general obligation long-term debt which is recognized when due.

The accounting policies of the County conform to generally accepted accounting principles as applicable to governments.

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 7 elementary, 3 middle/combined, and 2 high schools in the County with a Fall enrollment as of September 30, 2000, 2001, and 2002 was 4,705, 4,546, and 4,817 children respectively. There are four non-public schools in the County.

A technology/vocational center is located in Cambridge, and served over 530 students in 2002. 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 an degree, certificate, and Letter 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 State University in Wicomico County, and the University of Maryland, Eastern Shore Branch 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 Commissioners

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 Commissioners on amendments to the County's Zoning Ordinance and maps.

The County Council 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 24 sworn deputies and 25 radio-dispatched vehicles. The City of Cambridge and Town of Hurlock has 45 and 7 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, 30 of which 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 66-bed hospital in the County, which merged, with Easton Memorial Hospital to form , which combined have 236 licensed beds. Over 450 persons or 375 on a FTE basis are employed at Dorchester General, which had an annual payroll of over \$11.6 million as of June 30, 1999.

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

There are three privately operated nursing homes in Dorchester County with a total capacity of over 309 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, fifteen 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 is the primary highway route, which extends from the District of Columbia to Ocean City, Maryland, bisecting 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 21,800 arrivals and departures of charter or private flights were handled during the period from July 1, 2002 to June 30, 2003. The runway was extended to a length of 4,476 feet during 1999. A new terminal was completed and operational in February 2003.

Communications

County residents are served by 19 post offices. Telephone service in the County is provided by Bell Atlantic, AT&T, MCI, Comsat, U.S. 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 has 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

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 Office of Planning.

Income

Median household effective buying income in Dorchester County was \$28,082 and \$29,869 for the years 2001 and 2002, 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 Effective Buying Income
Eastern Shore of Maryland***

	2001	2002
Caroline County	29,716	33,938
Dorchester County	28,082	29,869
Kent County	34,344	33,450
Somerset County	26,965	27,546
Talbot County	38,212	37,959
Wicomico County	34,157	33,782
Worcester County	28,794	34,123

Source: Sales & Marketing Management 2002 and 2003 Survey of Buying Power. (A Bill Publication: September 2002 and 2003 copyrighted)

* Also commonly known as "disposable personal income." Data includes all sources of cash income, less all taxes. Effective buying income also includes income in kind, imputed rentals of owner-occupied homes and imputed value of food raised and consumed on farms.

Comparative statistics relating to the distribution of 2002 effective buying income are presented in the following table:

Distribution	Dorchester County	Maryland
\$20,000—34,999	27.5%	20.8%
35,000—49,999.....	18.4	18.7
50,000 and over.....	23.7	43.9
Median Household Effective Buying Income	\$29,869	\$45,023

Source: Sales and Marketing Management, 2002 Survey of Buying Power. (A Bill Publication: September 2003 copyrighted)

Employment

The chart below shows employment statistics for the County and the State during the most recent five years

Calendar Year	Dorchester County		Maryland	
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate
1998.....	16,081	9.8	2,753,258	4.6
1999.....	15,456	7.3	2,774,718	3.5
2000.....	14,804	7.8	2,804,827	3.9
2001.....	14,836	9.3	2,835,289	4.1
2002.....	15,062	8.5	2,898,267	4.4

Source: Maryland Department of Labor, Licensing and Regulation (5/1/03)

The following table shows Dorchester County's average unemployment rate as compared with other Eastern Shore counties and the State of Maryland for 2002, 2001 and 2000.

	November 2003	November 2002	Annual Average 2002*	Annual Average 2001*	Annual Average 2000*
Maryland.....	4.1%	4.2%	4.4%	4.1%	3.9%
Dorchester County.....	7.5	7.5	8.5	9.3	7.9
Somerset County	6.4	6.3	6.9	7.5	7.6
Talbot County.	4.1	3.0	3.2	3.1	3.1
Wicomico County	4.8	4.5	4.9	5.4	5.0
Worcester County.....	11.3	11.1	8.2	9.9	10.4

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information (1/14/04)

(*) Annual average unemployment rates have been rounded.

The following table provides the distribution of employment by employer classifications for 2002.

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

	4th Quarter 2002		1st Quarter 2003		2nd Quarter 2003	
	Employees	%⁽²⁾	Employees	%⁽²⁾	Employees	%⁽²⁾
Federal Government	129	1.13	134	1.22	133	1.16
State Government	864	7.58	841	7.66	848	7.38
Local Government	1,287	11.29	1,275	11.61	1,311	11.41
Natural Resources and Mining	216	1.90	254	2.31	273	2.38
Construction	573	5.03	502	4.57	534	4.65
Manufacturing	2,957	25.95	2,662	24.24	2,775	24.17
Trade, Transportation, and Utilities	2,048	17.97	1,903	17.33	1,978	17.23
Information	74	0.65	74	0.67	78	0.68
Financial Activities	324	2.84	339	3.09	358	3.12
Professional and Business Services	341	2.99	360	3.28	371	3.23
Education and Health Services	1,518	13.32	1,512	13.77	1,541	13.42
Leisure and Hospitality	692	6.07	762	6.94	929	8.09
Other Services	374	3.28	365	3.32	356	3.10
	<u>11,395</u>	<u>100.00</u>	<u>10,984</u>	<u>100.00</u>	<u>11,483</u>	<u>100.00</u>

Source: Maryland Department of Labor, Licensing and Regulation, Office of Labor Market Analysis and Information (1/14/04).

(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.

(2) Numbers may not add due to rounding

The following table is a list of selected employers within the County as of January 2004.

Firm	Product	Employment
Allen Family Foods	Poultry processing	600
Hyatt Regency Chesapeake Bay Golf Resort	Conference center	500
Icelandic USA, Inc.	Seafood processing	437
Dorchester General Hospital	Health care	379
Cambridge International	Conveyor belts	252
Airpax Corp., LLC	Electronic circuit breakers	195
Mail-Well Graphics	Miscellaneous printing	175
Bloch & Guggenheimer (B&G), Inc.	Picking processing	125
Interstate Corrpac, Inc.	Corrugated boxes	120
Hi-Tech Plastics, Inc.	Custom injection moulding	100

Source: Dorchester County Economic Development Office

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.

Dorchester County, through the One Maryland Program, is building a 30,000 square foot flex building on nine acres in the Chesapeake Industrial Park in Cambridge, which will be completed early in 2004. Water, sewer and natural gas are on site. This state-of-the-art building will appeal to high technology manufacturing.

Dorchester County is planning a new 100+ acre technology park near Cambridge through the One Maryland Program. This park is in the early planning stages. The location will offer outstanding opportunities for high technology, research and development, as well as manufacturing operations.

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 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, 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. In the past year, it has attracted 85,000 visitors and the resort is expecting an increase in conventions and visitors in the upcoming year. The resort has approximately 500 employees.

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 assistant programs with the Maryland State Department of Business and Economic Development. MEDCO is also the developer and owner of the destination hotel/meeting and golfing facility known as the Rocky Gap Lodge and Golf Resort located in the Rocky Gap State Park approximately 5 miles east of Cumberland in Allegany County, Maryland. An independent third-party manager operates the Rocky Gap facility.

According to hospitality consulting services, HVS International, who 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 is draws business from two primary market sections, leisure travelers and groups.

Agriculture

Agriculture is a major industry in the County. Approximately 122,928 of Dorchester County's 379,904 acres are farmland. There are a total of 297 farms in the County. Their farms average 414 acres in size. In 1997, total agricultural income within the County was approximately \$82,391,000. Major components of farm income was derived from sales of livestock and poultry \$47,903,000, and field crops and vegetables \$20,438,000. Average net cash return per farm in 1997 (1997 Agricultural Census) was \$35,586. Total farm production expenses were \$69,980, with \$234,833 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
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
1998.....	111	9,016,847	677	7,108,693	788	16,125,540
1997.....	133	9,786,515	610	5,930,645	743	15,717,160
1996.....	104	6,551,067	568	6,994,514	672	13,545,581
1995.....	193	11,322,356	652	6,866,094	845	18,188,450
1994.....	146	8,966,344	637	4,602,476	783	13,568,820
1993.....	102	8,575,911	571	5,613,684	673	14,189,595
1992.....	96	7,745,563	527	7,444,452	623	15,190,015
1991.....	82	5,850,726	584	7,233,674	666	13,084,400
1990.....	117	9,273,254	546	8,195,955	663	17,469,200

Source: Dorchester County Planning and Zoning.

* Totals are computed on a calendar year basis with the exception of 1991, which are actual through October 1991 of that year.

Housing

The number of housing starts for the past ten years is listed below:

Year Ended December 31	Single Family (one and two-family structures)
2003.....	192
2002.....	176
2001.....	120
2000.....	104
1999.....	124
1998.....	111
1997.....	133
1996.....	104
1995.....	193
1994.....	146
1993.....	102
1992.....	96
1991*.....	82
1990.....	117

* Totals are computed on a calendar year basis with the exception of 1991, which are actual through October 1991 of that year.

V. Financial Information

General

The County's principal source of revenues is Property, Income and Other Local taxes, which comprised approximately 73.13% of General Fund revenues in fiscal year 2003. In 2004, these taxes are projected to comprise 72.90% 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.

2004 and 2003 Dorchester County Budget

The County Council has adopted a General Fund budget of \$37,925,730 for fiscal year 2004, a decrease of \$652,163 or 1.69% under the prior year's budget. The following table shows a summary of budgeted revenues and expenditures for fiscal year 2004 compared to the Adopted 2003 Fiscal Year General Fund Budget. Based upon a review by the County of available information through the end of January 2004, the County believes its results for fiscal year 2004 will be consistent with its budget for the current fiscal year.

Adopted General Fund Budget Fiscal Years 2004 and 2003

	<u>Fiscal Year</u> <u>2004</u>	<u>Fiscal Year</u> <u>2003</u>
REVENUES		
Property Tax	17,771,347	\$16,152,162
Income Tax	7,600,000	8,099,611
Other Local Taxes	2,275,000	2,000,000
Other Taxes and Intergovernmental	5,896,776	6,802,385
Service Charges, Licenses & Permits	2,451,620	2,144,426
Fines and Forfeitures	12,000	12,000
Miscellaneous & Transfers In	1,918,987	3,367,309
Total Revenues	<u>37,925,730</u>	<u>\$38,577,893</u>
EXPENDITURES		
General Government	\$2,513,167	\$2,608,971
Public Safety and Corrections	6,285,202	6,237,476
Public Works	3,232,542	4,126,878
Health	916,456	951,554
Social Services	303,520	299,209
Education	16,014,671	16,081,174
Library and Recreation	801,995	884,062
Conservation of Natural Resources	332,379	328,259
Economic Opportunity	329,856	406,681
Debt Service	3,247,815	3,326,492
Grants to Municipalities	80,544	80,544
Miscellaneous & Transfers Out	3,867,583	3,246,593
Total Expenditures	<u>\$37,925,730</u>	<u>\$38,577,893</u>

COUNTY COMMISSIONERS OF DORCHESTER COUNTY
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND ENCUMBRANCES AND
CHANGES IN FUND BALANCE
FISCAL YEARS ENDING JUNE 30

	1999	2000	2001	2002	2003
REVENUES					
Taxes	\$22,832,104	\$23,457,524	\$25,380,380	\$25,678,283	\$26,771,695
Licenses	218,379	255,518	248,962	263,750	303,276
Intergovernmental	7,080,897	7,471,764	6,551,451	6,660,150	6,283,616
Service charges for current services	1,767,931	1,616,452	1,231,345	1,715,000	2,428,165
Fines and forfeitures	40,940	39,001	22,643	26,066	80,996
Miscellaneous	773,624	915,116	808,906	683,325	741,531
Total Revenues	\$32,713,875	\$33,755,375	\$34,243,687	\$35,026,573	\$36,609,279
EXPENDITURES					
General government	\$1,825,020	\$1,947,567	\$1,814,898	\$1,942,258	\$2,219,650
Public safety	5,013,929	5,262,523	5,346,391	5,935,977	6,531,061
Public works	3,151,688	4,574,557	4,170,723	3,576,787	3,624,729
Social Services	1,263,243	666,478	259,843	219,331	261,978
Education	—	—	—	—	16,510,003
Recreation and culture	434,845	447,065	533,689	546,863	521,606
Conservation of nature resources	252,980	272,501	182,901	212,152	222,554
Economic opportunity	727,741	695,100	441,048	347,657	315,009
Intergovernmental	14,898,173	16,054,789	16,706,598	16,542,849	963,136
Miscellaneous	1,882,413	1,357,008	1,355,905	1,898,163	1,889,673
Total Expenditures	\$29,450,032	\$31,277,588	\$30,811,996	\$31,222,036	\$33,089,399
Excess of revenues over expenditures	\$3,263,843	\$2,477,787	\$3,431,691	\$3,804,537	\$3,519,880
OTHER FINANCING SOURCES (USES)					
Operating transfers, net	(2,693,233)	(2,418,186)	(3,554,301)	(4,277,127)	(4,116,902)
Total other financing sources (uses)	(2,639,091)	(2,418,186)	(3,554,301)	(4,277,127)	(4,116,902)
Excess of revenues and other sources over (under) expenditures and other uses	624,752	59,601	(122,610)	(472,590)	(597,022)
Prior year's Fund balances as of ⁷ / ₁	5,038,775	5,669,667	\$5,729,268	\$5,497,890	\$5,174,653
Fund balances by ⁶ / ₃₀	<u>\$5,663,527</u>	<u>\$5,729,268</u>	<u>\$5,606,658</u>	<u>\$5,025,300</u>	<u>\$4,577,631</u>
Unreserved Fund Balance	\$5,553,428	\$5,636,011	\$5,487,235	\$4,964,183	\$4,498,790
Unreserved Fund Balance					
As a Percentage of Revenues	17.0%	16.7%	16.0%	14.2%	12.3%
As a Percentage of Expenditures	18.9%	18.0%	17.8%	15.9%	13.6%
Unreserved Undesignated Fund Balance	\$2,430,557	\$2,031,868	\$1,867,365	\$1,075,562	\$927,964
As a Percentage of Revenues	7.4%	6.0%	5.5%	3.1%	2.5%
As a Percentage of Expenditures	8.3%	6.5%	6.1%	3.4%	2.8%
Unreserved Undesignated Fund Balance and Special Fund Balance (1)	\$3,880,380	\$3,611,276	\$3,603,522	\$2,865,911	\$2,342,228
As a Percentage of Revenues	11.9%	10.7%	10.5%	8.2%	6.4%
As a Percentage of Expenditures	13.2%	11.5%	11.7%	9.2%	7.1%

Source: Audited financial statements of Dorchester County.

These financial statements should be read in conjunction with the auditor's report, other financial statements and notes to financial statements appearing elsewhere herein.

- (1) A Special Revenue Fund and Reserve Fund was established on December 10th, 1996, under Resolution 248, for the express purpose of establishing a contingency and emergency reserve. At that time, \$1,273,421 was transferred from the General Fund, Fund Balance to the Reserve Fund within the Special Revenue Fund. As of June 30, 2003 the reserves in the Special Reserve Fund was \$1,414,264.

DORCHESTER COUNTY, MARYLAND
BALANCE SHEET—GENERAL FUND
FISCAL YEARS ENDING JUNE 30

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Cash and investments	\$5,041,562	\$5,512,778	\$4,644,364	\$4,116,277	\$3,428,715
Taxes receivable—State and Local.....	2,396,086	2,229,006	2,096,271	2,132,062	2,175,942
Receivables—Federal government.....	171,713	500,003	239,095	389,569	297,748
Accounts receivable—State of Maryland.....	1,649,485	1,514,708	1,866,297	2,254,840	1,696,595
Accounts receivable—Local	---	---	---	---	204,705
Accounts—net	176,840	119,566	97,395	297,582	---
Unredeemed property—tax sale.....	46,518	46,518	46,518	46,518	---
Interfund.....	2,663,537	915,502	1,473,743	548,381	1,804,145
Advances—Sanitary District.....	100,000	---	---	---	---
Prepaid Expenditures.....	65,918	55,815	81,952	52,696	48,200
Deposit—State Accident Fund.....	---	26,013	19,988	19,574	---
Other.....	---	---	---	---	77,159
Total assets.....	<u>\$12,311,659</u>	<u>\$10,919,909</u>	<u>\$10,565,623</u>	<u>\$9,857,499</u>	<u>\$9,733,209</u>
LIABILITIES:					
Accounts payable and accrued expenses	\$480,027	\$450,370	\$173,447	\$501,487	\$469,709
Accrued vacation and severance pay	126,947	137,861	131,056	246,096	---
Amount due State of Maryland.....	148,563	126,185	147,720	187,920	220,912
Amount due taxpayers—Tax sale proceeds	65,936	51,701	68,906	96,599	98,593
Interfund payables	3,008,914	2,227,583	2,477,743	1,704,089	2,264,891
Deferred income	2,792,288	2,149,006	1,921,934	2,066,425	2,070,275
Due to Other Governments	13,557	22,145	20,609	7,860	9,475
Confiscated drug funds.....	11,900	25,790	17,550	21,723	21,723
Total liabilities	<u>\$6,648,132</u>	<u>\$5,190,641</u>	<u>\$4,958,965</u>	<u>\$4,832,199</u>	<u>\$5,155,578</u>
FUND EQUITY					
Fund balances:					
Reserved for recreation use.....	\$41,306	\$37,442	\$37,471	\$3,085	---
Reserved for encumbrances.....	5,026	---	---	---	---
Reserved for prepaid expenditures	63,767	55,815	81,952	58,032	48,200
Reserved for worker's compensation deposit	---	---	---	---	30,641
Unreserved:					
Designated for other.....	460,970	1,058,586	1,588,002	2,021,256	2,574,105
Subsequent years expenditures.....	2,661,901	2,545,557	2,031,868	1,867,365	1,075,562
Undesignated.....	2,430,557	2,031,868	1,867,365	1,075,562	927,964
Total fund equity	<u>\$5,663,527</u>	<u>\$5,729,268</u>	<u>\$5,606,658</u>	<u>5,025,300</u>	<u>4,577,631</u>
Total liabilities and fund equity	<u>\$12,311,659</u>	<u>\$10,919,909</u>	<u>\$10,565,623</u>	<u>\$9,857,499</u>	<u>\$9,733,209</u>

Source: Audited financial statement of Dorchester County.

SCHEDULE OF REVENUES AND EXPENDITURES COMPARED TO BUDGET
County Commissioners of Dorchester County, Maryland
General Fund Fiscal Years Ending June 30

	2003		2002		2001		2000	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:								
Taxes	\$26,253,773	\$26,253,773	\$25,678,283	\$24,488,599	\$25,380,380	\$23,624,113	\$23,457,524	\$22,863,395
Licenses/Permits	87,880	238,067	263,750	239,400	248,962	262,940	255,518	248,127
Intergovernmental	6,283,616	6,534,385	6,660,150	6,640,294	6,551,451	6,440,854	7,471,764	6,161,690
Service Charges	2,428,165	1,913,443	1,715,000	1,190,660	1,231,345	1,253,718	1,616,452	1,557,655
Fines	80,996	12,000	26,066	10,000	22,643	10,000	39,001	52,100
Miscellaneous	741,531	801,239	683,325	690,588	808,906	672,388	915,116	661,788
<i>Total Revenue</i>	<u>\$36,609,279</u>	<u>\$35,752,907</u>	<u>\$35,026,573</u>	<u>\$33,259,541</u>	<u>\$34,243,687</u>	<u>\$32,264,013</u>	<u>\$33,755,375</u>	<u>\$31,544,755</u>
Expenditures & Other								
General Government	\$ 2,219,650	\$ 2,281,785	\$ 1,942,258	\$ 1,999,463	\$ 1,814,898	\$ 1,965,464	\$ 1,947,567	\$ 1,937,170
Public Safety	6,531,061	6,239,768	5,935,977	5,613,143	5,346,391	5,325,882	5,262,523	5,488,936
Public Works	3,624,729	4,479,069	3,576,786	3,942,302	4,170,723	4,233,043	4,574,557	4,586,893
Social Services	261,978	296,022	219,331	264,129	259,843	249,575	666,478	231,575
Education	16,540,003	16,540,003	-	-	-	-	-	-
Recreation	521,606	536,771	546,863	569,754	533,689	527,646	447,065	449,627
Conservation of Natural Resources	222,554	216,721	212,152	193,850	182,901	205,582	272,501	288,540
Economic Development	315,009	330,146	347,657	350,755	441,048	378,234	695,100	697,551
Intergovernmental	963,136	1,032,098	16,542,849	16,513,704	16,706,598	16,712,778	16,054,789	15,985,529
Miscellaneous	1,889,673	2,109,251	1,898,163	1,899,684	1,355,905	2,009,971	1,357,008	1,935,542
<i>Total Expenditures</i>	<u>\$33,089,399</u>	<u>\$34,061,634</u>	<u>\$31,222,036</u>	<u>\$31,346,784</u>	<u>\$30,811,996</u>	<u>\$31,608,175</u>	<u>\$31,277,588</u>	<u>\$31,601,363</u>
Excess of revenues & other sources over (under) expenditures	\$3,519,880	\$1,691,273	\$3,804,537	\$1,912,757	\$ 3,431,691	\$ 655,838	\$ 2,477,787	\$ (56,608)
Other Financing Uses								
Operating Transfers	(4,116,902)	(1,255,051)	(4,277,127)	(4,138,725)	(3,554,301)	(3,271,729)	(2,418,186)	(2,387,301)
Excess (deficiency) of expenditures and other financing uses over revenues	(597,022)	436,222	(472,590)	(2,225,968)	(122,610)	(2,615,891)	59,601	(2,443,909)

Taxes

Ad valorem property taxes, the County's largest source of tax revenue, have decreased as a percentage of total tax revenues from 67.5% in fiscal year 1992 to 61.0% in fiscal year 2003. During the same period, income tax revenues as a percentage of all tax revenues have decreased slightly, from about 29.3% of total tax revenues in fiscal year 1992 to about 28.7% in fiscal year 2003. The following table presents the County's tax revenues by source for each of the last ten 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**
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	14,747,215	8,515,646	4,239	2,113,280
2000	23,457,524	14,449,417	7,067,239	2,253	1,938,615
1999	22,832,104	14,223,665	6,802,313	24,604	1,781,522
1998	22,450,186	14,071,193	6,621,326	330,004	1,427,663
1997	21,362,868	14,022,830	7,330,328	9,710	—
1996	20,823,070	13,865,160	6,954,398	3,512	—
1995	20,201,044	13,485,881	5,648,029	1,501	1,065,633
1994	19,284,277	13,189,674	5,206,317	8,065	880,221

Source: Audited Financial Statements of Dorchester County.

* 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.

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.

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. Beginning July 1, 2000 all real property taxes on owner-occupied residential real property will be billed semiannually. 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 six 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 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	2003 (1)	2002 (1)	2001	2000	1999	1998
Real Property	\$1,590,644,135	\$1,434,842,688	\$548,731,199	\$518,555,820	\$503,981,000	\$488,362,000
Personal Property:						
Individual.....	5,578,700	5,295,190	5,481,710	5,346,270	4,500,000	4,451,000
Railroads & Public						
Utilities.....	89,757,730	79,716,970	91,508,040	96,877,820	99,500,000	98,000,000
Business						
Corporations	55,176,890	60,860,280	45,078,330	70,784,590	71,000,000	65,200,000
Total Assessable Base	<u>\$1,741,157,455</u>	<u>\$1,580,715,128</u>	<u>\$690,799,279</u>	<u>\$691,564,500</u>	<u>\$678,981,000</u>	<u>\$656,013,000</u>
Total Market Value.....	<u>\$1,741,008,200</u>	<u>\$1,565,336,960</u>	<u>\$1,468,231,260</u>	<u>\$1,314,002,550</u>	<u>\$1,278,057,290</u>	<u>\$1,237,608,760</u>
County Tax Rate (per						
\$100 assessed value)..	\$2.330	\$2.200	\$2.200	\$2.175	\$2.195	\$2.195
State Tax Rate (per						
\$100 assessed value).....	\$0.330	\$0.210	\$0.210	\$0.210	\$0.210	\$0.210

Source: Maryland State Department of Assessments and Taxation

(1) Effective fiscal year 2002, the assessed value of real property is calculated at 100% of the market value.

County taxes are due and payable as of July 1. Beginning October 1, an interest penalty of 1% per month is charged for each month or fraction thereof until paid and a 1% penalty is added after January 1. Delinquent taxes are collected, after two years of delinquency, by tax sales conducted by the County Treasurer. Historically, the County has conducted tax sales on an annual basis.

Assessment and Market Value Trend

Fiscal Year	Assessed	Percent	Market
Ending	Value	Increase	Value
		(Decrease)	
2003 (1).....	\$1,741,157,455		\$1,741,008,200
2002 (1).....	1,580,715,128	128.82	1,565,336,960
2001.....	690,799,279	(0.11)	1,468,231,260
2000.....	691,564,500	1.95	1,314,002,550
1999.....	678,981,000	3.50	1,278,057,290
1998.....	656,013,000	2.57	1,287,608,760
1997.....	640,216,200	2.69	1,208,029,990
1996.....	624,012,000	2.90	1,204,469,360
1995.....	606,590,000	2.50	1,169,281,139
1994.....	592,063,700	5.50	1,133,268,034
1993.....	561,148,470	9.70	1,076,433,120
1992.....	511,741,615	1.10	1,015,309,975
1991.....	506,054,640	12.10	1,015,309,973

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

(1) Effective fiscal year 2002, the assessed value of real property is calculated at 100% of the market value.

FINANCIAL INFORMATION

The following table sets forth certain pertinent information with respect to the County's tax levies and tax collections for each of its most recent fiscal years.

