

TALBOT COUNTY, MARYLAND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2011

---

---

---

Report Prepared By:

Talbot County, Maryland Finance Office



---

---

TALBOT COUNTY, MARYLAND  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 for the FISCAL YEAR ENDED JUNE 30, 2011  
 TABLE OF CONTENTS

	Page(s)
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal	2 - 5
GFOA Certificate of Achievement	6
Organization Chart	7
List of Elected and Appointed Officials	8
<b>FINANCIAL SECTION</b>	
Independent Auditors' Report	10 - 11
Management's Discussion and Analysis	13 - 23
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	25 - 26
Statement of Activities	27 - 28
Fund Financial Statements:	
Balance Sheet - Governmental Funds	31
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	32
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types	33
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
Statement of Fund Net Assets - Business-type Activities	35
Statement of Revenues, Expenses and Changes in Fund Net Assets - Business-type Activities	36
Statement of Cash Flows - Business-type Activities	37 - 40
Notes to Financial Statements	42 - 70
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	72 - 81
Schedule of Funding Progress - Other Post-Employment Benefits	82
Notes to Required Supplementary Information	83
Other Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Projects Fund	85
Schedule of Revenues and Changes in Fund Balances - Budget and Actual - Developmental Impact Fund	86
Schedule of Revenues and Expenditures - Budget and Actual - Talbot Family Network	87
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Recreation Facilities	89 - 90

TALBOT COUNTY, MARYLAND  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 for the FISCAL YEAR ENDED JUNE 30, 2011  
 TABLE OF CONTENTS  
 (CONTINUED)

	Page(s)
<b>FINANCIAL SECTION (CONTINUED)</b>	
Other Supplementary Information (continued):	
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Sanitary District	91 - 94
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Easton Airport	95
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Pool	96
Combining Balance Sheet - Other Governmental Funds	97
Combining Schedule of Revenues and Expenditures - Other Governmental Funds	98
Schedule of Revenues and Expenses - As Required by the GOC for LMB Offices on Behalf of the Children's Cabinet	99
Notes to Other Supplementary Information	100
 <b>STATISTICAL SECTION (UNAUDITED)</b>	
Net Assets by Component, Last Eight Fiscal Years	102
Changes in Net Assets, Last Eight Fiscal Years	103 - 104
Fund Balances, Governmental Funds, Last Ten Fiscal Years	105
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	106
Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	107
Direct and Overlapping Property Tax Rates, Last Ten Years	108
Principal Property Tax Payers, Current Year and Nine Years Ago	109
Property Tax Levies and Collections, Last Ten Fiscal Years	110
Income Tax Rates, Last Ten Tax Years	111
Income Tax Filers Summary Information, Last Ten Tax Years	112
Income Tax Filers, Net Taxable Income, and Liability by Adjusted Gross Income Level, Current Year and Nine Years Ago	113
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	114
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	115
Direct and Overlapping Governmental Activities Debt	116
Legal Debt Margin Information, Last Ten Fiscal Years	117
Demographic and Economic Statistics, Last Ten Fiscal Years	118
Principal Private Employers, Current Year and Nine Years Ago	119
Full-time Equivalent County Government Employees by Function, Last Ten Fiscal Years	120
Operating Indicators by Function, Last Ten Fiscal Years	121
Capital Asset Statistics by Function, Last Ten Fiscal Years	122

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF ELECTED AND APPOINTED OFFICIALS



## TALBOT COUNTY, MARYLAND

COURT HOUSE

11 N. WASHINGTON STREET, SUITE 9  
EASTON, MARYLAND 21601

FINANCE OFFICE  
PHONE: 410-770-8020

FAX: 410-770-8006  
TTY: 410-822-8735

November 30, 2011

To the County Council and Citizens of Talbot County, Maryland:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for Talbot County, Maryland for the fiscal year ended June 30, 2011 as required by both local and state statutes. These statutes require that Talbot County, Maryland annually issue financial statements presented in conformity with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for these representations, the management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by TGM Group, LLC, Independent Certified Public Accountants. TGM Group, LLC issued an unqualified ("clean") opinion on the County's financial Statements for the year ended June 30, 2011. The goal of the independent audit is to provide reasonable assurance that the financial statements of Talbot County, Maryland for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

The County is required to undergo a federally mandated annual audit called the "Single Audit" which is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in Talbot County's separately issued Single Audit report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis to accompany the basic financial statements. MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

Talbot County, located on the Eastern Shore of Maryland, was visited by Captain John Smith in 1608 and settled by the English 50 years later. The County was incorporated in 1661. The County has a land area of 269 square miles and more than 600 miles of waterfront. Talbot County is a predominantly rural county with a total of 172,227 acres, of which approximately 102,000 acres are farmland.