Year Ending June 30,	Taxes Levied	Current Collections	Percentage Collected	Total Collections	Percentage Collected	Accumulated Delinquent Taxes	Accumulated Delinquent Taxes as % of Current Year's Tax Levy
2003.....	\$16,334,583	\$14,901,248	91.23%	\$16,032,922	98.15%	\$2,056,347	12.59%
2002.....	15,437,365	13,870,518	89.85	15,072,356	97.64	2,018,960	13.08
2001.....	15,233,854	14,048,995	92.22	14,777,404	97.00	1,976,964	12.98
2000.....	15,041,528	13,761,669	91.49	14,910,705	99.13	2,113,730	14.05
1999.....	14,903,633	13,340,157	90.01	14,381,340	96.00	2,344,984	15.73
1998.....	14,399,485	12,966,983	90.05	13,928,570	97.00	1,822,691	12.71
1997.....	14,148,778	13,209,922	93.46	14,205,486	100.00	1,351,776	9.55
1996.....	13,972,000	12,919,059	92.56	13,991,191	100.00	1,408,484	10.10
1995.....	13,631,816	12,536,471	91.16	13,485,881	98.92	1,427,745	10.47
1994.....	13,337,669	12,163,698	91.20	13,220,407	99.10	1,360,798	10.20
1993.....	12,746,264	11,635,138	90.60	12,873,245	101.00	1,307,237	10.26
1992.....	11,921,889	10,669,472	89.60	11,697,688	97.30	1,636,001	12.88
1991.....	10,774,381	9,937,742	92.10	11,336,407	105.22	1,126,964	10.46
1990.....	10,061,785	9,042,504	90.00	9,764,031	97.00	1,524,848	15.20
1989.....	9,507,994	8,769,243	92.00	9,481,944	99.70	1,105,832	11.60
1988.....	8,912,448	8,205,604	92.00	8,964,205	100.50	1,042,396	11.70

Source: Audited Financial Statements of Dorchester County.

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

Name of Taxpayer	Assessed Valuation June 30, 2002
Delmarva Power and Light Co.	\$64,083,812
Chesapeake & Potomac Telephone	19,974,660
Interstate Corrpac, Inc.	12,036,513
Choptank Electric Coop., Inc	9,174,940
Wal-Mart Stores East LP.....	7,544,170
Airpax Acquisition	6,941,903
Icelandic USA, Inc.	4,786,920
MWB Acquisition/Cambridge Wire Cloth	4,390,630
Mushroom Canning Co.	2,533,400
Regina USA.....	2,322,970

Source: Dorchester County Treasurer's Office.

Income Tax

The State imposes an income tax on the adjusted gross income of individuals for Federal income tax purposes, subject to certain adjustments. The rate of tax is 2% on the first \$1,000 of taxable income, 3% on the second \$1,000, 4% on the third \$1,000 and 4.75% on taxable income in excess of \$3,000. 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

The County is not subject to any limitation on the amount of direct general obligation indebtedness, but the incurring of direct bonded indebtedness by the County must be authorized by the General Assembly of Maryland.

The following table sets forth the amount of the County's direct and contingent debt.

**STATEMENT OF DIRECT AND CONTINGENT BONDED
DEBT ISSUED AND OUTSTANDING
As of June 30, 2003⁽¹⁾**

	<u>Date of Issue</u>	<u>Issued</u>	<u>Principal Outstanding 6/30/02</u>
BOES-ESHC Site Loan	1997	445,211	\$ 237,233 ⁽²⁾
State Department of Natural Resources Loans.....	various	—	512,570
State of Maryland Industrial Land Act Loan.....	1988	502,100	366,134
State of Maryland Industrial Land Act Loan.....	1988	568,000	384,317
State of Maryland Drinking Water Revolving Fund ⁽³⁾	—	52,778	39,066
State of Maryland Water Quality Loan Act of 1974 ⁽³⁾	—	161,570	113,813
State of Maryland Water Quality Loan Act of 1983 ⁽³⁾	—	240,650	194,898
State of Maryland Community Development Administration Infrastructure Bonds, Series A.....	1991	995,900	291,074
County Transportation Revenue Bonds.....	1993	1,494,876	175,421
County Commissioners of Queen Ann's County Loan (Chesapeake College Economic Development Center).....	—	220,000	152,900
Dorchester Co. Public Facilities Bonds	1995	6,600,000	4,720,000
Dorchester County Public Facilities and Refunding Bonds	1996	9,000,000	5,495,000
State of Maryland Industrial Land Act Loan.....	1996	1,100,000	812,339
State of Maryland Industrial Land Act Loan.....	1997	694,900	534,123
State of Maryland Industrial Land Act Loan.....	1998	350,000	292,394
Dorchester Co. Public School Improvement Bonds	2000	3,200,000	2,745,000
Dorchester Co. Public School Improvement Bonds	2002	7,000,000	7,000,000
	2004		
Total.....		\$23,870,985	\$24,066,282

Source: Audited financial statements of Dorchester County for the year ended June 30, 2003 and information from Dorchester County Finance Office.

- (1) Excluded from this debt statement is \$1,000,000 loan for a Health Department building that was executed on September 13, 1999 and \$9,430,000 Consolidated General Improvement and Refunding Bonds Series, 2004 (this issue).
- (2) As of March 15, 2004
- (3) This debt is bonded indebtedness of Dorchester County Sanitary District No. 1, the payment of principal of and interest on which is to be made first from certain charges that the Sanitary District is authorized to levy but which payment is also unconditionally guaranteed by the County on its full faith and credit

Schedule of Debt Service Requirements on County Debt

The following table sets forth the debt service requirements for the County's direct and indirect general obligation bonded debt as of June 30, 2003.

Dorchester County, Maryland
Schedule of Debt Service Requirement for Long-Term Obligations⁽¹⁾⁽²⁾
As of June 30, 2003
Excluding the Issuance of the 2004 Bonds (This Issue)

June 30	General County Public Facilities Bonds and Loans ⁽³⁾		Sanitary District State of Maryland Water Quality Loan Act ⁽⁴⁾		State of Maryland Industrial Land Act ⁽⁵⁾		Public School Capital Improvement Bonds of 2002				Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	1,327,773	564,427	15,032	22,511	132,291	135,493	170,000	139,897	335,000	269,035	1,645,096	1,131,363
2005	1,401,684	499,216	15,948	21,596	403,628	117,367	180,000	131,823	355,000	257,310	2,001,260	1,027,312
2006	1,474,743	429,068	16,924	20,620	132,437	106,471	190,000	122,822	370,000	244,885	1,814,104	923,866
2007	1,434,087	354,211	17,964	19,580	140,139	98,772	200,000	113,322	390,000	231,935	1,792,190	817,820
2008	1,493,740	278,771	19,073	18,471	148,297	90,613	210,000	103,323	410,000	217,310	1,871,110	708,488
2009	624,622	224,721	20,255	17,289	156,944	81,967	220,000	92,822	435,000	201,935	1,021,821	618,734
2010	660,722	190,947	21,516	16,028	166,107	72,803	230,000	81,548	455,000	184,535	1,078,345	545,861
2011	691,822	154,905	22,861	14,683	175,820	63,090	240,000	69,760	480,000	166,335	1,130,503	468,773
2012	518,258	122,233	24,296	13,248	511,148	40,295	255,000	57,460	505,000	147,135	1,278,366	380,371
2013	515,504	94,065	25,320	11,717	127,969	28,021	270,000	44,200	530,000	126,935	937,005	304,938
2014	538,397	64,001	20,740	10,099	134,407	19,796	280,000	30,160	560,000	105,205	973,544	229,261
2015	549,697	32,835	22,158	8,626	143,171	11,031	300,000	15,600	585,000	81,685	1,015,026	149,777
2016	14,697	-	16,889	7,052	67,675	1,895	-	-	620,000	56,530	99,261	65,477
2017	14,697	-	18,016	5,926	-	-	-	-	650,000	29,250	32,713	35,176
2018	14,697	-	19,218	4,723	-	-	-	-	-	-	33,915	4,723
2019	14,697	-	20,500	3,441	-	-	-	-	-	-	35,197	3,441
2020	9,917	-	21,868	2,073	-	-	-	-	-	-	31,785	2,073
2021	5,516	-	9,202	614	-	-	-	-	-	-	14,718	614
Total	\$11,305,270	\$3,009,400	\$347,780	\$218,297	\$2,440,033	\$867,614	\$2,745,000	\$1,002,737	\$6,680,000	\$2,320,020	\$23,838,083	\$7,418,068

Source: Audited financial statements of Dorchester County for the year ended June 30, 2003 and information from Dorchester County Finance Office.

- (1) This table does not include highway construction loans from the State of Maryland to the County which do not impose a requirement on the County to levy taxes for their repayment but are repaid from highway user taxes and fees collected by the State which would otherwise be remitted to the County. Also excluded is a County \$1,000,000 loan for a new Health Department Building, which occurred in September 1999. The Loan is payable in quarterly installments over the next 10 years. Queen Anne's County Loan (final payment 2020) and BOES-ESHC Site Loan are also not included.
- (2) Numbers may not add due to rounding
- (3) The debt service payments include General Obligation Public Facilities Bonds, State Shore Erosion Control Loan, CDA Infrastructure, Bank Loan, and Queen Anne's County Loan (final payment 2013).
- (4) This debt is bonded indebtedness of Dorchester County Sanitary District No. 1, the payment of the principal of and interest on which is to be made first from certain charges that the Sanitary District is authorized to levy but which payment is also unconditionally guaranteed by the County on its full faith and credit. These bonds are supported in full by District revenues.
- (5) MILA loans are repaid in full from lease payments made to the County and are therefore considered self-supporting debt.

DEBT INFORMATION

The schedule below presents (i) the County's gross and net bonded debt as of June 30, 2003; (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 6/30/03)*:	
General Fund Debt	\$ 23,099,773
Sanitary District Debt.....	347,777
MILA Loans	2,389,307
Gross Bonded Indebtedness.....	\$ 25,836,857
II. LESS: SELF SUPPORTING DEBT	
Sanitary District.....	\$ 347,777
MILA Loans	2,389,307
Net Direct Debt.....	\$ 23,099,773
III. UNDERLYING DEBT (as of 6/30/03)**	\$ 12,159,833
IV. TOTAL OVERALL NET DEBT.....	\$ 35,259,606

Source: Dorchester County, Maryland General Assembly's Department of Legislative Services, City of Cambridge Treasurer's Office and the Town of Hurlock's Financial Statements (6/30/03)

* Excludes Capital Lease and Highway Revenue Bonds

** Excludes \$3,356,896 City of Cambridge Water System and Sewer debt, which is self-supporting and \$687,573 Town of Hurlock Water System debt, which is also self-supporting.

**Dorchester County, Maryland
Debt Per Capita and Ratio of Debt to Assessed and Estimated Market Values**

Per capita: (Population 30,674)	
Gross Debt*	\$842
Direct Net Debt.....	\$753
Overall Net Debt.....	\$1,149
Assessed Value as a percent of:	
(Assessed value of \$1,741,157,455—Fiscal Year 2003)	
Gross Debt	1.48%
Net Direct Debt.....	1.33%
Overall Net Debt.....	2.03%
Estimated Market Value as a percent of:	
(Estimated Market Value \$1,741,008,200—Fiscal Year 2003)	
Gross Debt	1.48%
Direct Net Debt.....	1.33%
Overall Net Debt.....	2.03%

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 (6/30/03)

* Excludes a Capital Lease, Highway Revenue Bonds and Bank Loan

Bonded Indebtedness of Incorporated Municipality

The City of Cambridge and the Town of Hurlock are two of the incorporated municipalities in the County, which 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, 2003
Cambridge - General (Net Direct)*	11,012,915
Hurlock - General (Net Direct)*	<u>1,146,918</u>
	<u>\$ 12,159,833</u>

Source: Maryland General Assembly's Department of Legislative Services and City of Cambridge Treasurer's Office, Town of Hurlock's Financial Statements (6/30/03)

* Excludes \$195,000 City of Cambridge Water System and Sewer debt, which is self-supporting and \$748,299 Town of Hurlock Water System debt, which is also self-supporting.

Future Plans to Issue County Debt

The County does not intend to incur additional general obligation bond debt after the issuance of the Bonds within the current fiscal year.

VI. Miscellaneous

Litigation

A claim has been filed against the County by a landowner alleging inverse condemnation and that a now closed County landfill is a nuisance, which prevented him from selling his land for residential development. He seeks injunctive relief and a total of \$750,000 in damages. 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, currently in the Circuit Court for Dorchester County, Maryland, cannot be predicted with certainty, although a plan to resolve the case by the County agreeing to do abatement work is likely to be adopted. 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 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 the ratings may be changed at any time and that no assurance can be given that it will not be revised downward or withdrawn by the rating agencies if, in their 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 the rating could have an adverse effect on market prices for the Bonds.

Verification of Mathematical Computations

The Arbitrage Group, Inc., a firm of independent arbitrage agents, will deliver to the County its attestation report indicating that it has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the mathematical accuracy of computations prepared by Public Advisory Consultants, Incorporated relating to the sufficiency of the anticipated receipts from the Government Obligations, together with the initial cash deposit, if any, to pay, when due, the principal, interest and redemption premium requirements of the Refunded Bonds.

The report of The Arbitrage Group, Inc. will include the statement that the scope of their engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to them and that they have no obligations to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

Sale at Competitive Bidding

The Bonds were offered by the County at a competitive bidding on April 1, 2004 in accordance with the Official Notice of Sale (the form of which is attached as Appendix C). The interest rates shown on the 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 cover page of this Official Statement were furnished by the successful bidders for the Bonds. All other information concerning the nature and terms of any re-offering should be obtained from the successful bidders for the Bonds and not from the County.

Continuing Disclosure

In order to enable participating underwriters (as defined in SEC Rule 15c2-12) to comply with the requirements of paragraph (b)(5) of SEC Rule 15c2-12, the County will execute and deliver a continuing disclosure agreement (the "Continuing Disclosure Agreement") on or before the date of issuance and delivery of the Bonds. Pursuant to the Continuing Disclosure Agreement, among other things, the County will agree to provide (i) to each nationally recognized municipal securities information repository ("NRMSIR") and to the state information depository, if any, established for Maryland (the "SID"), (A) annual financial information and operating data regarding (1) General Fund Statement of Revenues, Expenditures and Encumbrances and all changes in Fund Balance, (2) Schedule of Revenue and

Expenditures Compared to Budget, (3) Statement of Direct and Contingent Bonded Debt, and (4) Summary of Gross Direct and Overall Net Bonded Debt and (B) annual audited financial statements for 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, 2003, unless the audited financial statements are available on or before such date, in which event said financial statements will be provided promptly when and if available; (ii) in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and to the SID, if any, notice of the occurrence with respect to the Bonds of any of the Reportable Events (defined below); and (iii) in a timely manner, to each NRMSIR or to the MSRB and to the SID, if any, notice of a failure by the County to provide the required annual financial information and operating data within the applicable time periods specified in clauses (i)(A) and (i)(B) above. Reportable Events shall be defined as (i) principal and interest payment delinquencies; (ii) nonpayment 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. The definition of Reportable Events is intended to completely restate the events specified in SEC Rule 15c2-12(b)(5)(i)(B). It is noted that certain Reportable Events are expected to have no applicability to the Bonds, such as the possibility of unscheduled draws on debt service reserves and matters affecting collateral for the Bonds.

The County reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the County no longer remains an obligated person with respect to the Bonds within the meaning of SEC Rule 15c2-12. The Continuing Disclosure Agreement will provide that the County may provide further or additional assurances that will become part of the County's obligations under the Continuing Disclosure Agreement. In addition, the Continuing 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 Continuing Disclosure Agreement, as amended, would have complied with the requirements of SEC Rule 15c2-12(b)(5) at the time of the issuance of the Bonds, after taking into account any amendments or interpretations of this 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 either by counsel selected by the County that is expert in federal securities law matters, or by an approving vote of the holders of 25% of the outstanding aggregate principal amount of Bonds. The reasons for the County agreeing to provide any further or additional assurances or 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 additional or amended operating data or financial information.

The Continuing Disclosure Agreement Amendment, and any claim made with respect to the performance by the County of its obligations thereunder, shall be governed by, subject to, and construed according to the laws of the State of Maryland. The County shall be given written notice at the address set forth below of any claimed failure by the County to perform its obligations under the Continuing 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 must be filed in the Circuit Court of Dorchester County, Maryland, and any party maintaining such suit or other proceeding 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 County Administrator to Dorchester County, 501 Court Lane, Cambridge, Maryland 21613. The Continuing 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 the Continuing Disclosure Agreement shall not constitute or give rise to a breach or default under the Bonds.

The foregoing is a summary of certain provisions of the Continuing Disclosure Agreement. It is not a complete recital of the terms of the Continuing Disclosure Agreement, and reference should be made to the Continuing Disclosure Agreement for a complete statement of its terms.

The County has met its previous Continuing Disclosure obligations.

Experts

The financial statements included as Appendix A hereof have been examined by Trice & Geary, independent certified public accountants, to the extent and for the periods stated in their report appearing herein. The financial statements have been included in reliance upon the report of such firm, which report is given upon their authority as experts in auditing and accounting.

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 Council of Dorchester County.

Glenn L. Bramble, President

COUNTY COMMISSIONERS OF
DORCHESTER COUNTY, MARYLAND

FINANCIAL REPORT

JUNE 30, 2003

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INDEPENDENT AUDITORS' REPORT

County Commissioners of
Dorchester County, Maryland
Cambridge, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2003, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Dorchester County, Maryland. 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 financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Dorchester County, Maryland as of June 30, 2003, 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.

As described in Note 2, the County has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* as of June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2004 on our consideration of Dorchester County, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information 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 combining fund statements 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 combining fund statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Trice Heary + Myers LLC

Salisbury, Maryland
January 16, 2004

DORCHESTER COUNTY, MARYLAND MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The management of Dorchester County offers this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the basic financial statements and accompanying Notes to Financial Statements. The new reporting model required by Governmental Accounting Standards Board Statement No. 34 was implemented during fiscal year 2003. The new financial reporting model and the new financial statements associated with it are described in the following narrative as well as in the Notes to Financial Statements. Although fiscal year 2003 financial data was converted for the new financial reporting model, comparative data for fiscal year 2002 was not converted. This discussion will contain comparative analysis in future years when prior year information is available.

FINANCIAL HIGHLIGHTS

The following are key financial highlights for the fiscal year:

- The assets of the County exceeded its liabilities at June 30, 2003 by \$26.9 million (*net assets*). Of this amount, \$9.9 million (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$2 million, a \$0.3 million decrease from governmental funds, and a \$2.3 million increase from business-type activities.
- As of June 30, 2003, the County's governmental funds reported combined ending fund balances of \$13.2 million, a decrease of \$0.8 million from the prior year. Of this amount, \$13 million is available for use at the County's discretion (*unreserved fund balance*).
- At June 30, 2003, unreserved fund balance for the General Fund was \$4.5 million, or 12 percent of total general fund expenditures and transfers out.
- The County's total bonded debt decreased by \$1.9 million or 6 percent during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements are comprised of three components: 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 themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Dorchester County's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of Dorchester County's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Dorchester County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public safety, social services, public works, recreation, natural resources, economic development, tourism and health. The business-type activities of the County include solid waste and aviation.

The government-wide financial statements include not only the County itself, but also the Dorchester County Board of Education and the Dorchester County Sanitary Districts, Inc., legally separate entities for which the County is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on the pages 13 and 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

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

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

Dorchester County maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the capital projects funds (2), the debt service fund, and the reserve fund, which are considered to be major funds. Data for the other two governmental funds are combined into single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general fund, special revenue grants fund, and capital fund. A budgetary comparison statement has been provided for the general fund and other major governmental funds to demonstrate compliance with these budgets.

Proprietary Funds

The County maintains only the enterprise fund type of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its solid waste and aviation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for both proprietary operations, both of which are considered to be major funds of the County.

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information containing budget to actual comparisons for the general and major special revenue funds.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$26.9 million as of June 30, 2003. The largest portion of the County's net assets reflects its investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets still outstanding. These capital assets are used to provide services to citizens; consequently these assets are not available for future spending. It should also be noted that the resources required to repay the related debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Dorchester County's Net Assets

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 18,579,823	\$ 4,209,416	\$ 22,789,239
Capital assets	30,117,406	11,482,042	41,599,448
Total assets	48,697,229	15,691,458	64,388,687
Long-term liabilities outstanding	27,086,794	384,496	27,471,290
Other liabilities	3,494,122	6,526,146	10,020,268
Total liabilities	30,580,916	6,910,642	37,491,558
Net assets:			
Invested in capital assets, net of related debt	4,433,330	11,126,819	15,560,149
Restricted	1,430,045	-	1,430,045
Unrestricted (deficit)	12,252,939	(2,346,003)	9,906,936
Total net assets	\$ 18,116,314	\$ 8,780,816	\$ 26,897,130

An additional portion of the County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the County's ongoing obligations to citizens and creditors. As of June 30, 2003 the County reports positive balances in all three categories of net assets, both for the government as a whole as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities decreased the County's net assets by \$0.3 million. Key elements of this decrease are as follows:

Dorchester County's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 2,428,165	\$ 2,228,003	\$ 4,656,168
Operating grants and contributions	9,624,316	-	9,624,316
Capital grants and contributions	960,726	1,991,290	2,952,016
General revenues:			
Property taxes	14,518,852	-	14,518,852
Other taxes	10,437,114	-	10,437,114
Other	1,671,575	92,589	1,764,164
Total revenues	39,640,748	4,311,882	43,952,630
Expenses:			
General government	2,384,171	-	2,384,171
Public safety	7,500,096	-	7,500,096
Social services	550,067	-	550,067
Public works	4,791,543	-	4,791,543
Miscellaneous	1,952,442	-	1,952,442
Recreation and parks	1,048,355	-	1,048,355
Natural resources	549,787	-	549,787
Economic development	442,901	-	442,901
Interest on debt	1,279,622	-	1,279,622
Education	16,325,425	-	16,325,425
Intergovernmental	2,938,932	-	2,938,932
Aviation	-	563,556	563,556
Solid waste	-	1,608,187	1,608,187
Total expenses	39,763,341	2,171,743	41,935,084
Increase (decrease) in net assets before transfers	(122,593)	2,140,139	2,017,546
Transfers	(227,157)	227,157	-
Increase (decrease) in net assets	(349,750)	2,367,296	2,017,546
Net assets June 30, 2002, as restated	18,466,064	6,413,520	24,879,584
Net assets June 30, 2003	\$ 18,116,314	\$ 8,780,816	\$ 26,897,130

The County's governmental activities had net expenses of \$26.8 million. However, these services are intended to be primarily funded by taxes, as opposed to charges for services and grants, and those taxes and other general revenues were short of net expenses by \$0.1 million.

Business-type activities

The County's business-type activities had net revenue of \$2.3 million, with solid waste reporting an operating income of \$303,327 and aviation reporting an operating loss of \$215,843. Aviation relies upon transfers of other revenues to cover its net expenses. Non-operating revenues of \$2.2 million include federal and state grants, interest income, and the general fund operational subsidy of the Airport.

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 useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of its fiscal year.

At June 30, 2003, the County's governmental funds reported combined ending fund balances of \$13.2 million, a decrease of \$0.6 million from the prior year. Approximately 99% of the combined fund balances (\$13.1 million) constitutes unreserved fund balance, which is available for spending at the government's discretion. However, of this unreserved fund balance, only \$0.9 million remains undesignated, as the County has designated funding to be used for the 2004 budget (\$1.1 million), capital projects (\$1.0 million), highway purposes (\$1.3 million), and other purposes (\$0.2million). The remainder of the balance is reserved to indicate that it is not available for new spending because it has already been committed for prepaid expenditures and workers compensation deposits (\$0.1 million).

The general fund is the chief operating fund of the County. At June 30, 2003, unreserved fund balance of the general fund was \$4.5 million and total general fund balance was \$4.6 million. As a measure of the general fund's liquidity, the total fund balance represents 12 percent of total general fund expenditures and transfers out.

Proprietary Funds

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

Aviation operating revenues declined \$32,702 or 9 percent due to the protracted recovery of air travel following the events of September 11, 2001. Unrestricted net assets of the Aviation fund were a deficit of \$0.9 million at June 30, 2003. Solid waste operating revenues declined \$117,540 or 6% due to general reduction in system usage. Unrestricted net assets of solid waste were a deficit of \$1.4 million, reflecting the impact of landfill closure and post-closure obligations.

BUDGETARY HIGHLIGHTS

Budget and actual comparison schedules are provided in the *Basic Financial Statements* for the General Fund and all major special revenue funds. Budget and actual comparison schedules are also provided in the *Combining and Individual Fund Statements and Schedules* for all nonmajor funds with annually appropriated budgets as well as for the capital outlay reserve fund. The budget and actual comparison schedules show the original adopted budgets, the final revised budget, actual results, and variance between the final budget and actual results for the general and major special revenue funds. After the original budget is approved, it may be revised for a variety of reasons such as unforeseen circumstances, new bond or loan proceeds, new grant awards, or other unanticipated revenues.

Differences between the original budget and the final amended budget for the General Fund were relatively minor and can be summarized as follows:

- Revenues and expenditures were increased \$65,284 or 0.2% due primarily to federal aid reimbursing costs incurred mitigating damages suffered from a snowstorm event.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's investment in capital assets for its governmental and business type activities as of June 30, 2003 amounted to \$41.6 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, parks, roads, highways, and bridges.

Major capital asset events during the fiscal year included the following:

- The near completion of a new terminal at the Cambridge-Dorchester Airport
- The construction of cell 3 at the landfill.

Dorchester County's Capital Assets

	Governmental Activities	Business-type Activities	Total
Land	\$ 4,851,807	\$ 636,137	\$ 5,487,944
Buildings and improvements	20,766,542	6,631,502	27,398,044
Infrastructure	35,275,266	2,776,707	38,051,973
Equipment	7,844,974	1,955,367	9,800,341
Construction in progress	-	4,878,881	4,878,881
Total capital assets	68,738,589	16,878,594	85,617,183
Less accumulated depreciation	(38,621,183)	(5,396,552)	(44,017,735)
Net capital assets	\$ 30,117,406	\$ 11,482,042	\$ 41,599,448

Additional information on the County's capital assets can be found in Note 5 to the financial statements.

Long-term debt

At June 30, 2003 the County had total bonded debt outstanding of \$27.5 million. Of this amount, \$20.3 million comprises debt backed by the full faith and credit of the government, \$5.8 million is loans payable and other obligations, and \$1.4 million is compensated absences and pension liability.

Dorchester County's Outstanding Debt

	Governmental Activities	Business-type Activities	Total
General obligation bonds	\$ 20,251,074	\$ -	\$ 20,251,074
Loans payable and other Obligations	5,433,002	355,223	5,788,225
	1,402,718	29,173	1,431,891
Total	\$ 27,086,794	\$ 384,396	\$ 27,471,190

The County's outstanding bonded indebtedness declined \$1.9 million during the year.

The County continues to meet its financial needs through prudent use of its revenues and conservative debt financing programs. The County's financial strength and sound financial management practices are reflected in its general obligation bond investment ratings:

- A2 Moody's Investor Services
- A Standard & Poor's Corporation

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Local, national and international economic factors influence the County's revenues. Positive economic growth is correlated with increased revenues from property taxes, income taxes, charges for services, as well as state and federal grants. Economic growth in the local economy may be measured by a variety of indicators such as employment growth, unemployment, new construction, and assessed valuation.

- Employment in the County during June 2003 was 13,671, which is a 3 percent decrease from the June 2002 employment of 14,079.
- The June 2003 unemployment rate for the County was 9.6 percent, higher than the rate for the state of Maryland (4.6%) and the nation (6.5%).
- Hotel gross receipts in the County were in excess of \$14 million, an increase of 200% due to the operating of the Chesapeake Bay Hyatt Resort, Marina & Spa beginning August 2002.
- Residential new construction in calendar year 2002 is evidenced by the issuance of 176 building permits valued at \$20.8 million, which is an increase of 50 permits and \$3.4 million.
- The total County Assessable Base for the tax year beginning July 1, 2003 was \$1,817,529,000, which reflects an increase of \$175 million or 11 percent over the prior year.
- Stock market declines led to decreased income tax collections during fiscal year 2003.
- State budgetary concerns led to decreases in state aid to local governments.

All of these factors were considered in preparing the County's budget for the 2004 fiscal year. After two years at \$0.88 per \$100 of assessed value, the County's property tax rate was increased to \$0.93.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance, 501 Court Lane, Cambridge, MD 21613.

DORCHESTER COUNTY, MARYLAND
STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AS OF JUNE 30, 2003
COMPONENT UNITS AS OF JUNE 30, 2003

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and short-term investments	\$ 12,464,014	\$ 4,147,959	\$ 16,611,973
Receivables:			
State and local property taxes	2,175,942	-	2,175,942
Accounts receivable, net	350	285,144	285,494
Federal government	490,006	460,422	950,428
State of Maryland	2,024,328	187,149	2,211,477
Local	204,705	-	204,705
Other	15,665	-	15,665
Internal balances	914,986	(914,986)	-
Inventories, at cost	-	18,711	18,711
Prepaid expenditures	48,200	25,017	73,217
Bond issuance costs, net	164,468	-	164,468
Other	77,159	-	77,159
Capital assets, net	30,117,406	11,482,042	41,599,448
Total assets	48,697,229	15,691,458	64,388,687
LIABILITIES			
Accounts payable and accrued expenses	1,395,258	499,994	1,895,252
Due to State of Maryland	220,912	-	220,912
Due to delinquent taxpayers	98,593	-	98,593
Deferred revenue	1,748,161	2,360	1,750,521
Landfill closure and postclosure care costs	-	6,023,892	6,023,892
Pension liability	540,692	-	540,692
Other	31,198	-	31,198
Long-term liabilities, due within one year			
Compensated absences	265,194	12,046	277,240
Bonds, notes and capital leases payable	2,248,423	144,662	2,393,085
Long-term liabilities, due in more than one year			
Compensated absences	596,832	17,127	613,959
Bonds, notes and capital leases payable	23,435,653	210,561	23,646,214
Total liabilities	30,580,916	6,910,642	37,491,558
NET ASSETS			
Invested in capital assets, net of related debt	4,433,330	11,126,819	15,560,149
Restricted for:			
Fiscal year 2004 budget	1,430,045	-	1,430,045
Other purposes	-	-	-
Unrestricted (deficit)	12,252,939	(2,346,003)	9,906,936
Total Net Assets	\$ 18,116,314	\$ 8,780,816	\$ 26,897,130

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

Component Units	
Board of Education of Dorchester County	Dorchester County Sanitary Districts
\$ 6,029,636	\$ 898,010
-	-
-	43,748
240,984	-
33,806	-
82,039	-
-	-
-	-
18,887	-
-	-
-	-
143,878	-
42,149,834	4,339,017
<u>48,699,064</u>	<u>5,280,775</u>
1,821,677	83,980
-	-
-	18,017
1,784,403	29,867
-	-
178,200	-
6,750	-
-	-
29,659	15,032
806,840	10,408
61,105	332,745
<u>4,688,634</u>	<u>490,049</u>
42,059,070	3,991,240
464,331	-
361,691	128,584
1,125,338	670,902
<u>\$ 44,010,430</u>	<u>\$ 4,790,726</u>

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF ACTIVITIES
Year Ended June 30, 2003**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
Governmental Activities				
General government	\$ 2,384,171	\$ 67,739	\$ 39,331	\$ -
Public safety	7,500,096	2,001,162	751,029	139,955
Social services	550,067	-	302,605	-
Recreation and parks	1,048,355	35,988	102,693	415,799
Natural resources	549,787	-	-	401,222
Economic development	442,901	-	18,000	-
Intergovernmental	2,938,932	-	7,768,559	-
Miscellaneous	1,952,442	-	126,608	3,750
Education	16,325,425	73,456	-	-
Public works	4,791,543	249,820	515,491	-
Interest on long-term debt	1,279,622	-	-	-
Total Governmental Activities	39,763,341	2,428,165	9,624,316	960,726
Business-Type Activities				
Airport	563,556	343,249	-	1,991,290
Landfill	1,608,187	1,884,754	-	-
Total Business-Type Activities	2,171,743	2,228,003	-	1,991,290
Total primary government	\$ 41,935,084	\$ 4,656,168	\$ 9,624,316	\$ 2,952,016
Component Units				
Board of Education of Dorchester County	\$ 45,082,909	\$ 2,836,319	\$ 48,116,106	\$ -
Dorchester County Sanitary Districts	697,039	430,552	-	-
Total component units	\$ 45,779,948	\$ 3,266,871	\$ 48,116,106	\$ -

General Revenues

Taxes:

Property

Income

Other

Licenses and permits

Payments in lieu of taxes

Interest

Other

Total General Revenues

Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets Beginning of Year, as restated

Net Assets End of Year

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Board of Education of Dorchester County	Dorchester County Sanitary Districts
\$ (2,277,101)	\$ -	\$ (2,277,101)	\$ -	\$ -
(4,607,950)	-	(4,607,950)	-	-
(247,462)	-	(247,462)	-	-
(493,875)	-	(493,875)	-	-
(148,565)	-	(148,565)	-	-
(424,901)	-	(424,901)	-	-
4,829,627	-	4,829,627	-	-
(1,822,084)	-	(1,822,084)	-	-
(16,251,969)	-	(16,251,969)	-	-
(4,026,232)	-	(4,026,232)	-	-
(1,279,622)	-	(1,279,622)	-	-
<u>(26,750,134)</u>	<u>-</u>	<u>(26,750,134)</u>	<u>-</u>	<u>-</u>
-	1,770,983	1,770,983	-	-
-	276,567	276,567	-	-
-	2,047,550	2,047,550	-	-
<u>\$ (26,750,134)</u>	<u>\$ 2,047,550</u>	<u>\$ (24,702,584)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 5,869,516	\$ -
-	-	-	-	(266,487)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,869,516</u>	<u>\$ (266,487)</u>
\$ 14,518,852	\$ -	\$ 14,518,852	\$ -	\$ -
7,676,378	-	7,676,378	-	-
2,760,736	-	2,760,736	-	67,104
303,276	-	303,276	-	-
68,212	-	68,212	-	-
322,876	83,115	405,991	78,581	17,934
977,211	9,474	986,685	271,992	6,958
<u>26,627,541</u>	<u>92,589</u>	<u>26,720,130</u>	<u>350,573</u>	<u>91,996</u>
(227,157)	227,157	-	-	-
<u>26,400,384</u>	<u>319,746</u>	<u>26,720,130</u>	<u>350,573</u>	<u>91,996</u>
(349,750)	2,367,296	2,017,546	6,220,089	(174,491)
18,466,064	6,413,520	24,879,584	37,790,341	4,965,217
<u>\$ 18,116,314</u>	<u>\$ 8,780,816</u>	<u>\$ 26,897,130</u>	<u>\$ 44,010,430</u>	<u>\$ 4,790,726</u>

DORCHESTER COUNTY, MARYLAND

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2003**

	General Fund	Special Revenue	Capital Projects	Debt Service
ASSETS				
Cash and short-term investments	\$ 3,428,715	\$ 606,054	\$ 6,984,475	\$ -
Receivables:				
State and local property taxes	2,175,942	-	-	-
Accounts, net	-	-	-	-
Federal government	297,748	192,258	-	-
State of Maryland	1,696,595	327,733	-	-
Local	204,705	-	-	-
Other	-	14,164	-	-
Interfund	1,804,145	1,444,919	-	247,482
Prepaid expenditures	48,200	-	-	-
Bond issuance costs, net	-	-	164,468	-
Other	77,159	-	-	-
Total assets	\$ 9,733,209	\$ 2,585,128	\$ 7,148,943	\$ 247,482
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued expenses	\$ 469,709	\$ 671,639	\$ 246,187	\$ 505
Due to State of Maryland	220,912	-	-	-
Due to delinquent taxpayers	98,593	-	-	-
Interfund payables	2,264,891	-	336,099	-
Due to others	9,475	-	-	-
Deferred revenue	2,070,275	1,559,006	-	-
Confiscated drug funds	21,723	-	-	-
Total liabilities	5,155,578	2,230,645	582,286	505
FUND BALANCES				
Reserved for:				
Prepaid expenditures	48,200	-	-	-
Workers' compensation deposit	30,641	-	-	-
Unreserved:				
Designated for legal indemnification	100,000	-	-	-
Designated for 2004 expenditures	1,075,562	354,483	-	-
Designated for capital projects	1,033,274	-	6,566,657	-
Designated for highway use	1,283,665	-	-	-
Designated for other purposes	78,325	-	-	246,977
Undesignated	927,964	-	-	-
Total fund balances	4,577,631	354,483	6,566,657	246,977
Total liabilities and fund balances	\$ 9,733,209	\$ 2,585,128	\$ 7,148,943	\$ 247,482

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

Reserve Fund	Other Governmental Funds	Total Governmental Funds
\$ 1,414,264	\$ 30,506	\$ 12,464,014
-	-	2,175,942
-	350	350
-	-	490,006
-	-	2,024,328
-	-	204,705
1,501	-	15,665
-	20,700	3,517,246
-	-	48,200
-	-	164,468
-	-	77,159
<u>\$ 1,415,765</u>	<u>\$ 51,556</u>	<u>\$ 21,182,083</u>
\$ -	\$ 7,218	\$ 1,395,258
-	-	220,912
-	-	98,593
-	1,270	2,602,260
-	-	9,475
-	43,068	3,672,349
-	-	21,723
<u>-</u>	<u>51,556</u>	<u>8,020,570</u>
-	-	48,200
-	-	30,641
-	-	100,000
-	-	1,430,045
-	-	7,599,931
-	-	1,283,665
1,415,765	-	1,741,067
-	-	927,964
<u>1,415,765</u>	<u>-</u>	<u>13,161,513</u>
<u>\$ 1,415,765</u>	<u>\$ 51,556</u>	<u>\$ 21,182,083</u>

DORCHESTER COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2003

Total fund balances, governmental funds		\$ 13,161,513
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.		30,117,406
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.		1,924,189
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	(25,684,076)	
Pension liability	(540,692)	
Compensated absences	(862,026)	
Total long-term liabilities		<u>(27,086,794)</u>
Net assets of governmental activities in the Statement of Net Assets		<u>\$ 18,116,314</u>

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

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2003**

	General Fund	Special Revenue	Capital Projects
REVENUES:			
Taxes	\$ 26,771,695	\$ -	\$ -
Licenses and permits	303,276	-	-
Intergovernmental	6,283,616	-	-
Service charges and fees	2,428,165	-	-
Court fines and forfeitures	80,996	-	-
Federal grants	-	543,025	-
State grants	-	3,958,771	-
Miscellaneous	601,425	12,151	-
Interest	140,106	13,273	130,019
Total revenues	36,609,279	4,527,220	130,019
EXPENDITURES:			
Current:			
General government	2,219,650	25,298	-
Public safety	6,531,061	354,908	-
Social services	261,978	288,089	-
Recreation and parks	521,606	488,918	-
Natural resources	222,554	326,647	-
Economic development	315,009	18,000	-
Intergovernmental	963,136	1,975,796	-
Miscellaneous	1,889,673	58,400	-
Education	16,540,003	-	-
Public works	3,624,729	469,371	-
Non-current:			
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital projects	-	-	22,662
Fixed asset acquisitions	-	-	1,474,729
Total expenditures	33,089,399	4,005,427	1,497,391
Excess (deficiency) of revenues over expenditures	3,519,880	521,793	(1,367,372)
OTHER FINANCING SOURCES (USES):			
Note proceeds	-	-	57,334
Increase in pension liability (See Note 10)	-	-	-
Operating transfers, net	(4,116,902)	96,106	848,053
Total other financing sources (uses)	(4,116,902)	96,106	905,387
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(597,022)	617,899	(461,985)
Fund balances, beginning of year (as restated)	5,174,653	(263,416)	7,028,642
Fund balances, end of year	\$ 4,577,631	\$ 354,483	\$ 6,566,657

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

Debt Service	Reserve Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 26,771,695
-	-	-	303,276
-	-	-	6,283,616
-	-	-	2,428,165
-	-	-	80,996
-	-	-	543,025
-	-	-	3,958,771
57,858	-	120,223	791,657
-	39,478	-	322,876
<u>57,858</u>	<u>39,478</u>	<u>120,223</u>	<u>41,484,077</u>
-	-	-	2,244,948
-	-	50,536	6,936,505
-	-	-	550,067
-	-	-	1,010,524
-	-	-	549,201
-	-	96,334	429,343
-	-	-	2,938,932
-	-	57,088	2,005,161
-	-	-	16,540,003
-	-	-	4,094,100
2,073,228	-	-	2,073,228
1,279,622	-	-	1,279,622
-	-	-	22,662
-	-	-	1,474,729
<u>3,352,850</u>	<u>-</u>	<u>203,958</u>	<u>42,149,025</u>
<u>(3,294,992)</u>	<u>39,478</u>	<u>(83,735)</u>	<u>(664,948)</u>
-	-	-	57,334
16,420	-	-	16,420
<u>3,278,572</u>	<u>(416,721)</u>	<u>83,735</u>	<u>(227,157)</u>
<u>3,294,992</u>	<u>(416,721)</u>	<u>83,735</u>	<u>(153,403)</u>
-	(377,243)	-	(818,351)
246,977	1,793,008	-	13,979,864
<u>\$ 246,977</u>	<u>\$ 1,415,765</u>	<u>\$ -</u>	<u>\$ 13,161,513</u>

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, 2003

Net change in fund balances, governmental funds		\$ (818,351)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay	1,497,391	
Depreciation expense	<u>(1,457,945)</u>	
Excess of capital outlay over depreciation expense		39,446
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.		
		(57,334)
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.		
		(1,361,371)
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.		
		2,073,228
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 compensated absences		<u>(225,368)</u>
Change in net assets of governmental activities		<u>\$ (349,750)</u>

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

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS**

June 30, 2003

	Business-Type Activities		
	Landfill	Airport	Total
ASSETS			
Current Assets			
Cash	\$ 4,147,634	\$ 325	\$ 4,147,959
Receivables:			
Accounts, net	270,493	14,651	285,144
Due from Federal	253	460,169	460,422
State of Maryland	-	187,149	187,149
Interfund	551,791	-	551,791
Inventories	-	18,711	18,711
Prepaid expenses	-	25,017	25,017
Total current assets	4,970,171	706,022	5,676,193
Noncurrent assets			
Construction in progress	1,915,567	2,963,314	4,878,881
Capital assets at cost	5,196,143	6,803,570	11,999,713
Less accumulated depreciation	(3,892,302)	(1,504,250)	(5,396,552)
Total noncurrent assets	3,219,408	8,262,634	11,482,042
Total assets	8,189,579	8,968,656	17,158,235
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	4,535	495,459	499,994
Accrued vacation	10,588	1,458	12,046
Deferred revenue	-	2,360	2,360
Interfund payables	333,141	1,133,636	1,466,777
Current maturities long-term debt	117,537	27,125	144,662
Total current liabilities	465,801	1,660,038	2,125,839
Noncurrent liabilities			
Accrued vacation	8,138	8,989	17,127
Landfill - closure and postclosure	6,023,892	-	6,023,892
Long-term debt, less current maturities	210,561	-	210,561
Total noncurrent liabilities	6,242,591	8,989	6,251,580
Total liabilities	6,708,392	1,669,027	8,377,419
NET ASSETS			
Invested in capital assets, net of related debt	2,891,310	8,235,509	11,126,819
Unrestricted (deficit)	(1,410,123)	(935,880)	(2,346,003)
Total net assets	\$ 1,481,187	\$ 7,299,629	\$ 8,780,816

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, 2003

	Business-Type Activities		
	Landfill	Airport	Totals
OPERATING REVENUES:			
Tipping fees	\$ 1,809,734	\$ -	\$ 1,809,734
Permits	75,020	-	75,020
Fuel sales	-	227,011	227,011
Hangar and tie-down rentals	-	116,238	116,238
Other	6,995	2,479	9,474
Total operating revenues	1,891,749	345,728	2,237,477
OPERATING EXPENSES:			
Salaries and related taxes	488,046	128,688	616,734
Repairs and maintenance	92,247	13,762	106,009
Rental of land, buildings and equipment	50,935	13,200	64,135
Fuel	38,469	148,170	186,639
Closure and postclosure costs accrual	416,685	-	416,685
Utilities	8,125	11,136	19,261
Depreciation	487,830	210,630	698,460
Other operating	6,085	35,985	42,070
Total operating expenses	1,588,422	561,571	2,149,993
Net operating income (loss)	303,327	(215,843)	87,484
NON-OPERATING REVENUES (EXPENSES):			
Grants - Federal government	-	1,081,595	1,081,595
Grants - state government	-	909,695	909,695
Interest income	83,115	-	83,115
Interest expense	(19,765)	(1,985)	(21,750)
Total non-operating revenues	63,350	1,989,305	2,052,655
Income before transfers	366,677	1,773,462	2,140,139
Operating transfers	-	227,157	227,157
Change in net assets	366,677	2,000,619	2,367,296
Net assets beginning of year	1,114,510	5,299,010	6,413,520
Net assets end of year	\$ 1,481,187	\$ 7,299,629	\$ 8,780,816

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, 2003**

	<u>Landfill</u>	<u>Airport</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 1,827,963	\$ 345,875	\$ 2,173,838
Other receipts	325,076	2,479	327,555
Payments to employees	(492,856)	(128,260)	(621,116)
Payments for services	(8,125)	(49,914)	(58,039)
Payments for rentals	(50,935)	(13,200)	(64,135)
Payments for materials and supplies	(165,046)	(148,169)	(313,215)
Other payments	(6,085)	(15,706)	(21,791)
<u>Net cash provided (used) by operating activities</u>	<u>1,429,992</u>	<u>(6,895)</u>	<u>1,423,097</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Operating transfers from General Fund	-	227,157	227,157
<u>Net cash provided by non-capital financing activities</u>	<u>-</u>	<u>227,157</u>	<u>227,157</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Grant and bond receipts	500	1,991,291	1,991,791
Repayment of long-term debt	(112,479)	(35,862)	(148,341)
Interest paid	(19,765)	(1,985)	(21,750)
<u>Net cash provided (used) by financing activities</u>	<u>(131,744)</u>	<u>1,953,444</u>	<u>(170,091)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(1,841,117)	(2,173,706)	(4,014,823)
Interest income received	83,115	-	83,115
<u>Net cash used in investing activities</u>	<u>(1,758,002)</u>	<u>(2,173,706)</u>	<u>(3,931,708)</u>
Net decrease in cash and short-term investments	(459,754)	-	(459,754)
Cash and short-term investments, beginning of year	4,607,388	325	4,607,713
Cash and short-term investments, end of year	\$ 4,147,634	\$ 325	\$ 4,147,959
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 303,327	\$ (215,843)	\$ 87,484
Adjustments:			
Depreciation	487,830	210,630	698,460
Landfill closure and postclosure cost accrual	384,750	-	384,750
(Increase) decrease in assets:			
Accounts receivable	(55,511)	7,749	(47,762)
Prepaid expenses	-	(25,017)	(25,017)
Increase (decrease) in liabilities:			
Accounts payable and accrued expenses	314,406	15,158	329,564
Accrued vacation	(4,810)	428	(4,382)
<u>Total adjustments</u>	<u>1,126,665</u>	<u>208,948</u>	<u>1,335,613</u>
<u>Net cash provided (used) by operating activities</u>	<u>\$ 1,429,992</u>	<u>\$ (6,895)</u>	<u>\$ 1,423,097</u>

Noncash investing, capital and financing activities:

Construction in progress relating to the airport in the amount of \$972,023 was financed by the general fund.

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 Board of County Commissioners. The County government directly provides all basic local governmental services.

Financial Reporting Entity

For financial reporting purposes, based on the standards established by GASB Statement No. 14, *The Financial Reporting Entity*, the County includes the various departments, agencies, and other organizational units governed directly by the County Commissioners of Dorchester County, Maryland as the Primary Government. The component units are included in the reporting entity because the Primary Government approves budgetary requests, provides a significant amount of funding, appoints members of the boards of the various organizations, or guarantees repayment of debt issued by the various organizations.

The component units column in the combined financial statements includes the financial data of the Board of Education of Dorchester County and the Dorchester County Sanitary Districts as the County’s discretely presented component units, which have a fiscal year-end of June 30. Copies of the financial statements for the component units can be obtained from the County Commissioners office in Cambridge, Dorchester County, Maryland.

Note 2. Summary of Significant Accounting Policies.

The financial statements of the County are prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County has elected not to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities.

In June 1999, the GASB issued Statement 34 *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. The statement established new financial and reporting requirements for state and local governments throughout the United States. This statement requires new information and restructures much of the information that governments have presented in the past. The County was required to implement this standard for the fiscal year ending June 30, 2003. With the implementation of this standard in fiscal year 2003, the County has prepared required supplementary information titled *Management’s Discussion and Analysis*, which precedes the basic financial statements.

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.

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

NOTES TO FINANCIAL STATEMENTS

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

A. Basis of Presentation (continued)

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 to 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. The County does not maintain any fiduciary funds.

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, and the Tourism Marketing Fund are the only special revenue funds of the County.

Capital Projects Funds - The Capital Fund (current year capital activity) and the Capital Projects Fund are used to account for financial resources to be used for the acquisition or construction of major capital facilities which are not financed by proprietary funds.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, including capital lease obligations, principal, interest, and related costs.

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:

Sanitary Landfill Fund - The Sanitary 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.

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 sales taxes is recognized in the period in which the sales are made. 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: sales taxes, 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.

NOTES TO FINANCIAL STATEMENTS

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

D. Basis of Accounting (continued)

Property taxes for which there was an enforceable legal claim at June 30, 2003, but which were levied to finance fiscal year 2004 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. 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. For fiscal year 2003, the County increased its capitalization threshold from five hundred dollars to five thousand dollars (see Note 3 for the effect of this change). 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:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings and Improvements	8 – 40 years	5 – 40 years
Furniture and Equipment	5 – 10 years	3 - 15 years
Vehicles	8 years	N/A
Infrastructure	40 – 50 years	15 – 23 years

NOTES TO FINANCIAL STATEMENTS

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

H. 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."

I. 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 of Dorchester County receive severance pay for unused sick leave accumulated for service while employed. This estimated liability is computed on the accumulated sick leave of employees who have 20 years of service with the Board of Education of Dorchester County at the rate of \$20 per day. In addition, the accrued leave account includes vacation days earned by certain employees but not used by June 30, 2003.

J. 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.

K. 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.

L. 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.

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

M. 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.

N. 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.

O. 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. Change in Accounting Principle and Restatement of Fund Balance

A. Change in Accounting Principle

In fiscal year 2003, the County implemented GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*. GASB Statement No. 34 creates new basic financial statements for reporting on the County's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are aggregated and presented in a single column.

The government-wide financial statements split the County's programs between governmental activities and business-type activities. The beginning net asset amounts for governmental programs reflects the change in fund balance for governmental funds at June 30, 2002, caused by the conversion to the accrual basis of accounting.