There are five incorporated towns within Talbot County. The Town of Easton is the County seat and is centrally located. Easton is the major residential, commercial, and employment center of the County. St. Michaels is located on the shores of the Miles River. Oxford is located along the Tred Avon River. The Town of Trappe is located in the south-central portion of the County along U.S. Route 50. The Town of Queen Anne straddles the Talbot County and Queen Anne's County border along Route 404.

### **Form of Government**

Both the executive and legislative functions of the County are vested in the elected, five-member County Council. Council members are elected on a countywide basis and serve four-year terms; the terms of the current members of the Council run to December 2014. The Council elects one Council member to serve as its President and one to serve as its Vice President.

As the result of a referendum held in November 1973, the County has adopted the Charter Home Rule form of government provided in Article XI-A of the Maryland Constitution and Article 25A of the Annotated Code of Maryland. Under this form of government, the Council has the authority to enact, amend, and repeal legislation relating to the incorporation, organization, and government of the County.

The County Manager, who is appointed by the Council, is the chief administrative officer of the County and is charged with the administration of all agencies of the County government.

The County provides a full range of municipal services including education, libraries, public safety (police, detention center, emergency medical services and volunteer fire services), recreation activities, health and social services, sanitary districts, highways and streets, airport, planning and zoning, and general administrative services.

### **Component Units**

The Talbot County Board of Education and the Talbot County Free Library Association, Inc. are reported as discretely presented component units because they are deemed to be fiscally dependent on the County. These component units are reported separately within the County's financial statements to emphasize that they are legally separate from the County. Additional information on these component units can be found in Note 2 of the Notes to the Financial Statements.

### **Budget Process**

The annual budget serves as the foundation for Talbot County's financial planning and control. The formulation of the County's budget is the responsibility of the County Manager, who is subject to the supervision of the County Council.

All County departments and agencies seeking funding, submit requests for appropriations to the County Manager in February of each year. These requests are reviewed and amended by the

County Manager (except for the budget requests of the Legislative Branch and the Board of Appeals), and a preliminary budget is drafted and introduced by the County Council in April. At least two public hearings are held on the proposed budget. The County Council may increase, decrease, or delete any items in the budget except those required by the laws of the State, and any provisions for debt service on outstanding obligations or for any estimated budget deficits from prior years. The Annual Budget and Appropriation Ordinance must be passed by the County Council on or before June 1 of each year, to be effective on the first day of the subsequent fiscal year. The appropriated budget is prepared by fund, department/agency, and general classification of expenditure (personnel, operating, capital outlay, debt service, etc.). Budgetary control for all operating budgets is maintained at the general classification level and at the project level for capital projects. Transfers of appropriations between general classifications of expenditures within the same department may be authorized by the County Manager. Transfers between departments of the county government and within the same fund may be made only during the last quarter of the fiscal year and only on the recommendation of the County Manager and with the approval of the Council. Budget-to-actual comparisons are provided in this report for the individual governmental funds for which an appropriated annual budget has been adopted. The general fund comparison is presented in the Required Supplementary Information, as listed in the table of contents, as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the Other Supplementary Information subsection of this report, as listed in the table of contents.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

**Local Economy.** Like state and local governments across the country, Talbot County is concerned about the slumping economy and the far reaching effects it has had on Maryland's and Talbot County's overall economy. Of greatest concern are the impacts of potential reductions in state funding and additional costs that may be passed on to local governments, and the reductions of income tax revenues, primarily those derived from non-wage income. Nevertheless, the County continues to have a healthy mix of service related businesses, agriculture, and light manufacturing. Employment is expected to remain stable and the unemployment rate should continue to mirror the State (7.4%) rate and be below the National (9.2%) rate as evidenced by the June 2011 County rate of 7.2%. In addition, the County has maintained favorable tax rates, including the lowest property tax rate and the second lowest income tax rate in the State.

The County's 600 miles of shoreline and many historic sites make it a significant tourist destination, drawing visitors from all over the region. Additionally, its abundant waterfront provides many desirable home sites. Development is purposely controlled to protect the County's beauty and the fragile environment of its shoreline and waters. More intense development is limited to the incorporated municipalities where water and wastewater treatment services are available.