B. Restatement of Fund Balance

The restatement due to the implementation of the above statement and new capitalization policy had the following effects on the fund balances for government activities:

	<u>Activities</u>
General fund	\$ 5,025,300
Special revenue grant fund	1,529,592
Capital projects fund	7,028,642
Debt service fund	<u>246,977</u>
Net assets, June 30, 2002	13,830,511
Adjustments:	
Capitalization policy change	(1,467,798)
GASB 34 capital assets, less debt	5,099,596
GASB 34 compensated absences	(883,592)
GASB 34 deferred revenues	<u>1,887,347</u>
<u>Net assets, June 30, 2002, as restated</u>	<u>\$ 18,466,064</u>

NOTES TO FINANCIAL STATEMENTS

Note 4. 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, 2003, the Primary Government had bank deposits with various commercial banks totaling \$17,873,987 (carrying value \$16,611,973). 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. Deposits in all institutions were fully insured or collateralized with securities in the name of the County.

Board of Education of Dorchester County

At June 30, 2003, the Board of Education of Dorchester County had bank deposits with various commercial banks totaling \$1,660,740 (carrying value \$1,327,734). 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, 2003, bank deposits were not fully insured or collateralized by approximately \$90,000 in one local financial institution. Investments of \$4,701,902 consist solely of U.S. Government Securities made through the State of Maryland Local Government Investment Pool. 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.

Dorchester County Sanitary Districts

At June 30, 2003, the Dorchester County Sanitary Districts had bank deposits with various commercial banks totaling \$899,031 (carrying value \$898,010), which were either fully insured or collateralized with securities held in the name of the Dorchester County Sanitary Districts.

Note 5. Capital Assets.

Due to the implementation of GASB Statement No. 34 and increased capitalization threshold, the capital asset balances of the governmental activities as of June 30, 2002 have been restated. The following is a summary of those changes:

	<u>Balances</u> <u>June 30,</u> <u>2002</u>	<u>Transfers/</u> <u>Adjustments</u>	<u>Balances</u> <u>June 30,</u> <u>2002, restated</u>
Land	\$ 4,999,700	\$ (112,625)	\$ 4,887,075
Buildings and improvements	20,752,667	(141,848)	20,610,819
Furniture and equipment	5,699,517	(1,167,688)	4,531,829
Vehicles	3,066,617	(45,637)	3,020,980
Leasehold improvements	126,572	-	126,572
Infrastructure assets	-	35,275,266	35,275,266
Construction in progress	41,627	-	41,627
	<u>34,686,700</u>	<u>33,807,468</u>	<u>68,494,168</u>
Less: accumulated depreciation	<u>-</u>	<u>(37,163,238)</u>	<u>(37,163,238)</u>
Total general fixed assets	<u>\$ 34,686,700</u>	<u>\$ (3,355,770)</u>	<u>\$ 31,330,930</u>

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued).

Capital asset activity for the year ended June 30, 2003, was as follows:

	Balances June 30, 2002, as restated	Additions	Deletions	Balances June 30, 2003
GOVERNMENTAL ACTIVITIES				
Capital assets, not being depreciated				
Land	\$ 4,887,075	\$ -	\$ (35,268)	\$ 4,851,807
Construction in progress	41,627	-	(41,627)	-
Total capital assets, not being depreciated	4,928,702	-	(76,895)	4,851,807
Capital assets, being depreciated				
Buildings and improvements	20,610,819	41,627	(12,476)	20,639,970
Furniture and equipment	4,531,829	367,799	(195,971)	4,703,657
Vehicles	3,020,980	120,337	-	3,141,317
Leasehold improvements	126,572	-	-	126,572
Infrastructure assets	35,275,266	-	-	35,275,266
Total capital assets, being depreciated	63,565,466	529,763	(208,447)	63,886,782
Less: accumulated depreciation	(37,163,238)	(1,457,945)	-	(38,621,183)
Net capital assets, being depreciated	26,402,228	(928,182)	(208,447)	25,265,599
Governmental activities capital assets, net	\$ 31,330,930	\$ (928,182)	\$ (285,342)	\$ 30,117,406
BUSINESS-TYPE ACTIVITIES				
Dorchester County Landfill				
Capital assets, not being depreciated				
Land	\$ 636,137	\$ -	\$ -	\$ 636,137
Construction in progress - cell 3	322,070	1,593,497	-	1,915,567
Total capital assets, not being depreciated	958,207	1,593,497	-	2,551,704
Capital assets, being depreciated				
Buildings and improvements	82,089	-	-	82,089
Machinery and equipment	1,453,591	247,619	-	1,701,210
Beulah landfill- Cells 1,2&3	2,776,707	-	-	2,776,707
Total capital assets, being depreciated	4,312,387	247,619	-	4,560,006
Less: accumulated depreciation	(3,404,471)	(487,831)	-	(3,892,302)
Net capital assets, being depreciated	907,916	(240,212)	-	667,704
Landfill capital assets, net	\$ 1,866,123	\$ 1,353,285	\$ -	\$ 3,219,408
Dorchester County Airport				
Capital assets, not being depreciated				
Construction in progress	\$ -	\$ 2,963,314	\$ -	\$ 2,963,314
Total capital assets, not being depreciated	-	2,963,314	-	2,963,314
Capital assets, being depreciated				
Buildings and improvements	6,549,413	-	-	6,549,413
Machinery and equipment	242,486	11,671	-	254,157
Total capital assets, being depreciated	6,791,899	11,671	-	6,803,570
Less: accumulated depreciation	(1,293,625)	(210,625)	-	(1,504,250)
Net capital assets, being depreciated	5,498,274	(198,954)	-	5,299,320
Airport capital assets, net	\$ 5,498,274	\$ 2,764,360	\$ -	\$ 8,262,634
Business-type activities capital assets, net	\$ 7,364,397	\$ 4,117,645	\$ -	\$ 11,482,042

NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued).

Depreciation expense was charged to governmental functions as follows:

General government	\$ 139,223
Public Safety	563,591
Recreation and parks	37,831
Natural resources	586
Economic development	13,558
Miscellaneous	4,615
Education	1,098
Public works	697,443
	<u>\$ 1,457,945</u>

Capital asset activity for the component units for the year ended June 30, 2003 was as follows:

	Balances June 30, 2002	Additions	Deletions	Balances June 30, 2003
Board of Education of Dorchester County				
Capital assets, not being depreciated				
Construction in progress	\$ 762,552	\$ 7,684,780	\$ -	\$ 8,447,332
Total capital assets, not being depreciated	762,552	7,684,780	-	8,447,332
Capital assets, being depreciated				
Buildings and improvements	58,442,674	51,170	-	58,493,844
Equipment	1,220,965	31,160	-	1,252,125
Vehicles	529,917	60,947	-	590,864
Total capital assets, being depreciated	60,193,556	143,277	-	60,336,833
Less: accumulated depreciation	(25,331,446)	(1,302,885)	-	(26,634,331)
Net capital assets, being depreciated	34,862,110	(1,159,608)	-	33,702,502
Board of Education capital assets, net	\$ 35,624,662	\$ 6,525,172	\$ -	\$ 42,149,834
Dorchester County Sanitary Districts				
Capital assets, not being depreciated				
Land	\$ 13,645	\$ -	\$ -	\$ 13,645
Construction in progress	-	3,375	-	3,375
Total capital assets, not being depreciated	13,645	3,375	-	17,020
Capital assets, being depreciated				
Plant and equipment	6,845,804	-	-	6,845,804
Total capital assets, being depreciated	6,845,804	-	-	6,845,804
Less: accumulated depreciation	(2,352,328)	(171,479)	-	(2,523,807)
Net capital assets, being depreciated	4,493,476	(171,479)	-	4,321,997
Sanitary Districts capital assets, net	\$ 4,507,121	\$ (168,104)	\$ -	\$ 4,339,017
Total component units capital assets, net	\$ 40,131,783	\$ 6,357,068	\$ -	\$ 46,488,851

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt.

The following is a summary of long-term debt transactions of the Primary Government for the year ended June 30, 2003:

	Governmental Activities	Business-Type Activities
Amounts payable at June 30, 2002	\$ 28,860,900	\$ 501,661
Proceeds from notes payable	57,334	1,900
Increase in pension liability (See also Note 10)	16,420	-
Increase in vested vacation benefits and compensatory time	225,368	-
Repayment of capital lease obligations	(224,586)	(84,755)
Repayment of long-term debt	(1,848,642)	(63,583)
Amounts payable at June 30, 2003	\$ 27,086,794	\$ 355,223

Long-term debt consists of the following as of June 30, 2003:

Dorchester County Long-Term Debt

Public Facilities Bonds:

1991 CDA Infrastructure Financing Bonds, Series A, due in annual principal installments from \$45,000 to \$100,000 through May 1, 2006; interest, payable semi-annually, from 4.965% to 7.090%	\$ 291,074
1995 Public Facilities Bonds due in annual principal installments of \$185,000 to \$535,000 through February 1, 2015; interest, payable semi-annually, from 4.7% to 6.1%	4,720,000
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 4.7% to 6.1%	5,495,000
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%	2,745,000
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%	7,000,000
Total bonds payable	20,251,074

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued).

State of Maryland Department of Natural Resources Loans:

SEC 3-92 - Hoopersville Road Boat Ramp; due in annual installments of \$4,780 through July 2019; no interest	\$ 76,472
SEC 9-92 - Hoopersville Road at Middle Hoopers Island; due in annual installments of \$2,718 through July 2020; no interest	46,209
SEC 8-92 - McCready's Point Road; due in annual installments of \$1,683 through July 2019; no interest	28,617
SEC 7-92 - Middle Hoopers Island Causeway; due in annual installments of \$5,516 through July 2020; no interest	99,288
SEC 3-95 - Punch Island Road; due in annual installments of \$3,519 through July 2011; no interest	31,667
SEC 2-96 - Rooster Island; due in annual installments of \$8,206 to July 2012; no interest	82,065
SEC 04-02 - Hoopers Island Road; due in annual installments of \$6,032 through July 2027; no interest	148,252
Total DNR loans payable	512,570

Maryland Industrial Land Act Loans (MILA):

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 Phase I)	534,123
Maryland Industrial Land Act loan due in annual installments of \$45,625, including interest at 6.81%, through April 2015, secured by 5.2 acres of land (known as Lot 4) and improvements thereon (known as the Shell Building)	366,134
Maryland Industrial Land Act loan due in quarterly installments of \$11,861, including interest at 6.81%, through October 2015, secured by 5.2 acres of land (known as Lot 4) and improvements thereon (known as the Jail Site)	384,317
Maryland Industrial Land Act loan due in quarterly installments of \$7,511, including interest at 5.6%, through August 2004, with a final balloon payment of \$282,084, secured by 5.2 acres of land (known as Lot 4) and improvements thereon (known as the Regina Building Phase II)	292,394
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)	812,339
Total MILA loans payable	2,389,307

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued).

Notes Payable:

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)	\$ 555,000
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)	152,900
Note due in quarterly principal installments of \$24,313, plus interest at 5.33% through 2014 (known as the Delmarva Power and Light Building)	819,125
Suntrust Bank loan for camera system in Detention Center due in quarterly principal installments of \$16,367, plus interest at 4.05%, through 2006	192,270
Note due in quarterly installments of \$16,639 to \$27,525, including interest at 8.5%, through April 2008, secured by 22.0 acres of land (known as the new Eastern Shore State Hospital Center)	261,611
Total notes payable	1,980,906

Revenue Bonds

County Transportation Revenue Bonds, Series 1993; due in annual principal installments of \$36,586 to \$151,356, plus interest, through 2006	175,421
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Capital Lease Obligations:

Associates Commercial Corporation capital lease agreement on pavement roller, due in monthly installments of \$898, including interest at 5.5%, through January 2004	7,037
Kansas State Bank capital lease agreement on the hydraulic excavator, due in semi-annual installments of \$18,593, including interest at 3.4%, through August 2005	85,799
Suntrust Leasing Corporation capital lease agreement on 911 dispatch equipment, due in annual installments of \$79,274, including interest of 3.58% through December 2006	281,962
Total capital leases payable	374,798
Total debt outstanding	25,684,076
Pension liability (See also Note 10)	540,692
Total debt and pension liability outstanding	26,224,768
Accrued vacation	862,026
Total Long-Term Debt	\$ 27,086,794

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued).

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

Year Ending June 30	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2004	\$ 2,248,423	\$ 1,257,254	\$ 3,505,677
2005	2,626,338	1,141,107	3,767,445
2006	2,420,309	1,026,010	3,446,319
2007	2,299,712	912,168	3,211,880
2008	2,331,850	798,534	3,130,384
2009 - 2013	8,072,425	2,734,333	10,806,758
2014 - 2018	5,301,640	849,784	6,151,424
2019 - 2023	167,125	291,992	459,117
2024 - 2028	146,594	261,620	408,214
2029 - 2034	297,489	185,014	482,503
2034 - 2036	312,863	65,651	378,514
Total	<u>\$ 26,224,768</u>	<u>\$ 9,523,467</u>	<u>\$ 35,748,235</u>

Interest expense on all County long-term debt totaled \$1,267,839 for the year ended June 30, 2003.

During 1996, the County defeased in-substance certain public facilities bonds by placing proceeds of new bonds (1996 public facilities bonds) in an irrevocable trust to provide for all future debt service payments on defeased bonds. Defeased debt of \$775,000 remains outstanding at June 30, 2003.

Enterprise Funds

1989 Solid Waste Facilities Loan Act. Total available \$82,900. Interest-free due within one year of project acceptance, with full payment within two years of commencement of the repayment process	\$ 39,853
Tri-axle roll-off truck note payable - installments payable quarterly through June 2006	86,880
Compactor capital lease payable - installments due yearly in December through 2004	184,465
Refuse and bid bonds payable	1,900
Golden Hill landfill land purchase - installments payable annually in July through 2005	<u>15,000</u>
Total Enterprise Funds long-term debt	<u>328,098</u>

Dorchester County Airport:

Note Payable, Suntrust Bank, due April 2004, with interest at 4.30%, payable quarterly	<u>27,125</u>
Total Enterprise Fund debt	<u>\$ 355,223</u>

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued).

The following is a summary of long-term debt transactions of the component units for the year ended June 30, 2003:

	Dorchester County Sanitary Districts	Board of Education of Dorchester County	Total
Amounts payable at June 30, 2002	\$ 361,951	\$ 129,974	\$ 491,925
Principal retirements	(14,174)	(39,210)	(53,384)
Amounts payable at June 30, 2003	\$ 347,777	\$ 90,764	\$ 438,541

Long-term debt of the Dorchester County Sanitary Districts at June 30, 2003 consists of the following:

Loan payable to the State of Maryland under the Water Quality Loan of 1983. Annual interest rate of 6.67%. Annual installments of principal and interest amounting to \$9,389 through March 2020	\$ 93,782
Loan payable to the State of Maryland under the Water Quality Loan of 1974. Annual interest rate of 6.67%. Annual installments of principal and interest amounting to \$4,376 through March 2020	47,309
Loan payable to the State of Maryland under the Water Quality Loan of 1983. Annual interest rate of 6.67%. Annual installments of principal and interest amounting to \$9,816 through September 2020	101,116
Loan payable to the State of Maryland under the Water Quality Loan of 1974. Annual interest rate of 6.10%. Annual installments of principal and interest amounting to \$2,051 through October 2012	15,020
Loan payable to the State of Maryland under the Water Quality Loan of 1974. Annual interest rate of 8.18%. Annual installments of principal and interest amounting to \$6,898 through July 2014	51,484
Loan payable to the State of Maryland under the Drinking Water State Water Revolving Fund. Annual interest rate of 3.13%. Annual installments of principal and interest amounting to \$4,653 through February 2013	39,066
Total	347,777
Less: current maturities	15,032
	\$ 332,745

NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued).

The annual requirements to amortize all Dorchester County Sanitary Districts' debt outstanding as of June 30, 2003, including interest payments of \$218,298 are as follows:

<u>Year Ending June 30.</u>	
2004 - 2012	\$ 337,896
2013	37,036
2014	30,839
2015	30,784
2016 - 2020	119,700
2021	<u>9,820</u>
Total payments	<u>\$ 566,075</u>

General long-term obligations of the Board of Education of Dorchester County at June 30, 2003 consist of capital lease obligations totaling \$90,764.

Note 7. Interfund Receivables and Payables

As a result of its operations, the County affects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2003, appropriate due to/from other funds have been established.

Due to/from other funds balances as of June 30, 2003 were as follows:

<u>Primary Government</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Governmental activities	\$ 3,517,246	\$ 2,602,260
Business-Type activities	<u>551,791</u>	<u>1,466,777</u>
<u>Total due to/from other funds</u>	<u>\$ 4,069,037</u>	<u>\$ 4,069,037</u>

Note 8. Capital Leases.

Primary Government

The County entered into a lease agreement during July 1997, for the purpose of acquiring recycling equipment. The County also entered into an agreement in January 1999, for the purpose of acquiring highway and street equipment and into an agreement in August 2000, for the purpose of acquiring a hydraulic excavator. The original cost of the equipment acquired under these capital lease agreements was \$118,000, \$47,000 and \$158,360, respectively. Since the leases are financing arrangements that transfer ownership at the end of the leases, the County has recorded the present value of the future minimum lease payments and the related assets in the appropriate funds.

Future minimum lease payments under these capital lease agreements are as follows:

<u>Year Ending June 30.</u>	
2004	\$ 123,465
2005	117,180
2006	98,227
2007	<u>79,274</u>
	418,146
Less amounts representing interest	<u>(43,348)</u>
Present value of net minimum lease payments	<u>\$ 374,798</u>

NOTES TO FINANCIAL STATEMENTS

Note 8. Capital Leases (continued).

Component Unit - Board of Education

The Board of Education of Dorchester County has entered into non-cancelable long-term lease agreements for the purpose of acquiring various equipment. Since these leases are financing arrangements, which transfer ownership at the end of the leases, the Board of Education of Dorchester County has recorded the present value of the future minimum lease payments and the related assets in the appropriate funds.

Future minimum lease payments under these capital leases are as follows:

<u>Year Ending June 30.</u>		
2004	\$	34,221
2005		34,221
2006		<u>30,508</u>
		98,950
Less amounts representing interest		<u>(8,186)</u>
Present value of net minimum lease payments	\$	<u>90,764</u>

Interest expense on the Board of Education of Dorchester County's capital leases was \$6,748 for the year ended June 30, 2003.

Note 9. Long-Term Operating Lease.

In July 1995, the County entered into a 10-year non-cancelable operating lease for its sanitary landfill site #2, commonly referred to as the "Golden Hill Landfill". Lease expense for 2003 was \$17,500.

The annual lease requirements for the above lease agreement are as follows:

<u>Year Ending June 30.</u>		
2004	\$	17,500
2005		17,500
2006		<u>17,500</u>
	\$	<u>52,500</u>

Note 10. Pension Plans.

Plan Description

Generally, all regular employees of the reporting entity participate in the State of Maryland Employees Retirement and Pension Systems (Employees Systems). Teachers employed by the Board of Education of Dorchester County generally participate in the State of Maryland Teachers Retirement and Pensions Systems (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 Pension 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 thirty years of service regardless of age or at various ages with specified years of eligible 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 prior to specified retirement age and before completing five years of creditable service are refunded their accumulated contributions plus earned interest or 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.

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plans (continued).

Funding Policy

Employees are required to contribute varying percentages of their annual salary to the Systems. The County is required to fund the remainder of the cost of its employees' participation in the Employees Systems. The remainder of the cost of teachers' participation in the Teachers Systems is funded by the State. The 2003 contribution of the County represented less than 1% of total contributions required of all participating entities by the Employees and Teachers Systems.

Total payroll covered under the systems and contributions (excluding on-behalf payments made by the State) for the years ended June 30, 2003, 2002, and 2001 are as follows:

	2003	2002	2001
Total payroll	\$ 34,181,373	\$ 33,118,500	\$ 32,014,263
Payroll covered under the Systems	29,709,787	29,287,692	28,538,803
Contributions	758,138	736,919	747,935

Annual Pension Cost

For the year ended June 30, 2003, the County's annual pension cost of \$353,592 was equal to its required and actual contributions. In addition, the State of Maryland made contributions on behalf of the Board of Education in the amount of \$2,033,924. This required contribution was determined as part of the June 30, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return, compounded annually, (b) projected salary increases of 5% compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.94% to 6.82% per year attributable to seniority and merit, (d) post retirement benefit increases ranging from 3% to 6% per year depending on the system, (e) rates of mortality, termination of service, disablement and retirement based on actual experience from 1981 through 1996 and (f) the aggregate active member payroll is assumed to increase by 5% annually. The actuarial value of the Systems' asset was determined using techniques that smooth the effects of short-term volatility in the market value of investments by using a simplified five-year moving average. The Systems' unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period, at June 30, 2003, was 16 years.

The County's annual pension cost for the last three years for which actuarial information is available was:

Fiscal year ending	Annual Pension Cost	Percentage of APC Contributed	Net Pension Obligation
June 30, 2003	\$ 353,592	100%	-
June 30, 2002	308,212	100%	-
June 30, 2001	340,023	100%	-

Required Supplementary Information – Schedule of Funding Progress for the State Retirement and Pension Systems of Maryland (expressed in thousands):

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
June 30, 2001	\$ 31,914,778	\$ 32,469,942	\$ 555,164	98.29%	\$ 7,255,036	7.65%
June 30, 2002	32,323,263	34,131,284	1,808,021	94.70%	7,937,530	22.78%
June 30, 2003	32,631,465	34,974,601	2,343,136	93.30%	8,134,419	28.81%

The State of Maryland plans do not provide the above information for each employer. This information is for the Systems as a whole.

NOTES TO FINANCIAL STATEMENTS

Note 10. Pension Plans (continued).

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 \$540,692 (an increase of \$16,420 over the prior fiscal year) fund deficit over a period of 40 years. The fiscal year 2003 annual payment was \$24,558 and will increase 5% per year for the remaining 33 years. This liability has been recorded in the governmental activities column on the Statement of Net Assets.

Note 11. Post-Employment Health Care Benefits.

The County and the Dorchester County Sanitary Districts provide the same post-employment health care benefits to their respective retired employees. Retired employees who complete 16 years of service will receive full health care benefits (including spouse) of which the employer pays 85%. Employees with less than 16 years of service will pay on a pro-rata basis.

The Board of Education of Dorchester County provides post-employment health care benefits to retired employees with 15 years of service. The amount contributed varies based on age and the number of years of service.

The cost of post-employment health care benefits is recognized as an expenditure or an expense, as applicable, as the premiums are paid. Total premiums paid and participants as of and for the year ended June 30, 2003 are as follows:

	Premiums	Participants
Dorchester County	\$ 181,660	55
Dorchester County Sanitary Districts	2,756	1
Board of Education of Dorchester County	258,056	184

Note 12. 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 Public Employees Benefit Services Corporation (PEBSCO). 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, 2003.

NOTES TO FINANCIAL STATEMENTS

Note 13. 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.

Use of per lot assessments totaling \$128,584 at June 30, 2003 by the Dorchester County Sanitary Districts is restricted to capital improvements, repairs and maintenance to the water system, and debt service.

Note 14. 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 \$13,400 each year for the next thirty years.

The Golden Hill landfill stopped accepting waste in 1991. The landfill began the final cover process during fiscal year 1996 and capping was completed in fiscal year 2000. Postclosure care costs for this location are currently estimated to be approximately \$17,400 each year for the next thirty years.

The Old Beulah landfill stopped accepting waste in February 1996. The landfill is expected to be covered during fiscal years 2003 and 2004 at an estimated total cost of \$3,340,264. 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 \$19,000 each year for the next thirty years.

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

<u>Secretary landfill</u>	
Postclosure care costs	\$ 402,000
 <u>Golden Hill landfill</u>	
Closure costs (estimated landscaping and seeding)	25,000
Postclosure care costs	522,000
	547,000
 <u>Old Beulah landfill</u>	
Closure costs	3,340,264
Postclosure care costs	570,000
	3,910,264
 <u>New Beulah landfill - cells 1 - 3</u>	
Closure costs	996,183
Postclosure care costs	168,445
	1,164,628
Total closure and postclosure care costs	\$ 6,023,892

The above amounts are based on the current costs to perform all closure and postclosure care as of June 30, 2003. As noted above, the County expects to cap the Old Beulah landfill over the next two fiscal years. However, actual costs may ultimately be higher than estimated costs due to inflation, changes in technology, or changes in regulations.

NOTES TO FINANCIAL STATEMENTS

Note 14. Landfill Closure and Postclosure Care Costs (continued).

Though there are currently no legal restrictions on available funds, the County has approximately \$4,148,000 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 \$900,000 and \$155,000, 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 (13.25%). Total closure and postclosure care costs for Cell 3 are estimated to be \$750,000 and \$77,500, respectively.

Note 15. 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 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.

Dorchester County Sanitary Districts

The County Commissioners of Dorchester County have guaranteed certain obligations of the Dorchester County Sanitary Districts, Inc. in the amount of \$45,618.

NOTES TO FINANCIAL STATEMENTS

Note 15. Commitments and Contingencies (continued).

Board of Education of Dorchester County

The Board of Education of Dorchester County receives a substantial amount of its support from state and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on future programs and services.

Note 16. Subsequent Events.

Bond Issuances

On November 18, 2003, the County Council approved Bill Number 2003-15, which authorized the issuance, sale and delivery of Dorchester County, Maryland general obligation bonds and bond anticipation notes in the amount of \$10,708,000. The proceeds from the bonds will be used to finance a new communication system, capping the Beulah landfill, new voting machines and various other projects.

Commitments

The County contracted with Motorola, Incorporated for the purchase of a new communication system to improve the interoperability of fire, law enforcement and emergency medical services at a cost of \$5,029,717 of which \$1,508,915 has been paid.

Capital Improvements

Over the past five years, the County has made substantial improvements to the airport and related facilities. In conjunction with continuing these improvements the County has applied for the following grants for fiscal year 2004 and beyond:

<u>Grant Number</u>	<u>Description</u>	<u>Amount</u>
03-24-0007-18	Land acquisition	\$ 750,000
03-24-0007-19	Runway extension, road realignment and taxiway relocation design	350,000
03-24-0007-20	Realignment of Cordtown Road	3,000,000
03-24-0007-21	Relocate parallel taxiway	<u>2,800,000</u>
	Total	<u>\$ 6,900,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

DORCHESTER COUNTY, MARYLAND

**REVENUE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
LOCAL PROPERTY TAXES:				
Real property taxes - full-year	\$ 13,161,104	\$ 13,161,104	\$ 13,907,932	\$ 746,828
Real property - semi-annual	132,000	132,000	65,400	(66,600)
Taxes - railroads & public utilities	1,753,727	1,753,727	1,974,670	220,943
Taxes - ordinary business corporations	1,459,729	1,459,729	1,385,258	(74,471)
Additions and abatements, net prior years	(165,932)	(165,932)	(244,957)	(79,025)
Tax credits - legislative restrictions	(22,227)	(22,227)	(53,798)	(31,571)
Interest and penalties - delinquent taxes	300,000	300,000	285,895	(14,105)
	16,618,401	16,618,401	17,320,400	701,999
Less:				
Tax credits - exempt	(336,042)	(336,042)	(864,006)	(527,964)
Interest on tax refunds	(5,000)	(5,000)	(1,727)	3,273
Deferred taxes	-	-	(36,841)	(36,841)
Tax credits - enterprise zone	(125,197)	(125,197)	(83,244)	41,953
Total net local property taxes	16,152,162	16,152,162	16,334,582	182,420
LOCAL INCOME TAXES:				
Income taxes	8,099,611	8,099,611	7,676,378	(423,233)
Total local income taxes	8,099,611	8,099,611	7,676,378	(423,233)
OTHER LOCAL TAXES:				
Recordation tax	925,000	925,000	1,422,544	497,544
911 telephone fees - local	150,000	150,000	126,914	(23,086)
Mobile home taxes (parks)	90,000	90,000	81,804	(8,196)
Hotel room rental tax	185,000	185,000	133,805	(51,195)
Transfer tax	650,000	650,000	993,774	343,774
Total other local taxes	2,000,000	2,000,000	2,758,841	758,841
STATE SHARED TAXES:				
Admission and amusement	2,000	2,000	1,895	(105)
Total state shared taxes	2,000	2,000	1,895	(105)
Total taxes	26,253,773	26,253,773	26,771,695	517,923
LICENSES AND PERMITS - BUSINESS:				
Beer, wine and liquor licenses	70,000	70,000	70,634	634
Seafood buyers permit	1,000	1,000	600	(400)
Traders licenses, pinball, bingo, and slots	18,000	18,000	16,646	(1,354)
Total business licenses and permits	89,000	89,000	87,880	(1,120)

DORCHESTER COUNTY, MARYLAND

**REVENUE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
LICENSES AND PERMITS - OTHER:				
Marriage licenses	\$ 2,000	\$ 2,000	\$ 1,935	\$ (65)
Animal licenses	200	200	72	(128)
Zoning permit fees	53,147	53,147	73,327	20,180
Building permit fees	41,070	41,070	63,674	22,604
P&Z HVAC permit fees	650	650	615	(35)
Electrical licensing fees	2,000	2,000	8,878	6,878
Plumbing licensing fees	4,000	4,000	6,225	2,225
Electrical permit fees	3,500	3,500	3,860	360
Livability fees	12,500	12,500	10,800	(1,700)
Plumbing permit fees	30,000	30,000	46,010	16,010
Total other licenses and permits	149,067	149,067	215,396	66,329
Total licenses and permits	238,067	238,067	303,276	65,209
INTERGOVERNMENTAL:				
FROM THE FEDERAL GOVERNMENT:				
Civil defense	19,018	19,018	29,018	10,000
FEMA disaster aid	-	-	1,861	1,861
Haz-Mat emergency preparation	-	-	477	477
Federal aid funds	140,000	140,000	141,001	1,001
Other Federal revenue	-	46,000	46,120	120
Total federal intergovernmental	159,018	205,018	218,477	13,459
FEDERAL PAYMENT IN LIEU OF:				
Blackwater Wildlife Refuge	73,510	73,510	68,212	(5,298)
INTERGOVERNMENTAL:				
FROM THE STATE OF MARYLAND:				
MEMA - hurricane conf. reimbursement	-	-	2,625	2,625
Juror reimbursement	10,000	10,000	33,241	23,241
Soil conservation	101,069	101,069	72,525	(28,544)
Johnsongrass fees	6,500	6,500	17,993	11,493
State aid for police protection	107,367	107,367	114,838	7,471
Disparity grant	1,854,882	1,854,882	1,854,882	-
508 fire, rescue and ambulance	225,000	225,000	217,645	(7,355)
Electric equipment property tax grant	187,442	187,442	187,442	-

DORCHESTER COUNTY, MARYLAND

REVENUE DETAIL BUDGET AND ACTUAL - GENERAL FUND Year Ended June 30, 2003 (Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
INTERGOVERNMENTAL (continued):				
Health custodial reimbursement	\$ 34,258	\$ 34,258	\$ 39,383	\$ 5,125
Highway user revenues	3,479,339	3,479,339	3,478,833	(506)
Boat ramp maintenance	50,000	50,000	(34,805)	(84,805)
DNR - dredging	175,000	175,000	-	(175,000)
Other state aid	25,000	25,000	150	(24,850)
DNR - Chesapeake Forest Product Corp.	-	-	12,175	12,175
Total State intergovernmental	6,255,857	6,255,857	5,996,927	(258,930)
Total intergovernmental	6,488,385	6,534,385	6,283,616	(250,769)
SERVICE CHARGES AND FEES:				
SERVICE CHARGES - GENERAL GOVT.:				
Tax sale costs reimbursement	15,000	15,000	20,140	5,140
Zoning maps	100	100	325	225
Johnsongrass spraying fees	16,581	16,581	18,451	1,870
Planning and zoning fees	23,700	23,700	18,232	(5,468)
Election fees filing & other	1,500	1,500	2,182	682
Motor vehicle fees - local	-	-	1,935	1,935
Gypsy moth spraying fees	-	-	6,184	6,184
Technology services	-	-	290	290
Total general government	56,881	56,881	67,739	10,858
SERVICE CHARGES - PUBLIC SAFETY:				
Sheriff's fees	33,883	33,883	33,645	(238)
Reimbursement for housing state prisoners	251,000	251,000	239,016	(11,984)
Reimbursement for housing non-co. inmates	625,000	625,000	1,110,128	485,128
Reimbursement for community services	-	-	975	975
HIV security services	1,500	1,500	5,688	4,188
Fees - community service	500	500	955	455
Fees weekend prisoners	3,000	3,000	5,070	2,070
Misc. income - detention center	10,000	10,000	11,269	1,269
EMS billing	613,331	613,331	556,782	(56,549)
Municipal patrol reimbursement	-	-	3,713	3,713
Reimbursement for work release prisoners	45,000	45,000	33,921	(11,079)
Total public safety	1,583,214	1,583,214	2,001,162	417,948

DORCHESTER COUNTY, MARYLAND

**REVENUE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
SERVICE CHARGES AND FEES (continued):				
SERVICE CHARGES - EDUCATION:				
Home study evaluations	\$ 8,209	\$ 8,209	\$ 6,450	\$ (1,759)
Guidance/instructional services	57,055	62,739	67,006	4,267
Total education	65,264	70,948	73,456	2,508
SERVICE CHARGES - RECREATION:				
Swimming pool fees	25,000	25,000	19,497	(5,503)
Recreation program fees	1,000	1,000	980	(20)
Softball/baseball fees	1,000	1,000	3,100	2,100
Swimming pool concessions	13,500	13,500	12,411	(1,089)
Total recreation	40,500	40,500	35,988	(4,512)
SERVICE CHARGES - PUBLIC WORKS:				
Road opening permits	500	500	205	(295)
Stormwater mgmt. permits	1,000	1,000	3,670	2,670
Forest harvesting permits	2,000	2,000	2,050	50
Grading permits	2,000	2,000	2,902	902
Paved streets	10,000	10,000	-	(10,000)
Parking lots	-	-	5,443	5,443
Snow and ice removal	-	-	1,093	1,093
Other service charges	-	-	427	427
Pipe sales	50,000	50,000	45,872	(4,128)
Other sales	25,000	27,400	32,349	4,949
Shop service charges	5,000	5,000	22,172	17,172
Equipment rental	-	-	33,435	33,435
Cash discounts	8,000	8,000	3,418	(4,582)
Mosquito control fees	30,000	30,000	44,471	14,471
Tyler's Cove slip rent	8,000	8,000	16,966	8,966
Ragged Point slip rent	12,000	12,000	24,298	12,298
Elliotts Island slip rent	6,000	6,000	11,049	5,049
Total public works	159,500	161,900	249,820	87,920
Total service charges and fees	1,905,359	1,913,443	2,428,165	514,722

DORCHESTER COUNTY, MARYLAND

**REVENUE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable (Unfavorable)
FINES AND FORFEITURES:				
Court fines and forfeitures	\$ 12,000	\$ 12,000	\$ 80,996	\$ 68,996
Total fines and forfeitures	12,000	12,000	80,996	68,996
MISCELLANEOUS:				
Principal and interest - Regina MILA loan	93,588	93,588	93,588	-
Vending machine commission	1,200	1,200	1,639	439
Rent - 911 tower	30,000	30,000	36,880	6,880
Contributions/donations - juvenile services	-	-	100	100
United fund juvenile services	7,751	7,751	-	(7,751)
Interest and dividends on investments	150,000	150,000	46,518	(103,482)
Recreation - J.E.W. Park - City of Camb.	4,500	4,500	5,000	500
Rental - other properties	300,000	300,000	278,701	(21,299)
Miscellaneous income	-	5,000	7,093	2,093
Recreation grant - Board of Education	8,000	8,000	13,235	5,235
Insurance proceeds - highway	-	-	21,288	21,288
Insurance proceeds	-	-	33,347	33,347
Proceeds - fixed asset sale	195,000	195,000	196,745	1,745
Tourism - misc. revenues	-	6,200	6,915	715
Cash discounts	-	-	482	482
Total miscellaneous revenue	790,039	801,239	741,531	(59,708)
Total revenues	\$ 35,687,623	\$ 35,752,907	\$ 36,609,279	\$ 856,373

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
GENERAL GOVERNMENT:				
LEGISLATIVE AND EXECUTIVE:				
Salaries elected/appointed	\$ 65,923	\$ 65,923	\$ 66,135	\$ (212)
Salaries/supervisor	65,000	65,000	65,000	-
Salaries/other	79,587	79,587	79,587	-
Telephone	6,100	4,300	6,552	(2,252)
Advertising	7,500	14,600	15,129	(529)
Printing, publishing, and publications	500	500	453	47
Contractual services	-	500	248	252
Code updates	-	53	3,369	(3,316)
Rental of equipment	2,900	4,323	5,344	(1,021)
Office supplies	3,500	4,324	4,727	(403)
Other expenses	14,500	11,500	13,375	(1,875)
Postage	900	900	598	302
Lodging and meals	2,700	2,700	2,465	235
Meeting registration	1,500	1,500	2,598	(1,098)
Mileage and conference reimbursement	2,500	2,500	2,103	397
Training expense	5,000	-	-	-
Dues	500	400	344	56
	<u>258,610</u>	<u>258,610</u>	<u>268,027</u>	<u>(9,417)</u>
CIRCUIT COURT:				
Salaries/other	78,766	78,766	84,475	(5,709)
Telephone	5,400	5,400	4,011	1,389
Legal counsel/fees	500	500	-	500
Office supplies	1,200	1,200	660	540
Other expenses	2,000	2,000	1,481	519
Postage	450	450	446	4
Expenses - Petit jury	34,000	34,000	36,100	(2,100)
Expenses - Grand jury	2,500	2,500	1,305	1,195
Salaries/other	34,170	34,170	34,854	(684)
Other expenses	1,700	1,700	1,443	257
	<u>160,686</u>	<u>160,686</u>	<u>164,775</u>	<u>(4,089)</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
GENERAL GOVERNMENT (continued):				
ORPHANS COURT:				
Salaries elected/appointed	\$ 10,500	\$ 10,500	\$ 10,500	\$ -
Retirement	3,600	3,600	5,204	(1,604)
Office supplies	500	500	110	390
Other expenses	800	800	50	750
Expense allowance	2,000	2,000	-	2,000
Mileage and conference reimbursement	500	500	729	(229)
	<u>17,900</u>	<u>17,900</u>	<u>16,593</u>	<u>1,307</u>
STATE'S ATTORNEY'S OFFICE:				
Salaries elected/appointed	90,576	90,576	89,159	1,417
Salaries/other	272,240	272,240	286,062	(13,822)
Overtime	3,000	-	-	-
Telephone	8,500	6,368	5,819	549
Rental of land and buildings	21,000	21,000	21,000	-
Rental of equipment	3,291	3,291	2,194	1,097
Building repairs and maintenance	250	250	548	(298)
Office supplies	8,500	11,684	11,342	342
Other expenses	17,000	23,400	12,372	11,028
Postage	6,000	3,748	3,347	401
Mileage and conference reimbursement	6,000	8,800	4,997	3,803
	<u>436,357</u>	<u>441,357</u>	<u>436,840</u>	<u>4,517</u>
ELECTIONS:				
Salaries/supervisor	15,400	15,400	13,965	1,435
Salaries/other	3,500	5,300	7,738	(2,438)
Telephone	3,000	3,000	4,618	(1,618)
Advertising	3,000	3,000	2,471	529
Data processing	6,000	2,000	2,379	(379)
Contractual services	47,800	47,800	40,641	7,159
State employee expense reimbursement	155,909	155,909	147,994	7,915
Rent	2,800	-	-	-
Office supplies	2,500	3,500	7,505	(4,005)
Other expenses	1,000	1,000	2,731	(1,731)
Postage	5,000	12,000	15,133	(3,133)
Mileage and conference reimbursement	8,000	5,000	8,383	(3,383)
	<u>253,909</u>	<u>253,909</u>	<u>253,558</u>	<u>351</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
GENERAL GOVERNMENT (continued):				
TREASURER:				
Salaries elected/appointed	\$ 37,500	\$ 37,500	\$ 37,500	\$ -
Salaries/other	89,274	89,274	86,547	2,727
Telephone	3,000	3,000	2,485	515
Advertising	8,000	8,000	7,900	100
Data processing	17,854	17,854	17,083	771
Legal	300	300	-	300
Office supplies	1,000	1,000	799	201
Other expenses	1,700	1,700	1,228	472
Postage	8,000	8,000	8,625	(625)
Dog tag expense	100	100	63	37
Mileage and conference reimbursement	750	750	756	(6)
Insurance bonds	2,400	2,400	2,200	200
	<u>169,878</u>	<u>169,878</u>	<u>165,186</u>	<u>4,692</u>
FINANCE OFFICE:				
Salaries/supervisor	57,000	57,000	54,808	2,192
Salaries/other	116,960	116,960	126,219	(9,259)
Telephone	2,450	2,450	2,976	(526)
Printing and publishing	500	500	269	231
Payroll services	19,500	19,500	19,901	(401)
Rental of equipment	2,727	2,727	4,748	(2,021)
Office supplies	9,783	9,783	8,534	1,249
Other expenses	500	500	1,829	(1,329)
Postage	1,000	1,000	901	99
Lodging and meals	500	500	260	240
Meeting registration	500	500	435	65
Mileage and conference reimbursements	500	500	196	304
Dues	750	750	705	45
	<u>212,670</u>	<u>212,670</u>	<u>221,781</u>	<u>(9,111)</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
GENERAL GOVERNMENT (continued):				
PLANNING AND ZONING:				
Salaries elected/appointed	\$ 1,600	\$ 1,600	\$ 327	\$ 1,273
Salaries/supervisor	49,376	49,376	47,222	2,154
Salaries/other	207,926	207,926	205,004	2,922
Telephone	4,720	4,720	6,043	(1,323)
Advertising	1,500	1,500	474	1,026
Printing, publishing and publications	4,100	4,100	3,859	241
Contractual services	8,500	8,500	6,548	1,952
Legal counsel/fees	7,262	7,262	7,045	217
Recording fees	-	-	5	(5)
Auto expenses	6,500	6,500	5,278	1,222
Office supplies	2,500	2,500	2,019	481
Other expenses	700	700	411	289
Postage	2,500	2,500	1,890	610
Photographic expense	200	200	42	158
Lodging and meals	1,700	1,700	1,203	497
Meeting registration	1,000	1,000	370	630
Association dues	1,000	1,000	1,145	(145)
Mileage and conference reimbursement	250	250	82	168
Salaries elected/appointed	2,940	3,945	2,285	1,660
Salaries elected/appointed	2,625	3,525	2,550	975
	<u>306,899</u>	<u>308,804</u>	<u>293,802</u>	<u>15,002</u>
INFORMATION TECHNOLOGY				
Salaries/supervisor	55,000	55,000	55,000	-
Salaries/other	30,221	30,221	30,221	-
Communications	2,800	2,800	3,050	(250)
Printing and publishing	1,000	1,000	887	113
Office supplies	1,000	1,500	1,410	90
Other expenses	1,500	1,500	1,517	(17)
Media and other accessories	250	250	249	1
Lodging and meals	1,000	1,000	644	356
Meeting registration	500	500	-	500
Travel	1,000	1,000	809	191
Training expense	9,000	3,000	3,086	(86)
Dues	800	800	537	263
	<u>104,071</u>	<u>98,571</u>	<u>97,410</u>	<u>1,161</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
GENERAL GOVERNMENT (continued):				
OTHER GENERAL GOVERNMENT				
Legal counsel/fees	\$ 28,000	\$ 28,000	\$ 27,981	\$ 19
Legal counsel/expenses	5,000	5,000	6,919	(1,919)
Legal counsel fees	2,500	2,500	-	2,500
Salaries elected/appointed	10,500	10,500	6,250	4,250
Contractual services	5,000	5,000	-	5,000
Salaries/supervisor	40,000	40,000	23,846	16,154
Telephone	3,800	3,800	341	3,459
Advertising	4,500	4,500	113	4,387
Printing and publications	1,000	1,000	49	951
Office supplies	2,700	2,700	427	2,273
Postage	500	500	66	434
Meeting registration	1,000	1,000	25	975
Dues	800	800	145	655
Contractual services - audit	54,000	54,000	38,700	15,300
Code updates	5,300	5,300	5,215	85
Administrative fees	7,000	7,000	2,362	4,638
Auto expenses	1,000	1,000	-	1,000
Other expenses	39,800	39,800	34,089	5,711
Liability insurance	135,000	135,000	116,649	18,351
Replacement of damaged assets	-	-	26,501	(26,501)
Other expenses	12,000	12,000	12,000	-
	<u>359,400</u>	<u>359,400</u>	<u>301,678</u>	<u>57,722</u>
Total general government	<u>2,280,380</u>	<u>2,281,785</u>	<u>2,219,650</u>	<u>62,135</u>
PUBLIC SAFETY:				
VOLUNTEER FIRE & AMBULANCE COMPANIES:				
State aid (508 funds)	225,000	225,000	218,253	6,747
Fire company appropriations	437,500	437,500	437,500	-
Medical expenses	1,000	3,000	1,933	1,067
Contractual services	54,399	54,399	59,727	(5,328)

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC SAFETY (continued):				
VOLUNTEER FIRE & AMBULANCE COMPANIES (continued):				
Salaries/supervisor	\$ 41,116	\$ 55,516	\$ 41,116	\$ 14,400
Salaries/other	-	82,668	94,604	(11,936)
Overtime	-	3,960	1,279	2,681
Other expenses	3,630	3,630	2,983	647
Rental of equipment	3,360	3,360	3,326	34
BLS transport fees	294,100	294,100	170,034	124,066
ALS transport fees	120,000	107,059	157,690	(50,631)
Auto expenses	3,000	5,500	3,719	1,781
Office supplies	1,000	2,000	1,000	1,000
Radio expenses	-	2,000	2,296	(296)
Postage	500	500	37	463
Mileage and conference	500	500	103	397
Uniforms and physicals	500	900	1,213	(313)
Fuel	-	1,500	2,232	(732)
New vehicles/equipment	-	8,000	8,000	-
Utilities	1,706	3,106	2,662	444
Advanced life support appropriations	565,000	445,833	447,823	(1,990)
	<u>1,752,311</u>	<u>1,740,031</u>	<u>1,657,530</u>	<u>82,501</u>
EMERGENCY MGMT. & COMMUNICATIONS:				
Salaries/supervisor	26,698	26,698	26,698	-
Personnel	1,200	1,200	1,200	-
Telephone	2,800	3,350	4,334	(984)
Water	225	225	188	37
Electric	4,500	5,500	5,914	(414)
Printing, publishing and public relations	800	650	989	(339)
Radio expense	250	250	215	35
Contractual services	1,200	400	368	32
Auto expense	700	700	887	(187)
Building maintenance and repairs	100	-	-	-
Office supplies	1,000	1,000	72	928
Other expenses	400	400	462	(62)
Postage	100	100	19	81

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC SAFETY (continued):				
EMERGENCY MGMT. & COMMUNICATIONS (continued):				
Lodging and meals	\$ 1,267	\$ 1,267	\$ 1,420	\$ (153)
Association dues	105	105	105	-
Mileage and conference reimbursement	895	895	860	35
Training expense	804	304	86	218
Salaries/supervisor	34,083	34,083	-	34,083
Salaries/other	295,255	295,255	318,028	(22,773)
Salaries/overtime	10,000	10,000	29,495	(19,495)
Telephone	62,000	44,000	41,984	2,016
Water	800	800	892	(92)
Electric	15,000	15,000	21,454	(6,454)
Radio expense	10,000	10,000	7,514	2,486
Contractual services	33,000	51,000	57,743	(6,743)
Auto expenses	2,000	2,000	2,714	(714)
Building maintenance and repairs	2,000	2,000	1,757	243
Rental of equipment	-	-	255	(255)
Office supplies	500	500	665	(165)
Other expenses	2,000	2,000	1,856	144
Postage	200	200	118	82
Mileage and conference reimbursement	1,000	1,000	1,176	(176)
Employee uniforms and physicals	1,800	1,800	1,813	(13)
Liability insurance	2,500	2,500	2,213	287
Training expense	3,800	3,800	5,577	(1,777)
	<u>518,982</u>	<u>518,982</u>	<u>539,071</u>	<u>(20,089)</u>
ANIMAL CONTROL:				
Control of animals	123,840	123,840	123,840	-
SHERIFF'S DEPARTMENT:				
Salaries elected/appointed	45,000	45,000	45,000	-
Salaries/other	1,021,393	1,021,393	980,619	40,774
Salaries/overtime	42,607	42,607	160,599	(117,992)
Overtime - bike patrol	15,000	15,000	-	15,000
Telephone	6,000	6,000	15,091	(9,091)