**Long Term Financial Planning.** The County refunded existing debt in FY 2011 to take advantage of lower interest rates. The County is not planning to issue any new debt in FY 2012. In FY 2012 and beyond the focus will be on providing for various County and School building maintenance projects and Public Safety communication projects and grant matching dollars for park and public landing improvement projects. There were no major new initiatives identified in the FY 2012 Capital Program.

Talbot County has a policy to allot a portion of the General Fund unassigned fund balance equal to 15% of actual General Fund expenditures to be used in case of fiscal emergencies. As of June 30, 2011 Talbot County's unassigned fund balance was more than 22% of actual expenditures.

The County's FY 2011 actual Income Tax revenues were 17.9% less than the amount originally budgeted. In February 2011, The County Council revised the original budget to reflect the anticipated reduction in revenues. The County eliminated current year funding of the OBEP obligation and reduced the reserve for contingencies and employee expenses as well as increasing the amount of unexpended prior years' funds to be utilized in FY 2011. The FY 2012 budget anticipates a 2.4 percent increase in Income Tax revenues from the FY 2011 actual collections.

**Pension and Other Post Employment Benefits.** County employees are covered by either the Employee's Retirement System or the Employee's Pension System of the State of Maryland. These are cost-sharing multiple-employer public retirement systems sponsored and administered by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly.

The County also provides post-retirement health care benefits for retirees and their dependents. Retirees pay a portion of the cost of the benefits based on their length of service with the County. The County's portion of these costs are currently funded on a pay-as-you-go basis. The County's Retiree Health Plan is more fully described in Note 8. In FY 2011, the County Council authorized the establishment of an "other post-employment benefits" (OPEB) Trust. Once the Trust is established, the County will transfer \$7.0 of the committed fund balance to the Trust. In addition the County has allotted \$2.0 million of its unassigned fund balance to fund this future obligation.

#### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Talbot County, Maryland for its comprehensive annual financial report for the fiscal year ended June 30, 2010. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Talbot County, Maryland has received a Certificate of Achievement for the last ten consecutive years. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Talbot County Finance Office. The Finance Office has maintained the accounting records of the County on a current and timely basis. I would like to express my appreciation to all members of the department for their conscientiousness and professionalism throughout the fiscal year.