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC SAFETY (continued):				
SHERIFF'S DEPARTMENT (continued):				
Water	\$ 2,500	\$ 2,500	\$ 3,991	\$ (1,491)
Electric	5,000	5,000	6,943	(1,943)
Gas - heat	4,000	4,000	6,818	(2,818)
Advertising	250	250	-	250
Printing, publishing, publications	1,000	1,000	137	863
Radio expense	7,000	7,000	14,943	(7,943)
Contractual services	40,000	40,000	59,504	(19,504)
Code updates	1,500	1,500	498	1,002
Auto expenses	64,970	64,970	105,630	(40,660)
Office supplies	8,000	8,000	11,850	(3,850)
Other expenses	1,500	1,500	852	648
Municipalities Patrol	-	-	3,738	(3,738)
Postage	2,000	2,000	2,247	(247)
Photographic expense	3,000	3,000	3,013	(13)
Law enforcement supplies	12,000	12,000	17,532	(5,532)
Transportation and investigation	500	500	1,805	(1,305)
Mileage and conference reimbursement	2,000	2,000	820	1,180
Employee uniforms and physicals	21,000	21,000	24,353	(3,353)
Liability insurance	12,000	12,000	19,043	(7,043)
Crime prevention	4,000	4,000	1,805	2,195
Training expense	15,000	15,000	16,251	(1,251)
Dues	1,000	1,000	1,325	(325)
New vehicles/equipment	-	-	537	(537)
	<u>1,338,220</u>	<u>1,338,220</u>	<u>1,504,944</u>	<u>(166,724)</u>
DRUG TASK FORCE:				
Telephone - drug task force	-	-	6,564	(6,564)
Advertising	-	-	580	(580)
Radio expense - drug task force	-	-	3,631	(3,631)
Other expense - drug task force	-	-	13,486	(13,486)
	<u>-</u>	<u>-</u>	<u>24,261</u>	<u>(24,261)</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC SAFETY (continued):				
DETENTION CENTER:				
Radio expense	\$ 1,000	\$ 1,000	\$ 3,873	\$ (2,873)
Auto expenses	10,000	10,000	15,765	(5,765)
Building maintenance and repairs	-	-	252	(252)
Office supplies	7,000	7,000	8,237	(1,237)
Other expenses	26,500	26,500	29,542	(3,042)
Postage	800	800	1,085	(285)
Food	263,000	263,000	305,865	(42,865)
Photographic expense	500	500	-	500
Clothing - inmates	1,000	1,000	213	787
Mileage and conference reimbursement	2,500	2,500	2,978	(478)
Employee uniforms and physicals	5,000	5,000	7,488	(2,488)
Liability insurance	18,000	18,000	20,512	(2,512)
Training expense	5,000	5,000	5,816	(816)
Trustees expense	21,000	21,000	23,498	(2,498)
Salaries/supervisor	56,805	56,805	56,805	-
Salaries/other	1,659,510	1,659,510	1,657,782	1,728
Salaries/overtime	12,000	12,000	18,813	(6,813)
Cadet program - salaries	4,000	4,000	-	4,000
Telephone	5,000	5,000	3,709	1,291
Water	17,600	17,600	23,907	(6,307)
Electric	33,000	33,000	44,849	(11,849)
Gas heat	44,000	44,000	44,236	(236)
Medical expenses and supplies	220,000	220,000	291,794	(71,794)
Salaries/other - building exp.	51,020	51,020	51,531	(511)
Overtime - building exp.	1,400	1,400	824	576
Auto expenses - building exp.	680	680	1,207	(527)
Building maintenance	32,000	32,000	43,070	(11,070)
Contractual services	20,380	20,380	17,764	2,616
	<u>2,518,695</u>	<u>2,518,695</u>	<u>2,681,415</u>	<u>(162,720)</u>
Total public safety	<u>6,252,048</u>	<u>6,239,768</u>	<u>6,531,061</u>	<u>(291,293)</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
SOCIAL SERVICES:				
YOUTH SERVICES:				
Rental of land and buildings	\$ 12,000	\$ 12,000	\$ -	\$ 12,000
Salaries/supervisor	46,580	46,580	46,580	-
Salaries/other	115,371	119,055	101,730	17,325
Telephone/communications	804	804	796	8
Contractual services	1,100	1,100	1,168	(68)
Postage - united fund	100	100	-	100
Mileage & conference reimbursement - united	2,000	2,000	239	1,761
Liability insurance - united fund	100	100	-	100
Training expense	300	300	255	45
Other expense	2,651	2,651	944	1,707
Postage	100	100	100	-
Mileage & conference reimbursement	2,000	4,000	4,226	(226)
Insurance	700	700	700	-
Training expense	400	400	400	-
Telephone	300	300	-	300
Printing	200	200	-	200
Office supplies	500	500	189	311
	<u>185,206</u>	<u>190,890</u>	<u>157,327</u>	<u>33,563</u>
OTHER HEALTH AND SOCIAL SERVICES:				
Salaries/supervisor	6,820	6,820	6,599	221
Pleasant Day Adult Care - budgeted approp.	21,120	21,120	21,120	-
Delmarva Comm. Svcs. - budgeted approp.	49,500	55,201	55,201	-
Chesapeake Rehab. - budgeted appropriations	7,975	7,975	7,975	-
Expense allowance	2,496	2,496	2,236	260
Community development appropriations	11,520	11,520	11,520	-
	<u>99,431</u>	<u>105,132</u>	<u>104,651</u>	<u>481</u>
Total social services	<u>284,637</u>	<u>296,022</u>	<u>261,978</u>	<u>34,044</u>
RECREATION AND PARKS:				
RECREATION DEPARTMENT:				
Salaries/supervisor	51,125	51,895	51,715	180
Salaries/other	128,208	128,208	130,285	(2,077)
Telephone	2,050	2,050	2,031	19
Water	700	700	692	8
Electric	4,100	4,100	4,301	(201)

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
RECREATION AND PARKS (continued):				
RECREATION DEPARTMENT (continued):				
Contractual services	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
Rental of equipment	2,100	1,900	1,811	89
Auto expenses	6,000	6,000	6,289	(289)
Maintenance and repairs	5,000	5,000	4,394	606
Trash removal	1,600	1,800	1,617	183
Office supplies	2,000	2,000	2,165	(165)
Other expenses	33,000	31,630	27,915	3,715
Postage	900	900	950	(50)
Mileage and conference reimbursement	1,000	900	849	51
Salaries/other - seasonal employees	60,100	60,100	55,243	4,857
Salaries/other - swimming pool	55,000	55,000	50,874	4,126
Telephone	650	650	322	328
Water	600	700	512	188
Electric	10,250	10,250	7,914	2,336
Maintenance and repairs	3,800	3,800	3,792	8
Trash removal	500	700	638	62
Other expenses	16,600	17,000	17,400	(400)
Food	9,000	9,000	8,933	67
Other expenses	-	-	17	(17)
Electric	4,800	4,800	3,483	1,317
Maintenance	1,500	1,500	1,276	224
	<u>415,583</u>	<u>415,583</u>	<u>400,418</u>	<u>15,165</u>
COOPERATIVE EXTENSION SERVICES:				
Budgeted appropriations	111,538	111,538	111,538	-
Miscellaneous budgeted appropriation	9,650	9,650	9,650	-
	<u>121,188</u>	<u>121,188</u>	<u>121,188</u>	<u>-</u>
Total recreation and parks	<u>536,771</u>	<u>536,771</u>	<u>521,606</u>	<u>15,165</u>
NATURAL RESOURCES:				
OYSTER REPLENISHMENT SERVICES:				
Budgeted appropriations	10,000	10,000	10,000	-
SOIL CONSERVATION:				
Salaries/other	170,039	170,039	161,161	8,878
Other expenses	3,360	3,360	3,360	-
	<u>173,399</u>	<u>173,399</u>	<u>164,521</u>	<u>8,878</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
NATURAL RESOURCES (continued):				
FOREST CONSERVATION:				
Gypsy moth program	\$ -	\$ -	\$ 8,585	\$ (8,585)
Budgeted appropriations	2,400	2,400	2,400	-
	<u>2,400</u>	<u>2,400</u>	<u>10,985</u>	<u>(8,585)</u>
WEED CONTROL:				
Health insurance	-	-	1,000	(1,000)
Workers' compensation	590	590	-	590
Social security	1,386	1,386	1,545	(159)
Salaries/supervisor	19,466	19,466	20,203	(737)
Auto expenses	1,920	1,920	2,257	(337)
Other expenses	7,320	7,320	12,006	(4,686)
Postage	48	48	37	11
Food	96	96	-	96
Meeting registration	96	96	-	96
	<u>30,922</u>	<u>30,922</u>	<u>37,048</u>	<u>(6,126)</u>
Total natural resources	<u>216,721</u>	<u>216,721</u>	<u>222,554</u>	<u>(5,833)</u>
ECONOMIC DEVELOPMENT:				
ECONOMIC DEVELOPMENT DEPARTMENT:				
Salaries/supervisor	45,444	45,444	47,109	(1,665)
Salaries/other	22,121	22,121	25,547	(3,426)
Telephone	4,000	4,000	3,422	578
Advertising	900	900	235	665
Printing, publishing, and publications	1,000	1,000	557	443
Contractual services	4,000	4,000	885	3,115
Office supplies	1,000	1,000	802	198
Other expenses	500	500	85	415
Postage	300	300	293	7
Lodging & meals	4,000	4,000	1,582	2,418
Meeting registration	1,000	1,000	735	265
Association dues	550	550	475	75
Mileage and conference reimbursement	4,000	4,000	1,177	2,823
Special projects	10,000	10,000	10,000	-
	<u>98,815</u>	<u>98,815</u>	<u>92,904</u>	<u>5,911</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
ECONOMIC DEVELOPMENT (continued):				
TOURISM:				
Salaries/supervisor	\$ 43,280	\$ 43,280	\$ 41,616	\$ 1,664
Salaries/other	97,424	97,424	91,790	5,634
Telephone	3,500	4,200	4,961	(761)
Water	3,500	2,800	2,864	(64)
Electric	20,000	18,700	17,970	730
Advertising	75,000	-	50	(50)
Printing, publishing, and publications	13,000	4,265	3,807	458
Contractual services	-	6,000	6,000	-
Rental of equipment	2,800	2,800	1,998	802
Building maintenance and repair	3,000	3,000	2,485	515
Office supplies	2,076	1,776	1,576	200
Other expenses	5,500	7,000	6,863	137
Postage	6,400	9,700	9,692	8
Photographic expense	900	-	-	-
Cost of goods	2,000	-	-	-
Lodging & meals	2,000	2,900	2,991	(91)
Association dues	500	500	574	(74)
Mileage & conference reimbursement	3,500	3,500	3,382	118
	<u>284,380</u>	<u>207,845</u>	<u>198,619</u>	<u>9,226</u>
OTHER ECONOMIC DEVELOPMENT:				
Delmarva advisory council appropriation	1,531	1,531	1,531	-
Water trans. appropriation	955	955	955	-
Capital outlay	21,000	21,000	21,000	-
	<u>23,486</u>	<u>23,486</u>	<u>23,486</u>	<u>-</u>
Total economic development	<u>406,681</u>	<u>330,146</u>	<u>315,009</u>	<u>15,137</u>
INTERGOVERNMENTAL:				
Tax rebate to municipalities	69,000	69,000	69,000	-
Bank stock - inc. towns	11,544	11,544	11,544	-
Mosquito control	249,600	249,600	220,511	29,089
Dor. Co. Health Department	701,954	701,954	662,081	39,873
Total intergovernmental	<u>1,032,098</u>	<u>1,032,098</u>	<u>963,136</u>	<u>68,962</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
MISCELLANEOUS:				
MD School for the Blind	\$ 200	\$ 200	\$ -	\$ 200
Health insurance - retirees	115,504	115,504	97,977	17,527
Health insurance	879,573	879,573	838,940	40,633
Social security	380,000	387,426	441,668	(54,242)
Retirement	300,000	300,000	227,440	72,560
Workers' compensation	80,000	83,883	60,878	23,005
Unemployment insurance	20,000	20,971	4,190	16,781
Compensated absences	-	-	19,098	(19,098)
Contingency	300,000	291,394	173,804	117,590
Telephone	800	800	792	8
Contractual services	15,000	20,000	17,793	2,207
Mileage and conference reimbursement	2,000	2,500	1,720	780
Dues	7,000	7,000	5,373	1,627
Total miscellaneous	2,100,077	2,109,251	1,889,673	219,578
EDUCATION:				
Dor. Co. Board of Education	15,069,453	15,069,453	15,069,453	-
Chesapeake Community College	1,011,721	1,011,721	1,011,721	-
Dor. Co. Public Library	458,829	458,829	458,829	-
Total education	16,540,003	16,540,003	16,540,003	-
PUBLIC WORKS:				
MAINTENANCE:				
Salaries/supervisor	34,083	34,083	34,083	-
Salaries/other	121,708	121,708	111,181	10,527
Telephone	3,000	3,000	2,751	249
Auto expenses	2,500	2,500	5,409	(2,909)
Employee uniforms and physicals	2,500	2,500	3,008	(508)
Water	1,200	1,200	1,402	(202)
Electric	38,000	38,000	36,624	1,376
Gas heat	10,000	10,000	15,219	(5,219)
Building maintenance and repairs	20,000	20,000	26,323	(6,323)
Other expenses	5,000	5,000	5,519	(519)
Building maintenance	10,000	10,000	14,835	(4,835)
Water	1,200	1,200	1,725	(525)
Electric	25,500	25,500	31,163	(5,663)
Gas-Heat	5,000	5,000	7,089	(2,089)

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS (continued):				
MAINTENANCE (continued):				
Building maintenance and repairs	\$ 17,000	\$ 17,000	\$ 17,633	\$ (633)
Other expenses	10,000	10,000	8,523	1,477
Capital outlay	500	500	-	500
Water	400	400	271	129
Electric	3,600	3,600	4,242	(642)
Building maintenance and repairs	1,000	1,000	401	599
Building maintenance	2,000	2,000	4,650	(2,650)
Salaries/supervisor	52,222	52,222	59,840	(7,618)
Contractual services	1,800	1,800	-	1,800
Office supplies	1,000	1,000	969	31
Other expenses	8,100	8,100	2,142	5,958
Meeting and registration	1,225	1,225	296	929
	<u>378,538</u>	<u>378,538</u>	<u>395,298</u>	<u>(16,760)</u>
WALLACE CREEK DREDGING				
Contractual services	175,000	175,000	-	175,000
HOOPERS ISLAND BRIDGE PROJECT:				
Contractual services	-	-	28,687	(28,687)
OTHER STATE AID PROJECTS:				
Salaries/other	30,000	30,000	-	30,000
Electric - Bucktown and Woods Road	-	-	500	(500)
	<u>30,000</u>	<u>30,000</u>	<u>500</u>	<u>29,500</u>
SHOULDER WORK:				
Blacktop materials	140,000	140,000	119,387	20,613
Salaries/other	7,000	7,000	7,311	(311)
Other materials	1,000	1,000	66	934
	<u>148,000</u>	<u>148,000</u>	<u>126,764</u>	<u>21,236</u>
ROADWAYS:				
Salaries/other	140,000	165,000	177,132	(12,132)
Other materials	20,000	20,000	14,926	5,074
	<u>160,000</u>	<u>185,000</u>	<u>192,058</u>	<u>(7,058)</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS (continued):				
SURFACE TREATMENT:				
Salaries/other	\$ 45,000	\$ 45,000	\$ 30,444	\$ 14,556
Asphalt S/T materials	130,000	70,000	59,425	10,575
Stone S/T materials	130,000	65,000	51,818	13,182
	<u>305,000</u>	<u>180,000</u>	<u>141,687</u>	<u>38,313</u>
DRAINAGE:				
Salaries/other	100,000	100,000	112,482	(12,482)
Contractual services	1,000	1,000	500	500
Drainage materials	60,000	60,000	54,173	5,827
	<u>161,000</u>	<u>161,000</u>	<u>167,155</u>	<u>(6,155)</u>
BUSHING:				
Salaries/other	50,000	43,000	40,151	2,849
Contractual services	2,000	3,200	3,177	23
	<u>52,000</u>	<u>46,200</u>	<u>43,328</u>	<u>2,872</u>
BLACKTOPPING:				
Salaries/other	120,000	120,000	41,369	78,631
Contractual services	1,000	126,000	123,755	2,245
Asphalt materials	165,000	165,000	107,259	57,741
Stone materials	190,000	135,036	90,051	44,985
Other materials	-	-	178	(178)
Fuel oil	20,000	20,000	10,683	9,317
	<u>496,000</u>	<u>566,036</u>	<u>373,295</u>	<u>192,741</u>
WIDENING AND IMPROVEMENTS:				
Salaries/other	40,000	20,000	12,721	7,279
Other materials	1,000	1,000	-	1,000
	<u>41,000</u>	<u>21,000</u>	<u>12,721</u>	<u>8,279</u>
PATCHING:				
Salaries/other	28,000	47,000	50,571	(3,571)
Stone stabilization	6,000	-	-	-
	<u>34,000</u>	<u>47,000</u>	<u>50,571</u>	<u>(3,571)</u>
MOWING:				
Salaries/other	75,000	75,000	74,741	259
REMOVING DEBRIS:				
Salaries/other	16,000	14,000	16,371	(2,371)
Contract services	-	-	272	(272)
	<u>16,000</u>	<u>14,000</u>	<u>16,643</u>	<u>(2,643)</u>

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS (continued):				
BRIDGES:				
Salaries/other	\$ 10,000	\$ 2,000	\$ 524	\$ 1,476
Contract services	390,000	390,000	13,587	376,413
Bridge materials	15,000	-	-	-
	<u>415,000</u>	<u>392,000</u>	<u>14,111</u>	<u>377,889</u>
SHOP:				
Salaries/other	252,502	252,502	272,484	(19,982)
Contractual services	60,000	40,000	33,005	6,995
Repair parts	80,000	80,000	92,284	(12,284)
Tires & tubes	22,000	32,000	30,637	1,363
Shop supplies	29,000	29,000	25,436	3,564
Small tools	3,000	3,000	4,002	(1,002)
	<u>446,502</u>	<u>436,502</u>	<u>457,848</u>	<u>(21,346)</u>
YARD:				
Other materials	-	-	919	(919)
Salaries/other	2,500	2,500	3,392	(892)
	<u>2,500</u>	<u>2,500</u>	<u>4,311</u>	<u>(1,811)</u>
SNOW AND ICE:				
Salaries/other	25,000	121,103	121,103	-
Overtime	5,000	-	-	-
Other materials	10,000	10,000	10,257	(257)
New vehicles/equipment	-	-	513	(513)
	<u>40,000</u>	<u>131,103</u>	<u>131,873</u>	<u>(770)</u>
OTHER ROAD DAMAGE:				
Salaries/other	4,000	10,000	10,782	(782)
WATERWAY IMPROVEMENT:				
Salaries/other	12,500	28,500	28,715	(215)
Other materials	25,000	16,000	9,487	6,513
	<u>37,500</u>	<u>44,500</u>	<u>38,202</u>	<u>6,298</u>
LICENSING AND PERMITS:				
Salaries/other	31,195	24,195	24,324	(129)

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS (continued):				
ELLIOTS ISLAND DOCK:				
Electric	\$ 400	\$ 400	\$ 749	\$ (349)
Contractual services	1,000	1,000	861	139
Other materials	-	-	86	(86)
	<u>1,400</u>	<u>1,400</u>	<u>1,696</u>	<u>(296)</u>
RAGGED POINT DOCK:				
Electric	700	700	1,221	(521)
Contractual services	1,000	1,000	1,832	(832)
Other materials	-	-	22	(22)
	<u>1,700</u>	<u>1,700</u>	<u>3,075</u>	<u>(1,375)</u>
TYLERS COVE DOCK:				
Electric	500	500	688	(188)
BOAT RAMPS:				
Salaries/other	25,617	25,617	1,793	23,824
Electric	2,000	2,000	2,265	(265)
Contractual services	20,000	20,000	26,765	(6,765)
Other materials	19,250	19,250	672	18,578
	<u>66,867</u>	<u>66,867</u>	<u>31,495</u>	<u>35,372</u>
BILLABLE JOBS:				
Salaries/other	4,500	4,500	10,497	(5,997)
Contractual services	-	-	372	(372)
Other materials	2,000	4,400	7,950	(3,550)
	<u>6,500</u>	<u>8,900</u>	<u>18,819</u>	<u>(9,919)</u>
ADMINISTRATIVE SALARIES:				
Salaries/supervisor	63,443	63,443	63,322	121
Salaries/other	69,627	69,627	75,409	(5,782)
	<u>133,070</u>	<u>133,070</u>	<u>138,731</u>	<u>(5,661)</u>
LEAVE SALARIES:				
Salaries/other	260,000	260,000	254,712	5,288
OTHER ADMINISTRATIVE:				
Water and sewer	700	700	-	700
Electricity	40,000	40,000	28,414	11,586
Propane	-	-	799	(799)
Advertising	3,000	3,000	1,721	1,279
Communications	5,000	5,000	6,455	(1,455)

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL - GENERAL FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
PUBLIC WORKS (continued):				
OTHER ADMINISTRATIVE (continued):				
Contractual services	\$ 4,000	\$ 4,000	\$ 1,115	\$ 2,885
Maintenance and repairs	2,000	2,000	2,300	(300)
Office supplies	7,000	7,000	4,761	2,239
Cleaning supplies	300	300	413	(113)
Fuel oil	100,000	130,000	128,121	1,879
Gasoline	30,000	30,000	8,305	21,695
Conferences, meetings and conventions	1,500	1,500	505	995
Employee uniforms and physicals	22,000	22,000	19,023	2,977
Insurance - liability/property	25,000	25,000	19,479	5,521
Training	1,000	1,000	1,019	(19)
New vehicles/equipment	1,600	1,600	3,144	(1,544)
	<u>243,100</u>	<u>273,100</u>	<u>225,574</u>	<u>47,526</u>
HIGHWAY SAFETY SIGNS:				
Salaries/other	32,166	32,166	31,556	610
Other materials	20,000	20,000	17,929	2,071
	<u>52,166</u>	<u>52,166</u>	<u>49,485</u>	<u>2,681</u>
HIGHWAY SAFETY STRIPING:				
Salaries/other	2,500	2,500	2,183	317
Contractual services	25,000	25,000	19,471	5,529
Other materials	1,000	1,000	315	685
	<u>28,500</u>	<u>28,500</u>	<u>21,969</u>	<u>6,531</u>
EMPLOYEE EXPENSES - HIGHWAYS:				
Health insurance retirees	98,670	98,670	83,684	14,986
Social security	113,148	113,148	111,155	1,993
Retirement	65,000	65,000	68,248	(3,248)
Unemployment insurance	2,000	2,000	11,149	(9,149)
Workers' compensation	50,000	61,000	61,097	(97)
Health insurance - highways	245,474	245,474	238,253	7,221
	<u>574,292</u>	<u>585,292</u>	<u>573,586</u>	<u>11,706</u>
Total public works	<u>4,416,330</u>	<u>4,479,069</u>	<u>3,624,729</u>	<u>854,340</u>
Total expenditures	<u>\$ 34,065,746</u>	<u>\$ 34,061,634</u>	<u>\$ 33,089,399</u>	<u>\$ 972,235</u>

DORCHESTER COUNTY, MARYLAND

**REVENUE DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
FEDERAL GOVERNMENT				
LMB FEDERAL REVENUES				
LMB - safe and stable families	\$ 123,175	\$ -	\$ 48,771	\$ 48,771
Total LMB federal revenues	123,175	-	48,771	48,771
OTHER FEDERAL REVENUES				
COPS fast grant - sheriff's office	105,982	105,982	53,187	(52,795)
Victim witness advocate grant	-	-	6,081	6,081
Alcohol/drug highway safety	59,000	59,000	36,717	(22,283)
Critical areas grant	52,000	52,000	52,000	-
Body armor grant - sheriff	19,706	19,706	17,679	(2,027)
Transportation grant	-	-	46,620	46,620
Weatherization assistance program	-	-	11,442	11,442
Domestic preparedness equipment grant	-	193,056	122,277	(70,779)
Harriet Tubman Experience grant	-	-	8,000	8,000
Emergency food assistance	-	-	8,265	8,265
School resource officer grant	82,000	82,000	67,025	(14,975)
LLEBG workstation grant	-	11,046	11,046	-
Byrne - safe family grant	-	115,313	34,115	(81,198)
Emergency shelter grant	-	-	19,800	19,800
Total other Federal revenues	318,688	638,103	494,254	(143,849)
Total federal revenues	441,863	638,103	543,025	(95,078)
STATE GOVERNMENT				
LMB STATE REVENUES				
LMB subcabinet - OCYF	1,849,011	1,776,812	2,164,444	387,632
LMB - juvenile intervention	-	-	7,160	7,160
LMB - community prosecution	-	-	31,425	31,425
LMB - victim outreach	-	-	3,333	3,333
LMB - community policing	-	-	51,470	51,470
LMB - community mobilization	-	-	9,111	9,111
LMB - other	-	-	23,791	23,791
Total LMB state revenue	1,849,011	1,776,812	2,290,734	513,922
OTHER STATE REVENUES				
Family services grant	107,779	115,322	103,326	(11,996)
Transportation grant	-	-	422,751	422,751
Homeless grant	-	-	43,359	43,359

DORCHESTER COUNTY, MARYLAND

**REVENUE DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2003
(Continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Budget		Final Budget Favorable (Unfavorable)
STATE GOVERNMENT (continued)				
OTHER STATE REVENUES (continued)				
Victim/Witness Coordinator - District Court	\$ 31,250	\$ 31,250	\$ 12,748	\$ (18,502)
Open space grant	-	37,500	407,663	370,163
Tourism development grant	35,000	35,000	18,000	(17,000)
Circuit court master	-	-	29,331	29,331
Community service grant	10,000	10,000	10,000	-
Pilg grant: MD historical trust	25,000	25,000	17,502	(7,498)
Choptank River heritage tourism grant	-	-	18,034	18,034
Rental allowance program	-	-	17,766	17,766
MD heritage area capital grant	12,500	12,500	3,750	(8,750)
MD heritage area operating grant	45,000	45,000	33,750	(11,250)
School bus safety enforcement grant	-	-	12,500	12,500
GOCCP - youth strategy	-	-	96,822	96,822
Rural AED grant - EMS	-	-	22,189	22,189
MEMA Tornado assistance	-	27,200	49,324	22,124
DNR waterway improvement project	-	61,816	349,222	287,406
Total other state revenues	266,529	400,588	1,668,037	1,267,449
Total state revenues	2,115,540	2,177,400	3,958,771	1,781,371
Interest and dividends on investments	-	-	13,273	13,273
Miscellaneous	-	15,600	12,151	(3,449)
Total revenues	\$ 2,557,403	\$ 2,831,103	\$ 4,527,220	\$ 1,696,117

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
FEDERAL GOVERNMENT				
LMB FEDERAL EXPENDITURES				
LMB - HEALTHY FAMILIES				
Passthrough funds	\$ -	\$ -	\$ 25,255	\$ (25,255)
Total LMB federal expenditures	-	-	25,255	(25,255)
OTHER FEDERAL EXPENDITURES				
BYRNE GRANT - STATE'S ATTORNEY				
Health insurance	3,039	3,039	8,755	(5,716)
Social security	2,678	2,678	1,776	902
Salaries/other	35,000	35,000	23,432	11,568
Other expenses	616	616	2,756	(2,140)
	41,333	41,333	36,719	4,614
CRITICAL AREAS GRANT				
Health insurance	4,850	4,850	5,945	(1,095)
Social security	1,650	1,650	1,674	(24)
Retirement	1,200	1,200	-	1,200
Worker's compensation insurance	70	70	76	(6)
Salaries/other	22,927	22,927	28,003	(5,076)
Advertising	600	600	363	237
Printing, publishing and publication	4,000	4,000	1,433	2,567
Contractual services	7,500	7,500	12,500	(5,000)
Office supplies	1,750	1,750	1,034	716
Postage	800	800	830	(30)
Mileage and conference reimbursement	600	600	142	458
	45,947	45,947	52,000	(6,053)
ALCOHOL/DRUG HIGHWAY SAFETY				
Social security	-	-	730	(730)
Worker's compensation insurance	-	-	179	(179)
Overtime	-	-	9,538	(9,538)
Other expenses	-	-	26,321	(26,321)
	-	-	36,768	(36,768)
VICTIM WITNESS ADVOCATE				
Health insurance	8,951	8,951	2,115	6,836
Social security	1,836	1,836	1,710	126
Salaries/other	24,000	24,000	23,858	142
Mileage and conference reimbursement	1,000	1,000	926	74
	35,787	35,787	28,609	7,178