Respectfully Submitted,



Angela Lane  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

Talbot County  
Maryland

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danson*

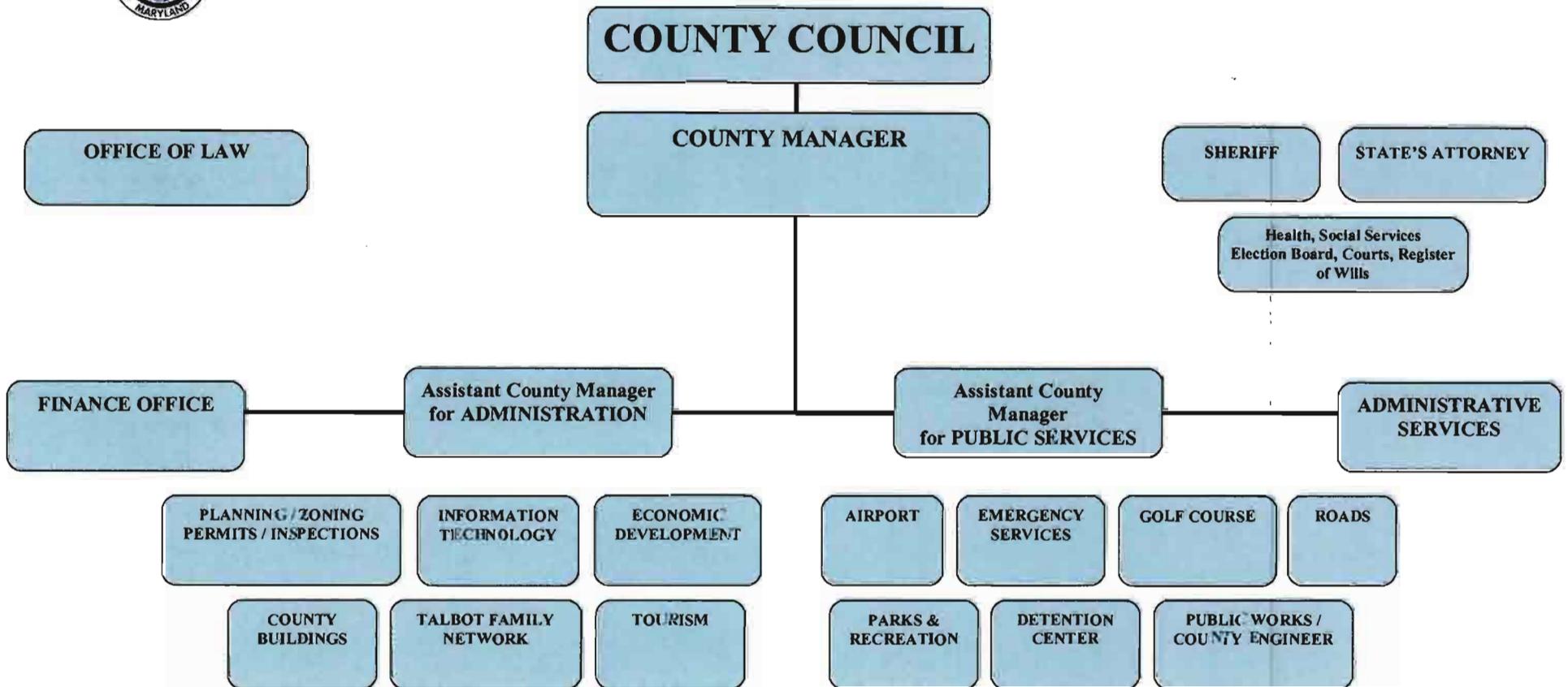
President

*Jeffrey R. Enos*

Executive Director



# TALBOT COUNTY GOVERNMENT ORGANIZATIONAL CHART



Talbot County, Maryland  
List of Elected and Appointed Officials  
June 30, 2011

Elected Officials

County Council	Dirck K. Bartlett, President Thomas G. Duncan R. Andrew Hollis Corey W. Pack Laura E. Price
Sheriff	Dallas G. Pope
State's Attorney	Scott Patterson

Appointed Officials

County Manager	John C. Craig
Attorney	Michael L. Pullen
Assistant County Manager for Administration	Jessica Morris
Assistant County Manager for Public Services	Clay Stamp
Administrative Services Director	Cheril Thomas
Airport Manager	Michael Henry
Detention Center Director	Douglas Devenyns
Economic Development Director	Paige Bethke
Emergency Services Director	Clay Stamp
Facilities Manager	Brian Moore
Finance Director	Angela Lane
Information Technology Director	Parker Durham
Parks & Recreation Director	Richard Towle
Planning Officer/Permits & Inspections Director	Ernest "Sandy" Coyman
Public Works/County Engineer	Raymond Clarke
Roads Superintendent	Ricky Ball
Talbot Family Network Director	Donna Kegley-Hacker
Tourism Director	Debbi Dodson

FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

County Council of  
Talbot County, Maryland  
Easton, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Talbot County, Maryland as of and for the year ended June 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Talbot County, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Talbot County, Maryland. Those financial statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Education of Talbot County, Maryland is based on the reports of the other auditor.

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 the other auditor provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Talbot County, Maryland as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of Talbot County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Talbot County, Maryland's basic financial statements as a whole. The introductory section, other supplementary information, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.



Salisbury, Maryland  
November 30, 2011

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the Comprehensive Annual Financial Report of Talbot County, Maryland presents a narrative overview and analysis of the financial activities of Talbot County Government for the fiscal year ended June 30, 2011. We encourage readers to use the information presented here in conjunction with the accompanying letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