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2003
(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
FEDERAL GOVERNMENT (continued)				
OTHER FEDERAL EXPENDITURES (continued)				
COPS FAST GRANT - SHERIFF				
Health insurance	\$ -	\$ -	\$ 7,401	\$ (7,401)
Social security	-	-	2,644	(2,644)
Retirement	-	-	1,433	(1,433)
Worker's compensation insurance	-	-	259	(259)
Salaries/other	-	-	35,686	(35,686)
	-	-	47,423	(47,423)
BULLETPROOF VEST GRANT				
New vehicles/equipment	39,412	39,412	17,679	21,733
BYRNE EX PARTE GRANT				
Social Security	-	-	5	(5)
Overtime	-	-	60	(60)
	-	-	65	(65)
BYRNE DOMESTIC VIOLENCE GRANT				
Software and equipment	-	11,046	11,698	(652)
WEATHERIZATION GRANT				
Other expenses	-	-	16,877	(16,877)
EMERGENCY FOOD ASSISTANCE				
Other expense	-	-	8,265	(8,265)
EMERGENCY SHELTER GRANT				
Other expenses	-	-	19,800	(19,800)
Total Other Federal expenditures	126,692	137,738	275,903	(138,165)
Total Federal expenditures	126,692	137,738	301,158	(163,420)
STATE GOVERNMENT				
LMB STATE EXPENDITURES				
LMB - COMMUNITY POLICING				
Passthrough funds	-	51,470	62,442	(10,972)
LMB - YOUTH SERVICES GRANT				
Health insurance	-	1,714	1,714	-
Social security	3,247	4,608	6,578	(1,970)
Retirement	605	2,575	605	1,970
Salaries/other	69,489	61,752	61,752	-
Worker's compensation insurance	-	2,692	2,692	-
	73,341	73,341	73,341	-

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2003
(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
STATE GOVERNMENT (continued)				
LMB STATE EXPENDITURES (continued)				
LMB - ADMINISTRATION				
Health insurance	\$ 11,628	\$ 11,628	\$ 19,442	\$ (7,814)
Social security	3,881	3,881	6,116	(2,235)
Retirement	3,163	3,163	2,767	396
Salaries/supervisor	43,280	43,280	43,280	-
Salaries/other	24,247	24,247	40,270	(16,023)
Telephone	3,500	3,900	1,306	2,594
Electric	3,000	3,000	1,619	1,381
Advertising	2,500	3,000	1,814	1,186
Contractual services	4,919	16,591	9,755	6,836
Rental of land and buildings	15,000	16,000	12,606	3,394
Office supplies	3,500	3,500	4,074	(574)
Other expense	-	-	131	(131)
Postage	1,000	1,000	2,146	(1,146)
Meeting registration	5,000	5,000	4,648	352
Mileage and conference reimbursement	2,500	3,500	3,368	132
Insurance-liability and property	2,000	2,400	1,205	1,195
Training expense	-	4,000	3,324	676
New vehicles/equipment	1,000	22,528	6,602	15,926
	<u>130,118</u>	<u>170,618</u>	<u>164,473</u>	<u>6,145</u>
LMB - SERVICES				
POS family preservation	271,399	-	-	-
POS healthy family training	-	9,994	-	9,994
POS community service initiation	-	34,416	-	34,416
POS diversion	172,494	95,250	50,974	44,276
POS home visiting	344,725	357,465	365,295	(7,830)
	<u>517,219</u>	<u>452,715</u>	<u>416,269</u>	<u>36,446</u>
LMB - INCENTIVES-OCYF				
Incentives	-	-	89,606	(89,606)
LMB - POS EDUCATION BLOCK GRANT				
Passthrough funds	52,552	52,552	52,552	-
LMB - WELLNESS CENTERS				
Passthrough funds	546,000	546,000	581,344	(35,344)

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2003
(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
STATE GOVERNMENT (continued)				
LMB STATE EXPENDITURES (continued)				
LMB - JUVENILE INTERVENTION				
Passthrough funds	\$ -	\$ 7,160	\$ 7,260	\$ (100)
LMB - COMMUNITY OUTREACH				
Health insurance	17,500	16,400	13,195	3,205
Social security	6,013	6,013	5,122	891
Worker's compensation insurance	3,175	3,175	3,175	-
Salaries/other	80,170	77,170	69,221	7,949
Telephone	1,000	1,100	804	296
Printing and publishing	1,300	1,300	1,290	10
Contractual services	1,000	1,700	814	886
Auto expenses	1,064	1,164	1,418	(254)
Office supplies	1,500	1,800	1,666	134
Postage	500	500	500	-
Mileage and conference reimbursement	2,500	1,500	1,378	122
Insurance	850	850	845	5
Training expenses	1,000	1,000	594	406
New vehicles/equipment	2,000	5,300	5,255	45
Dues	500	600	600	-
Other expenses	3,428	3,928	3,595	333
	123,500	123,500	109,472	14,028
LMB - LCC FLEX FUNDS				
Contractual services	-	-	11,429	(11,429)
LMB - SAFE AND STABLE FAMILIES				
Passthrough funds	123,175	30,794	48,771	(17,977)
LMB - GCAP/IG99-08				
Passthrough funds	-	48,000	26,696	21,304
LMB - COMMUNITY MOBILIZATION				
Contractual services	-	9,600	8,243	1,357
Passthrough funds	-	-	40,699	(40,699)
Other expenses	-	-	867	(867)
	-	9,600	49,809	(40,209)
LMD - VICTIM OUTREACH				
Passthrough funds	-	3,333	3,333	-

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2003
(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
STATE GOVERNMENT (continued)				
LMB STATE EXPENDITURES (continued)				
LMB - OTHER				
Passthrough funds	\$ -	\$ -	\$ 43,301	\$ (43,301)
LMB - ACROSS AGES				
Health insurance	-	-	865	(865)
Social security	-	-	184	(184)
Salaries/other	-	-	2,405	(2,405)
Contractual services	-	-	1,600	(1,600)
Other expenses	-	-	9,710	(9,710)
Passthrough funds	-	-	127,690	(127,690)
	-	-	142,454	(142,454)
FAMILY SERVICES GRANT				
Health insurance	-	5,758	5,973	(215)
Social security	-	2,820	4,179	(1,359)
Worker's compensation insurance	-	2,307	577	1,730
Salaries/other	36,859	36,859	36,859	-
Other expenses	-	66,050	54,800	11,250
	36,859	108,036	102,388	11,406
YOUTH SERVICES - FAMILY PRESERVATION				
Health insurance	12,549	11,213	11,214	(1)
Social security	6,452	6,437	6,283	154
Retirement	3,516	3,508	3,355	153
Worker's compensation insurance	3,406	3,668	3,668	-
Salaries/other	86,013	84,138	84,112	26
Telephone	100	100	2,184	(2,084)
Printing and publishing	100	236	136	100
Auto expenses	800	800	801	(1)
Office supplies	200	200	200	-
Other expenses	1,264	2,614	3,255	(641)
Postage	100	88	88	-
Mileage and conference reimbursement	300	600	730	(130)
Training expense	100	266	266	-
New vehicles/equipment	100	1,132	1,482	(350)
	115,000	115,000	117,774	(2,774)

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2003
(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
STATE GOVERNMENT (continued)				
LMB STATE EXPENDITURES (continued)				
LMB - COMMUNITY CARE				
Health insurance	\$ -	\$ -	\$ 1,504	\$ (1,504)
Social security	-	-	744	(744)
Salaries/other	-	-	17,489	(17,489)
Other expenses	-	-	15,428	(15,428)
	-	-	35,165	(35,165)
Total LMB state expenditures	1,717,764	1,792,119	2,137,879	(340,002)
OTHER STATE EXPENDITURES				
SCHOOL RESOURCE OFFICER				
Health insurance	-	-	5,338	(5,338)
Social security	-	-	3,957	(3,957)
Retirement	-	-	1,116	(1,116)
Workers compensation	-	-	2,373	(2,373)
Salaries/other	-	-	53,791	(53,791)
	-	-	66,575	(66,575)
MARYLAND TORNADO ASSISTANCE GRANT				
Passthrough funds	-	-	11,500	(11,500)
New vehicles and equipment	-	-	26,524	(26,524)
	-	-	38,024	(38,024)
SCHOOL BUS SAFETY				
Social Security	-	-	912	(912)
Worker's compensation insurance	-	-	246	(246)
Salaries/other	-	-	11,925	(11,925)
	-	-	13,083	(13,083)
HOMELESS GRANT				
Other expenses	-	-	42,670	(42,670)
TRANSPORTATION GRANT				
Other expenses	-	-	469,371	(469,371)
COMMUNITY SERVICE GRANT				
Social security	1,645	1,645	1,677	(32)
Salaries/Other	21,676	21,676	21,926	(250)
New vehicles and equipment	-	-	1,695	(1,695)
	23,321	23,321	25,298	(1,977)

DORCHESTER COUNTY, MARYLAND

**EXPENDITURE DETAIL
BUDGET AND ACTUAL
SPECIAL REVENUE - GRANTS FUND
Year Ended June 30, 2003
(continued)**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
STATE GOVERNMENT (continued)				
OTHER STATE EXPENDITURES				
QUEST				
Social security	\$ 2,295	\$ 2,295	\$ 2,477	\$ (182)
Worker's compensation	1,155	1,155	2	1,153
Salaries/other	30,000	30,000	32,558	(2,558)
Contractual services	9,000	9,000	32,835	(23,835)
Other expenses	7,550	7,550	8,307	(757)
	<u>50,000</u>	<u>50,000</u>	<u>76,179</u>	<u>(26,179)</u>
PROGRAM OPEN SPACE				
Capital outlay	-	50,000	412,725	(362,725)
PILG GRANT- MD HIST TRUST				
Contractual services	24,000	24,000	20,300	3,700
Travel expense	1,000	1,000	80	920
	<u>25,000</u>	<u>25,000</u>	<u>20,380</u>	<u>4,620</u>
TOURISM DEVELOPMENT GRANT				
Advertising	35,000	35,000	18,000	17,000
DNR WATERWAY IMPROVEMENT GRANT				
Contractual services	-	61,816	274,646	(212,830)
Total other state expenditures	<u>133,321</u>	<u>195,137</u>	<u>1,456,951</u>	<u>(1,211,814)</u>
Total state expenditures	<u>1,851,085</u>	<u>1,987,256</u>	<u>3,594,830</u>	<u>(1,551,816)</u>
LOCAL EXPENDITURES				
HERITAGE TOURISM PLANNING GRANT				
Advertising	3,400	3,400	3,278	122
Printing and publishing	4,500	4,500	4,500	-
Other expenses	11,000	11,000	10,454	546
Lodging and meals	100	100	22	78
	<u>19,000</u>	<u>19,000</u>	<u>18,254</u>	<u>746</u>
MARYLAND HERITAGE OPERATING GRANT				
Salaries/supervisor	10,000	10,000	1,344	8,656
Salaries/other	20,000	20,000	8,261	11,739
Other expenses	20,000	20,000	7,882	12,118
	<u>50,000</u>	<u>50,000</u>	<u>17,487</u>	<u>32,513</u>
Total local expenditures	<u>20,000</u>	<u>20,000</u>	<u>35,741</u>	<u>33,259</u>
OTHER EXPENSES	-	-	73,698	(73,698)
Total expenditures	<u>\$ 1,997,777</u>	<u>\$ 2,144,994</u>	<u>\$ 4,005,427</u>	<u>\$ (1,755,675)</u>

ADDITIONAL SUPPLEMENTARY INFORMATION

DORCHESTER COUNTY, MARYLAND

**REVENUE AND EXPENDITURE DETAIL
BUDGET AND ACTUAL
CAPITAL FUND
Year Ended June 30, 2003**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
REVENUES:				
County transfer tax	\$ 68,990	\$ 68,990	\$ -	\$ (68,990)
Interest	-	-	130,019	130,019
Total revenues	68,990	68,990	130,019	61,029
EXPENDITURES:				
Information technology - capital outlay	-	-	66,741	(66,741)
Information technology - new vehicles/equipment	268,000	272,760	141,631	131,129
County council - new vehicles/equipment	1,750	1,750	870	880
Circuit court - capital outlay	6,590	6,590	6,590	-
Courthouse building - capital outlay	62,400	62,400	-	62,400
State's attorney - capital outlay	3,000	3,000	2,968	32
County office building - capital outlay	11,500	11,500	-	11,500
County office building - new vehicles/equipment	53,760	49,000	44,999	4,001
Elections - new vehicles and/or equipment	292,159	292,159	20,537	271,622
Finance office - new vehicles/equipment	4,500	4,500	4,199	301
Planning and zoning - new vehicles and/or equipment	14,800	14,800	12,997	1,803
Sheriff's office - new vehicles/equipment	96,859	96,859	109,338	(12,479)
Emergency medical services	4,563	4,563	2,468	2,095
Detention center - new vehicles and/or equipment	22,500	22,500	22,500	-
Schools - Maces Lane Middle school 2001 bond	-	-	140,989	(140,989)
Schools - new vehicles and/or equipment	202,000	202,000	-	202,000
Schools - capital outlay	1,722,000	1,722,000	-	1,722,000
Schools - Capital Projects FY 2003	-	-	105,201	(105,201)
Schools - Capital Projects FY 2002	-	-	269,029	(269,029)
Schools - Capital Projects FY 2001	-	-	11,920	(11,920)
Animal control - new vehicles/equipment	34,250	34,250	34,250	-
Economic Development - new vehicles/equipment	10,000	10,000	8,901	1,099
911 telephone system - new vehicles/equipment	1,245,000	1,245,000	83,605	1,161,395
Tourism - capital outlay	-	-	6,100	(6,100)
Public works-airport - new vehicles/equipment	11,500	11,500	13,380	(1,880)
Public works-solid waste - new vehicles/equipment	324,000	324,000	-	324,000
Human resources - new vehicles/equipment	6,200	6,200	1,732	4,468
Treasurer's office - new vehicles/equipment	4,800	4,800	4,722	78

DORCHESTER COUNTY, MARYLAND

**REVENUE AND EXPENDITURE DETAIL
BUDGET AND ACTUAL
CAPITAL FUND
Year Ended June 30, 2003
(continued)**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Favorable (Unfavorable)
EXPENDITURES (continued):				
Public works-solid waste - capital outlay	\$ 5,019,664	\$ 5,445,264	\$ -	\$ 5,445,264
Public works-highway - new vehicles/equipment	321,000	321,000	188,717	132,283
Public works-highway - capital outlay	60,669	60,669	5,109	55,560
Health - capital outlay	-	-	3,537	(3,537)
Engineering - new vehicles/equipment	25,000	25,000	14,616	10,384
Erosion control - contractual services	-	-	57,334	(57,334)
Road maintenance	-	-	79,565	(79,565)
New vehicles and equipment	19,600	19,600	19,086	514
Cost of bond issuance	-	-	13,760	(13,760)
Total expenditures	9,848,064	10,273,664	1,497,391	8,776,273
Deficiency of revenues over expenditures	(9,779,074)	(10,204,674)	(1,367,372)	(8,837,302)
OTHER FINANCING SOURCES:				
Note proceeds	3,685,593	3,685,593	57,334	(3,628,259)
Lease purchase agreement	1,318,028	1,318,028	-	(1,318,028)
Bond proceeds	1,924,000	1,924,000	-	(1,924,000)
Reappropriated beginning fund balance-landfill	2,003,400	2,003,400	-	(2,003,400)
Operating transfers in	848,053	848,053	848,053	-
Total other financing sources	9,779,074	9,779,074	905,387	(8,873,687)
Excess of other financing sources over expenditures	\$ -	\$ (425,600)	\$ (461,985)	\$ (36,385)

DORCHESTER COUNTY, MARYLAND
STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
AIRPORT ENTERPRISE FUND
Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Operating:				
Hangar and facility rentals	\$ 45,297	\$ 45,297	\$ 47,278	\$ 1,981
T-hangar rentals	63,399	63,399	65,279	1,880
Tie-down rentals	3,172	3,172	3,681	509
Fuel sales	260,000	260,000	227,011	(32,989)
Miscellaneous revenue	2,643	2,643	2,479	(164)
Total revenues	374,511	374,511	345,728	(28,783)
EXPENSES:				
Operating:				
Electric	8,200	8,200	9,328	(1,128)
Repairs and maintenance	12,000	12,000	9,772	2,228
Contracted services - other	6,832	6,832	3,990	2,842
Meetings/conferences/registrations	300	300	30	270
Salaries and wages	112,963	112,963	99,231	13,732
Fringes/payroll taxes/workers' compensation	40,214	40,214	29,457	10,757
Phone	1,000	1,000	1,808	(808)
Uniforms	1,100	1,100	1,073	27
Miscellaneous	6,500	6,500	9,125	(2,625)
Fuel farm	800	800	463	337
Refueler lease	13,800	13,800	13,200	600
Fuel	156,000	156,000	148,170	7,830
Office supplies	1,200	1,200	868	332
Insurance	30,300	24,500	24,426	74
New vehicles and equipment	-	5,800	-	5,800
Operating expenses before depreciation	391,209	391,209	350,941	40,268
Depreciation	143,794	143,794	210,630	(66,836)
Total operating expenses	535,003	535,003	561,571	(26,568)
Operating loss	(160,492)	(160,492)	(215,843)	(55,351)
NON-OPERATING REVENUES (EXPENSES):				
Grants - Federal government	128,000	128,000	1,081,595	953,595
Grants - state government	8,000	8,000	909,695	901,695
Interest expense	(3,665)	(3,665)	(1,985)	1,680
Transfers from general fund	227,157	227,157	227,157	-
Total non-operating revenues	359,492	359,492	2,216,462	1,856,970
Net income	\$ 199,000	\$ 199,000	\$ 2,000,619	\$ 1,801,619

DORCHESTER COUNTY, MARYLAND
STATEMENT OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
LANDFILL ENTERPRISE FUND
Year Ended June 30, 2003

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUES:				
Operating:				
Tipping fees	\$ 1,479,576	\$ 1,479,576	\$ 1,809,734	\$ 330,158
Permits	80,000	80,000	75,020	(4,980)
Miscellaneous	9,000	9,000	6,995	(2,005)
Total operating revenues	1,568,576	1,568,576	1,891,749	323,173
EXPENSES:				
Public Works - Solid Waste Recycling				
Operating:				
Contractual services	15,000	15,000	1,236	13,764
Equipment lease and rent	1,000	1,000	-	1,000
Miscellaneous	500	500	-	500
Mileage and conference reimbursements	500	500	-	500
Public Works - Solid Waste				
Operating:				
Salaries and wages	400,949	395,949	378,735	17,214
Fringe benefits, payroll taxes, and workers' compensation	133,504	133,504	109,311	24,193
Equipment lease and rent	165,000	145,000	50,935	94,065
Contractual services	106,723	106,723	13,029	93,694
Closure and postclosure costs accrual	125,000	125,000	416,685	(291,685)
Utilities and fuel	36,600	36,600	46,594	(9,994)
Insurance	2,600	2,600	2,342	258
Materials and supplies	20,500	25,500	13,391	12,109
Uniforms	4,000	4,000	3,700	300
Repairs and maintenance	50,000	70,000	62,682	7,318
Legal	500	500	70	430
Miscellaneous	6,200	6,200	1,882	4,318
Operating expenses before depreciation	1,068,576	1,068,576	1,100,592	(32,016)
Depreciation	580,000	580,000	487,830	92,170
Total operating expenses	1,648,576	1,648,576	1,588,422	60,154
Operating income (loss)	(80,000)	(80,000)	303,327	383,327
NON-OPERATING REVENUES:				
Operating transfers	-	-	-	-
Financial income, net	80,000	80,000	63,350	(16,650)
Total non-operating revenues	80,000	80,000	63,350	(16,650)
Net income	\$ -	\$ -	\$ 366,677	\$ 366,677

DORCHESTER COUNTY, MARYLAND

**COMBINING BALANCE SHEET
CAPITAL PROJECTS FUNDS**

June 30, 2003

	<u>Capital Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 6,029,285	\$ 955,190	\$ 6,984,475
Bond issuance costs, net	85,213	79,255	164,468
Total assets	\$ 6,114,498	\$ 1,034,445	\$ 7,148,943
LIABILITIES			
Liabilities:			
Accounts payable	\$ 246,187	\$ -	\$ 246,187
Interfund payables	317,181	18,918	336,099
Total liabilities	563,368	18,918	582,286
FUND BALANCES			
Reserved for:			
Fund purposes	5,551,130	1,015,527	6,566,657
Total fund balances	5,551,130	1,015,527	6,566,657
Total liabilities and fund balances	\$ 6,114,498	\$ 1,034,445	\$ 7,148,943

DORCHESTER COUNTY, MARYLAND

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUNDS
Year Ended June 30, 2003**

	Capital Fund	Capital Projects Fund	Total
REVENUES:			
Interest	\$ 115,792	\$ 14,227	\$ 130,019
Total revenues	115,792	14,227	130,019
EXPENDITURES:			
Capital projects and real estate acquisition	-	22,662	22,662
Capital outlay	1,474,729	-	1,474,729
Total expenditures	1,474,729	22,662	1,497,391
Deficiency of revenues over expenditures	(1,358,937)	(8,435)	(1,367,372)
OTHER FINANCING SOURCES:			
Note Proceeds	57,334	-	57,334
Operating transfers in (out)	848,053	-	848,053
Total other financing sources	905,387	-	905,387
Deficiency of revenues and other financing sources over expenditures	(453,550)	(8,435)	(461,985)
Fund balances, beginning of year	6,004,680	1,023,962	7,028,642
Fund balances, end of year	\$ 5,551,130	\$ 1,015,527	\$ 6,566,657

DORCHESTER COUNTY, MARYLAND
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2003

	Other Governmental Funds		
	Commissary Fund	Tourism Marketing Fund	Totals
ASSETS			
Cash and investments	\$ 30,506	\$ -	\$ 30,506
Accounts receivable	-	350	350
Interfund	-	20,700	20,700
Total assets	\$ 30,506	\$ 21,050	\$ 51,556
LIABILITIES			
Accounts payable	\$ -	\$ 7,218	\$ 7,218
Interfund	-	1,270	1,270
Deferred revenues	30,506	12,562	43,068
Total liabilities	30,506	21,050	51,556
FUND BALANCES			
Unrestricted	-	-	-
Total liabilities and fund balances	\$ 30,506	\$ 21,050	\$ 51,556

DORCHESTER COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2003

	Other Governmental Funds		
	Commissary Fund	Tourism Marketing Fund	Totals
REVENUES			
Phone commissions	\$ 67,691	\$ -	\$ 67,691
Advertising support	-	12,599	12,599
Miscellaneous	39,933	-	39,933
Total revenues	107,624	12,599	120,223
EXPENDITURES			
Contractual services	18,271	-	18,271
Building maintenance	32,265	-	32,265
Advertising and promotion	-	76,849	76,849
Printing and publication	-	19,485	19,485
Other expenses	57,088	-	57,088
Total expenditures	107,624	96,334	203,958
Deficiency of revenues over expenditures	-	(83,735)	(83,735)
OTHER FINANCING SOURCES			
Operating transfers in	-	83,735	83,735
Deficiency of revenues and other financing sources over expenditures	-	-	-
Fund balance, beginning of year	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -

DORCHESTER COUNTY, MARYLAND

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
DEFERRED COMPENSATION PLAN
Year Ended June 30, 2003**

	Balances, June 30, <u>2002</u>	Employee <u>Contributions</u>	Earnings on <u>Investments</u>	<u>Distributions</u>	<u>Gains/Losses</u>	Balances, June 30, <u>2003</u>
Assets:						
Investments	\$ 660,214	\$ 119,728	\$ 24,766	\$ 17,404	\$ 1,308	\$ 788,612
Liabilities:						
Due to participants	\$ 660,214	\$ 119,728	\$ 24,766	\$ 17,404	\$ 1,308	\$ 788,612

DORCHESTER COUNTY, MARYLAND
SCHEDULE OF AGRICULTURE TAX REVENUE
Year Ended June 30, 2003

One third unexpended collections due to Maryland Department of Agriculture which has reached the age of three years	\$	2,996
<hr/>		
One-third of previous three years collected		51,295
<hr/>		
Total unexpended balance at July 1, 2002		54,291
<hr/>		
Add: Revenues - 2002-2003		56,262
<hr/>		
Total to be accounted for		110,553
<hr/>		
Less: Expenditures under Article 13 - Section 301 Agriculture Transfer Act - 2001-2002		
<hr/>		
Two-thirds to Comptroller of the Treasury		37,508
<hr/>		
Maryland Department of Agriculture - (Funds over three years old)		-
<hr/>		
Expenditures for benefit of Dorchester County Commissioners		-
<hr/>		
Total expenditures		37,508
<hr/>		
Unexpended balance at June 30, 2003	\$	73,045
<hr/>		
Unexpended balance reconciliation:		
One-third of collection due Maryland Department of Agriculture which has reached the age of three years - unexpended	\$	19,243
<hr/>		
One-third of previous two years collections plus current year		53,802
<hr/>		
Total	\$	73,045
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FORM OF OPINION OF BOND COUNSEL

[CLOSING DATE]

Dorchester County, Maryland
Cambridge, Maryland

Dear Council Members:

We have examined a record of proceedings of Dorchester County, Maryland (the "County"), a body politic and corporate and a political subdivision of the State of Maryland, relating to the issuance by the County of \$9,430,000 aggregate principal amount of Consolidated General Improvements and Refunding Series, 2004 (the "Bonds"), which are described below. The Bonds are dated April 1, 2004 with interest payable semiannually on the first days of February and August beginning on August 1, 2004; are fully registered in form in the denomination of \$5,000 each or any integral multiple thereof; are issued under the provisions of Section 24 of Article 31 of the Annotated Code of Maryland (2003 Replacement Volume) and Article 25A of the Annotated Code of Maryland (2001 Replacement Volume and 2003 Supplement) (the "Enabling Law"), the Charter of Dorchester County, Maryland (the "Charter") and in accordance with Bill No. 2003-15, passed by the County Council of Dorchester County on November 18, 2003, and effective January 17, 2004, as amended (the "Ordinance"); and mature, subject to redemption prior to maturity in the manner and upon the terms set forth in the Bonds, on February 1 in years and amounts, and bear interest as provided in the Bonds.

With respect to the executed and authenticated Bond of the issue that we have examined, and Bonds similarly executed and identical thereto in form except as to numbers, interest rates, denominations, option of redemption and maturities, we are of the opinion 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 Law, the Charter and the Ordinance to issue the Bonds;
- (b) the Bonds are valid and legally binding general obligations of the County to which its full faith and credit and taxing power 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;
- (c) to provide for the payment of the principal of and interest on the Bonds, the County has, by the adoption of the Ordinance, covenanted to levy 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;
- (d) under existing law, interest on the Bonds will be exempt from State of Maryland income taxation, but no opinion is expressed as to estate or inheritance taxes or any other and taxes not levied or assessed directly on the Bonds or the interest thereon;
- (e) interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and decisions. It is noted that under the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), there are certain restrictions that must be met subsequent to the delivery of the Bonds, including restrictions that must be complied with throughout the term of the Bonds. These include a requirement that certain investment earnings received from the investment of the proceeds of the Bonds be rebated under certain circumstances (or that certain payments in lieu of rebate be made) to the United States of America under certain circumstances and other requirements applicable to the investment of the proceeds of the Bonds and the use of the proceeds of such Bonds and the use of the facilities financed with such proceeds. Failure to comply with one or more of these requirements could result in the inclusion of the interest payable on the Bonds in gross income for federal income tax purposes, effective from the date of their issuance. The

County has covenanted to regulate the investment of the proceeds of the Bonds and to take such other actions as may be required to maintain the excludability from gross income for federal income tax purposes of interest on the Bonds. It is our opinion that, assuming compliance with such covenants, the interest on the Bonds will remain excludable from gross income for federal income tax purposes under the provisions of the Code;

- (f) interest on the Bonds is not includable in the alternative minimum taxable income of individuals, corporations or other taxpayers as an enumerated item of tax preference or other specific adjustment. For purposes of calculating the corporate alternative minimum tax, however, a corporation subject to such tax will be required to increase its alternative minimum taxable income by 75% of the amount by which its "adjusted current earnings" exceed its alternative minimum taxable income (computed without regard to this current earnings adjustment and the alternative tax net operating loss deduction). For such purposes, "adjusted current earnings" would include, among other items, interest income from the Bonds. In addition, interest income from the Bonds will be subject to the branch profits tax imposed by the Code on foreign corporations engaged in a trade or business in the United States; and
- (g) the Bonds have been designated "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

Very truly yours,

\$9,675,000* DORCHESTER COUNTY, MARYLAND

Consolidated General Improvements and Refunding Series, 2004

(Dated April 1, 2004)

Sealed proposals or electronic bids via *PARITY*
 will be received until 11 o'clock A.M., Eastern Time, on
 Thursday, April 1, 2004

Sealed proposals or electronic bids via *PARITY* will be received by the County Manager of Dorchester County, Maryland at 501 Court Lane, Cambridge, Maryland for the purchase of the above-described bonds aggregating \$9,675,000*. The Bonds will be dated April 1, 2004, and bear interest payable semi-annually beginning on August 1, 2004 and thereafter on the first days of February and August until maturity or redemption. The Consolidated General Improvements and Refunding Series, 2004 are authorized by Section 24 of Article 31 (2003 Replacement Volume) and Section 25A of the Annotated Code of Maryland (2001 Replacement Volume and 2003 Supplement), the Charter of Dorchester County, Maryland (the "Charter") and Bill No. 2003-15 passed by the County Council of Dorchester County, Maryland, on November 18, 2003, effective January 17, 2004.

The Bonds have been designated as "qualified tax-exempt obligations" pursuant to section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

The Bonds will mature, subject to prior redemption as herein stated, on the first days of February in the following years and aggregate amounts:

<u>Maturing February 1</u>	<u>Preliminary Principal Amount</u>	<u>Maturing February 1</u>	<u>Preliminary Principal Amount</u>
2005		2013	
2006		2014	
2007		2015	
2008		2016	
2009		2017	
2010		2018	
2011		2019	
2012			

The proceeds of the bonds for which proposals are solicited herein will be expended for the following public purposes: (i) new capital projects consisting of communications system upgrades, road and bridge improvements, and miscellaneous projects (ii) to refund all or a portion of the County Commissioners of Dorchester County, Maryland Public Facilities Bonds of 1995, dated February 1, 1995 and maturing on or after February 1, 2006 (the "Refunded Bonds"), and (iii) paying certain costs associated with the issuance of the Bonds.

The bonds shall be issued only in fully registered form without coupons. One bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York

* Preliminary, subject to adjustment as described herein.

("DTC"), as registered owner of the bonds and each such bond shall be immobilized in the custody of DTC. DTC will act as securities depository for the bonds. Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive physical delivery of certificates representing their interest in the bonds purchased. The winning bidder, as a condition to delivery of the bonds, will be required to deposit the bond certificates representing each maturity of the Bonds with DTC. The Bonds will bear interest payable semiannually on the first days of February and August, commencing August 1, 2004, until maturity or redemption. Interest will be paid to the persons in whose names the Bonds are registered on the registration books maintained by the Bond Registrar on the Regular Record Date, which is the fifteenth day of the month immediately preceding the month in which each such interest payment date occurs, by electronic funds transfer or check mailed to each such person's address as it appears on such bond registration books.

The Bonds that mature on February 1, 2014 are not subject to redemption prior to their maturities. Bonds maturing on or after February 1, 2015 are subject to redemption, at the option of the County, on or after February 1, 2014 as a whole or in part at any time in any order of maturities, after at least thirty days' notice, without premium, at a redemption price equal to the principal amount of Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption.

If less than all of the Bonds of any maturity shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Bond Registrar and Paying Agent in such manner as in its discretion, it shall determine.

The County will not consider and will reject any bid for less than all of the above described Bonds. The right is reserved to reject any and all bids.

Electronic Bids

Electronic bids will be received via **PARITY**, in the manner described below, until 11:00 a.m. local Baltimore, Maryland time, on April 1, 2004.

Bids may be submitted electronically via **PARITY** pursuant to this Notice of Sale until 11:00 am, local Baltimore, Maryland time, but no bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about **PARITY**, potential bidders may contact **PARITY** at Dalcomp (800) 730-9393 or (212) 806-8304.

Written Sealed Bids

Bids will also be accepted in written form on the form of Proposal for Bonds attached to this Notice of Sale. Each proposal must be submitted on the form accompanying this Notice of Sale and 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".

Disclaimer

Each prospective electronic bidder shall be solely responsible to register to bid via **PARITY** as described above. Each qualified prospective electronic bidder shall be solely responsible to make necessary arrangements to access **PARITY** for the purposes of submitting its bid in a timely manner and in compliance with the requirements of the Notice of Sale. Neither the County nor **PARITY**, shall have any duty or obligation to provide or assure access to **PARITY** to any prospective bidder, and neither the County nor **PARITY** shall be responsible for a bidder's failure to register to bid or 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. The County is not bound by any advice and determination of **PARITY** to the effect that any particular bid complies with the terms of this Notice of Sale and in particular the "Bid Specifications" hereinafter set forth. All costs and expenses incurred by prospective bidders in connection with their registration and submission of bids via **PARITY** are the sole responsibility of the bidders; and the County is not responsible, directly or indirectly, for any of such costs or expenses. If a prospective bidder encounters any difficulty in submitting, modifying or withdrawing a bid for the Bonds, he should telephone **PARITY** at Dalcomp (800) 730-9393 or

(212) 806-8304 and notify the County's Financial Advisor, Public Advisory Consultants, Inc. at (410) 581-4820.

Electronic Bidding Procedures

Electronic bids must be submitted for the purchase of the Bonds (all or none) via **PARITY**. Bids will be communicated electronically to the County at 11:00 a.m., Eastern Time, on April 1, 2004. Prior to that time, a prospective bidder may (1) submit the proposed terms of its bid 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, 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 on the terms therein provided. For purposes of the electronic bidding process, the time as maintained on **PARITY** shall constitute the official time.

Acquisition of Insurance at the Purchaser's Option

If the Bonds qualify for issuance of any policy of municipal bond insurance, any purchase of such insurance or commitment therefore shall be made at the sole option and expense of the purchaser and any increased costs of issuance of the Bonds resulting by reason of such insurance (including, without limitation, the premium for any such policy of municipal bond insurance and the fees of any rating agencies in connection therewith) shall be paid by such purchaser. Any failure of the Bonds to be so insured or of any such policy of insurance to be issued shall not in any way relieve the purchaser of its contractual obligations arising from the acceptance of its proposal for the purchase of the Bonds. Additionally, the purchaser shall provide to the County such information as requested to establish whether such insurance qualifies as a "qualified guarantee" (as such term is used in the Internal Revenue Code of 1986, as amended; the "Code").

Bid Specifications

Bidders shall state in their proposals the rate or rates of interest to be paid on all the Bonds, on which rate or rates their proposals are based and submitted. The rates so named must be in multiples of one-eighth ($1/8$) or one-twentieth ($1/20$) of one percent (1%), and the highest rate named may not exceed the lowest by more than 3%. Bidders may specify more than one rate of interest to be borne by the Bonds but may not specify more than one rate of interest for the Bonds of any single maturity, nor may the rate named for the Bonds of any one maturity be less than the rate named for the Bonds of any earlier maturity. The Bonds will be awarded to the bidder naming the lowest interest cost for all the Bonds in any legally acceptable proposal and offering to pay not less than the Final Aggregate Principal Amount of the Bonds and not more than 103% of the Final Aggregate Principal Amount of the Bonds and accrued interest. The lowest interest cost will be determined with respect to each proposal by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of the Bonds and to the amount bid, not including interest accrued to the date of delivery. Where the proposals of two or more bidders result in the same lowest interest cost, the Bonds may be apportioned between such bidders, but if this shall not be acceptable to the County, the County Manager shall have the right to award all of the Bonds to one bidder. THE RIGHT IS RESERVED TO THE COUNTY MANAGER TO REJECT ANY OR ALL PROPOSALS AND TO WAIVE ANY IRREGULARITY OR INFORMALITY IN ANY PROPOSAL. The judgment of the County Manager 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. Any award of the Bonds may be made as late as 5:00 P.M. on the sale date. All bids remain firm until an award is made. THE SUCCESSFUL BIDDER SHALL MAKE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES AND SHALL PROVIDE THE RELATED CERTIFICATION DESCRIBED BELOW.

Each bid, whether submitted as a sealed bid or electronically, shall be accompanied by a good faith deposit in the form of 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" or 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, in the amount of \$190,000 (the "Deposit"). If a Surety Bond is used, it must be submitted to the County prior to the opening of the 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 are awarded to a bidder utilizing a Surety Bond, then such successful bidder is required to submit its Deposit to the County in the form of a wire transfer not later than 12:00 P.M. Baltimore time on the next business day following the award. If such

Deposit is not received by that time, the Surety Bond may be drawn by the County to satisfy the Deposit requirement. The Deposit of the successful bidder will be collected and the proceeds thereof retained by the County to be applied in part payment for the Bonds. No interest will be allowed on any such Deposit. IN THE EVENT THAT THE SUCCESSFUL BIDDER SHALL FAIL TO COMPLY WITH THE TERMS OF THE BID, THE GOOD FAITH DEPOSIT WILL BE RETAINED AS AND FOR FULL LIQUIDATED DAMAGES. Checks of unsuccessful bidders will be returned promptly after the Bonds are awarded.

Procedures for Sale and Principal Amount Changes

The Preliminary Aggregate Principal Amount of the Bonds and the Preliminary Principal Amount of each maturity of the Bonds as set forth in this Notice of Sale (collectively, the "Preliminary Amounts") are expected to be revised before the receipt and opening of sealed bids for their purchase. The Revised Aggregate Principal Amount of the Bonds and the Revised Principal Amount of each maturity (collectively, the "Revised Amounts") will be published on TM3 not later than 9:30 a.m., local Baltimore, Maryland time on the date of sale or as soon thereafter as is reasonably practicable. In the event that no revisions are made or that such revisions are not published on TM3 before 9:30 a.m., local Baltimore, Maryland time on the date of sale, the Preliminary Amounts will constitute the Revised Amounts. Bidders shall submit bids based on the Revised Amounts and the Revised Amounts will be used to compare bids and select a winning bidder.

As promptly as reasonably practicable after the bids are opened, the County will notify the bidder to whom the Bonds will be awarded, if and when such award is made, and such bidder, upon such notice, shall advise the County of the initial reoffering prices to the public of each maturity of the Bonds (the "Initial Reoffering Prices"). The Initial Reoffering Prices, among other things, will be used by the County to calculate the Final Aggregate Principal Amount of Bonds and the Final Principal Amount of each maturity (collectively, the "Final Amounts"). THE COUNTY EXPECTS THAT THE REVISED AMOUNTS OF THE BONDS WILL BE CHANGED AS NECESSARY TO EFFECT THE GREATEST ECONOMIC ADVANTAGE, BUT WILL NOT DECREASE OR INCREASE THE AGGREGATE PRINCIPAL AMOUNT OF BONDS BY MORE THAN 10% FROM THE AMOUNT BID UPON. SUCH CHANGES MAY RESULT IN THE ELIMINATION OF ONE OR MORE MATURITIES IN WHOLE OR IN PART OF THE BONDS. THE SUCCESSFUL BIDDER MAY NOT WITHDRAW ITS BID OR CHANGE THE INTEREST RATES BID AS A RESULT OF ANY CHANGES MADE TO THE REVISED AMOUNTS WITHIN THESE LIMITS. The Final Amounts of Bonds will be communicated to the successful bidder by 5:00 P.M., local Baltimore, Maryland time on the date of sale.

The dollar amount of the premium, if any, specified in the bid of the successful bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds. The successful bidder shall pay the Final Aggregate Principal Amount of the Bonds plus the premium (as the amount of such premium may be adjusted as described above), if any, set forth in its Proposal for Bonds, plus accrued interest to the date of delivery. The interest rates specified by the successful bidder for each maturity in its Proposal for Bonds will not change. ALL BIDS REMAIN FIRM UNTIL 5:00 P.M., LOCAL BALTIMORE, MARYLAND TIME ON THE DATE OF SALE. An award of the Bonds pursuant to this Notice of Sale, if made, will be made by the County within such period of time.

The full faith and credit and taxing power of Dorchester County, Maryland, are pledged to the payment of the above-described Bonds and of the interest to accrue thereon. The principal of and interest on the above-described Bonds are payable from annual appropriations of the proceeds of ad valorem taxes which the County is empowered to levy on real and personal property and certain intangible personal property subject to assessment for unlimited County taxation.

The Bonds will be issued and sold subject to approval as to legality by Piper Rudnick LLP, Bond Counsel, whose approving opinion will be delivered, upon request, to the purchaser or purchasers of the Bonds, without charge. Such opinions shall be substantially in the form included as Appendix B to the Preliminary Official Statement referred to below.

In order to assist bidders in complying with SEC Rule 15c2-12(b)(5), the County will execute and deliver a continuing disclosure agreement on or before the date of issuance of the bonds pursuant to which it will undertake to provide certain information annually and notices of certain events. A description of this agreement is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

When delivered, the Bonds shall be duly executed and authenticated and registered in the name of Cede & Co., as

nominee of DTC, as registered owner of the Bonds.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale.

As soon as practicable after the award of the Bonds to the successful bidder on the day of sale, the County, by its County Manager or Director of Finance, will authorize an Official Statement, which is expected to be substantially in the form of the Preliminary Official Statement referred to below. If so requested by the purchaser or purchasers at or before the close of business on the date of the sale, the County will include in the Official Statement such pricing and other information with respect to the terms of the reoffering of the Bonds by the successful bidder ("Reoffering Information"), if any, as may be specified and furnished in writing by such bidder. If no Reoffering Information is specified and furnished by the successful bidder, the Official Statement will include the interest rates on the Bonds resulting from the bid of the successful bidder and the other statements with respect to reoffering contained in the Preliminary Official Statement. The successful bidder shall be responsible to the County and its officials for the Reoffering Information, and for all decisions made by such bidder with respect to the use or omission of the Reoffering Information in any reoffering of the Bonds, including the presentation or exclusion of any Reoffering Information in any documents, including the Official Statement. The successful bidder will also be furnished, without cost, with up to 200 copies of the Official Statement (and any amendments or supplements thereto).

Delivery of the bonds, without expense, will be made by the County Manager to the purchaser or purchasers on or about April 20, 2004, or as soon as practicable thereafter, in New York, New York or at such other location as shall be mutually acceptable to the County and the purchasers, and, thereupon, said purchaser or purchasers will be required to accept delivery of the Bonds purchased and pay, in federal funds, the balance of the purchase price due. The Bonds will be accompanied by the customary closing documents, including a no-litigation certificate, effective as of the date of delivery, stating that there is no litigation pending affecting the validity of any of the Bonds. It shall be a condition to the obligation of said purchaser or purchasers to accept delivery of and pay for the Bonds that, simultaneously with or before delivery and payment for the Bonds, said purchaser or purchasers shall be furnished a certificate or certificates of the President of the County Council, the County Manager and the Director of Finance to the effect that, to the best of their knowledge and belief, the Official Statement (and any amendment or supplement thereto) (except for the Reoffering Information provided by the purchaser and information regarding DTC and DTC's book-entry system provided by DTC, 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 and does not omit to state a material fact necessary to make the statements therein, in the 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).

SIMULTANEOUS WITH OR BEFORE DELIVERY OF THE BONDS, THE SUCCESSFUL BIDDER SHALL FURNISH TO THE COUNTY A CERTIFICATE ACCEPTABLE TO BOND COUNSEL TO THE EFFECT THAT (i) THE SUCCESSFUL BIDDER HAS MADE A BONA FIDE PUBLIC OFFERING OF THE BONDS AT THE INITIAL REOFFERING PRICES; AND (ii) A SUBSTANTIAL AMOUNT OF THE BONDS WAS SOLD TO THE PUBLIC (EXCLUDING BOND HOUSES, BROKERS AND OTHER INTERMEDIARIES) AT SUCH INITIAL REOFFERING PRICES. Bond Counsel advises that (i) such certificate must be made on the best knowledge, information and belief of the successful bidder; (ii) the sale to the public of 10% or more in par amount of the Bonds of each maturity at the Reoffering Prices would be sufficient to certify as to the sale of a substantial amount of the Bonds; and (iii) reliance on other facts as a basis for such certification would require evaluation by Bond Counsel to assure compliance with the statutory requirement to avoid the establishment of an artificial price for the Bonds.

NOTE: The County may revise this Notice of Sale by written notice available to prospective bidders at the place of sale at the time for submission of bids or by publishing notice of any revisions on TM3 News Service ("TM3") at or before the time for submission of bids. IN ORDER TO PRESERVE THE STATUS OF THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" PURSUANT TO SECTION 256(B)(3) OF THE CODE, THE COUNTY RESERVES THE RIGHT TO REDUCE OR OTHERWISE CHANGE THE THREE PERCENT (3%) PREMIUM THAT MAY BE BID FOR THE BONDS, TO LIMIT THE INITIAL REOFFERING PRICES OF THE SUCCESSFUL BIDDER OR TO OTHERWISE

MAKE SUCH CHANGES TO THIS NOTICE OF SALE AS IT DEEMS NECESSARY. Any bid submitted shall be in accordance with, and incorporate by reference, this Notice of Sale including any revisions made pursuant to this paragraph.

The County reserves the right to postpone, from time to time, the date established for the receipt of bids. Any such postponement will be announced by TM3 by notice given not later than 4:00 p.m., local Baltimore, Maryland time, on the last business day prior to any announced date for receipt of bids. If any date fixed for the receipt of bids and the sale of the Bonds is postponed, any Alternative Sale Date will be announced via TM3 News Service at least 48 hours prior to such Alternative Sale Date. In addition, the County reserves the right, on the date established for the receipt of bids, to reject all bids and establish a subsequent Alternative Sale Date. If all bids are rejected and an Alternative Sale Date for receipt of bids established, notice of the alternative Sale Date will be announced via TM3 News Service not less than 48 hours prior to such Alternative Sale Date. On any such Alternative Sale Date, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale except for the date of sale and except for the changes announced by TM3 News Service at the time the sale date and time are announced.

In the event that all or any part of the Bonds are initially reoffered with bond insurance secured by the successful bidder, the successful bidder shall be required to notify promptly the County Administrator at the time of sale and shall, as a condition to the purchase of the Bonds by the successful bidder, provide the County Manager with any information she reasonably requests regarding such bond insurance including the amounts paid for such insurance and the prices and yields at which the Bonds would have been reoffered to the public without such bond insurance. The County will, at the request and expense of the successful bidder, include customary language in the Official Statement and the form of bond regarding the insurance policy upon receipt of such opinions or certificates as the County reasonably may request regarding the accuracy of any information to be included in the Official Statement and the binding nature of the obligations contained in the insurance policy with respect to the Bonds. The County shall have no obligation to provide the successful bidder or the bond insurance company with any other documents or opinions relating to the Bonds.

The Preliminary Official Statement, together with this Notice of Sale and the required form of proposal, may be obtained from the Director of Finance, Dorchester County, Maryland, 501 Court Lane, Cambridge, Maryland 21613 or from Lester Guthorn, Public Advisory Consultants, Inc., 25 Crossroads Drive, Suite 402, Owings Mills, Maryland 21117, (410) 581-4820. Such Preliminary Official Statement is deemed final by the County as of its date for purposes of SEC Rule 15c2-12 but is subject to revision, amendment and completion in the Official Statement referred to above.

By order of

DORCHESTER COUNTY, MARYLAND

(Form of Proposal for Bonds)

PROPOSAL FOR BONDS

County Manager
Dorchester County, Maryland
County Office Building
Cambridge, Maryland

Madam:

Subject to the provisions and in accordance with the terms of the annexed Notice of Sale, which is made a part of this Proposal, we offer to purchase the obligations of Dorchester County, Maryland described in such Notice of Sale, consisting of the Consolidated General Improvements and Refunding Series, 2004, such bonds dated April 1, 2004, to mature on February 1 in the several years shown in the table below (subject to prior redemption as provided in the Notice of Sale), and to bear interest at the rate per annum set opposite such years, respectively.

<u>Year of Maturity</u>	<u>Interest Rate</u>	<u>Year of Maturity</u>	<u>Interest Rate</u>
2005	_____	2013	_____
2006	_____	2014	_____
2007	_____	2015	_____
2008	_____	2016	_____
2009	_____	2017	_____
2010	_____	2018	_____
2011	_____	2019	_____
2012	_____		_____

We will pay an amount equal to the Final Aggregate Principal Amount of the Bonds, plus a premium (not to exceed 3% of the Final Aggregate Principal Amount of the Bonds) of \$ _____, plus interest on said bonds accrued from the date of said bonds (April 1, 2004) to the date of delivery for said bonds.

We submit the following form of good faith deposit (check one):

- We enclose herewith a certified check drawn upon, or a bank cashier's, treasurer's or official check of, a responsible banking institution, payable to the order of "Dorchester County, Maryland" in the amount of \$190,000 which check is to be returned to us if this proposal is not accepted.
- We have enclosed herewith a surety bond in the amount of \$190,000 in accordance with the Official Notice of Sale.

Please indicate (x) the appropriate choice regarding bond insurance:

- We will secure a bond insurance policy and will assume the cost of the premium for such bond insurance policy.
- We will not secure a bond insurance policy.

If this proposal is accepted, said good faith deposit is to be held as security for the performance of this proposal, and is to be applied to the purchase price of the bonds when the bonds are delivered and paid for under the terms of this proposal, or is to be retained as and for full liquidated damages in case we fail so to take up and pay for the bonds.

WE UNDERSTAND THAT (A) WE ARE TO PROVIDE A CERTIFICATION REGARDING THE PUBLIC SALE OF THE BONDS AND ANY BOND INSURANCE INDICATED ABOVE AS DESCRIBED IN THE NOTICE OF SALE ON OR PRIOR TO THE CLOSING DATE AND (B), IF NOTIFIED THAT WE ARE THE SUCCESSFUL BIDDER, 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 AT THE TIME OF SUCH NOTIFICATION. In this regard, you may contact and rely on the information provided by, whose telephone number is _____.

Bidder

By: _____

Title: _____

(NOTE: Not part of proposal. The following information is requested to expedite and facilitate prompt determination of the best bid. The omission or inaccuracy of these figures will not affect the validity of the proposal. The aggregate amount of interest from the date of the bonds to final maturity is \$ _____. The true lowest cost calculated in accordance with the Notice of Sale is _____ %.)

For your information you will find attached a list of the underwriters associated with us in this proposal.

The good faith deposit has been returned and receipt thereof is acknowledged by the Bidder.

Bidder

By: _____

Title: _____