### FINANCIAL HIGHLIGHTS

- As of June 30, 2011, the assets of Talbot County exceeded liabilities by \$136.8 million (net assets), a decrease of \$7.6 million, or 5.3 percent, from the prior year. Approximately 57.9 percent of net assets are attributable to the County's governmental activities. Total net assets is comprised of \$135.5 million invested in capital assets, net of related debt, \$548 thousand of restricted net assets and \$720 thousand of unrestricted net assets. Unrestricted net assets are available for use to meet the County's ongoing obligations to its citizens and creditors. This apparently low balance in unrestricted net assets results primarily from the County issuing and assuming debt to fund construction projects for the Board of Education of Talbot County, a component unit, and Chesapeake College, a five county regional community college. The school buildings that are constructed through the County's financial support are assets of the Board of Education of Talbot County and Chesapeake College, and therefore are not shown as assets of Talbot County. At June 30, 2011 the County included \$34.7 million of bonds payable in liabilities for school construction projects and no corresponding capital assets.
- Income Tax revenues decreased by \$708 thousand or 3.7 percent from FY 2010's actual collections due to lower net tax liabilities of County taxpayers. This is the second year that actual income tax collections have been less than the prior year.
- As of June 30, 2011, the County's governmental funds reported combined fund balances of \$42.4 million, a decrease of \$14.3 million, or 25.2 percent, from the prior year. Approximately 36.6 percent of the combined fund balances is available to help meet the County's future funding needs (unassigned fund balance).
- The unassigned fund balance for the General Fund (primary operating fund) was \$15.5 million at June 30, 2011. The County has a policy of allotting a portion of the unassigned fund balance as a "rainy day fund". The amount allotted at June 30, 2011 for the "rainy day fund" is \$10.4 million (15 percent of the actual general fund expenditures). In addition, the County has allotted \$2.0 million for advance funding toward the County's long-term obligation related to non-pension, or "other post-employment" benefits (OPEB) Trust.
- Prior to June 30, 2011 the County Council authorized the establishment of an "other post-employment" benefits (OPEB) Trust. Once the Trust is established, the County will transfer \$7.0 of the committed fund balance to the Trust.
- Talbot County Government's total debt, excluding compensated absences, decreased by \$4.1 million during the year ended June 30, 2011. During FY 2011 the County issued \$13.1 million of debt to refund the Public Facility and Refunding Bonds of 1998 and the Public Facility Bonds of 2002. This refunding will save the County approximately \$1.3 million over the next 11 years. See Note 6 of this report for details of the additional debt incurred and existing debt paid.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to Talbot County Government's basic financial statements. The basic financial statements comprise three components:

- Government-wide financial statements (reporting on the County as a whole)
- Fund financial statements (reporting the County's most significant funds)
- Notes to the financial statements

This report contains other required and non-required 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 Talbot County Government's finances, in a manner similar to that of a private sector business. The Statement of Net Assets and the Statement of Activities are prepared using the accrual basis of accounting.

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

The Statement of Activities presents information showing how the 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 related cash flows. Thus, revenues and expenses for some items reported in this statement will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Of particular interest is the format of this statement. The reader will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is Net (Expense) Revenue. The purpose of this type of format is to highlight the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general fund revenues, or if the functions are self-supporting through fees and grants. It is important to note that all taxes are classified as general fund revenue even if restricted for a specific purpose.

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, public works, health, social services, education, recreation, and conservation of natural resources. The business-type activities of the County include recreation facilities, wastewater treatment services, and an airport facility.

The government-wide financial statements include not only the operations of Talbot County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education of Talbot County, Maryland and the Talbot County Free Library Association, Inc. The financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 25-28 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 Talbot 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, the governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as 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 the 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 Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Talbot County, Maryland maintains three types of governmental funds: general, capital projects and special revenue. 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 all three types of governmental funds.

The basic governmental fund financial statements can be found on pages 31-34 of this report.

**Proprietary Funds.** Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. Proprietary funds include internal service funds and enterprise funds. An internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. Talbot County does not maintain any internal service 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 wastewater treatment services, recreation facilities, and airport.

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

The basic proprietary fund financial statements can be found on pages 35-40 of this report.

## **Notes to Financial Statements**

The notes to the financial statements are part of the basic financial statements and provide additional information that is essential to creating a full understanding of the data provided in the

government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 42-70 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information and disclosures that are not considered part of the basic financial statements. Required supplementary information includes a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. Other supplementary information includes budgetary comparisons for the Capital Projects, Other Governmental, and Enterprise Funds, and combining statements for Other Governmental Funds. These reports are located immediately following the notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In Talbot County, assets exceeded liabilities by \$136,768,489 at the close of the most recent fiscal year, as shown in the schedule of net assets below. Talbot County's net assets are divided into three categories, *invested in capital assets*, (net of related debt), *restricted* and *unrestricted net assets*. 99.1 percent of the County's net assets reflect its investment in capital assets net of depreciation (e.g., land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. Restricted net assets can only be used for specific purposes and not for general County obligations.

The remaining balance of unrestricted net assets (.5 percent) may be used to meet the County's ongoing obligations to its citizens and creditors. See Note 14 for additional information on the County's unrestricted net assets.

### Talbot County Government's Net Assets

	June 30, 2011			June 30, 2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 49,059,645	\$ 1,144,560	\$ 50,204,205	\$ 61,845,244	\$ 1,517,075	\$ 63,362,319
Capital Assets	78,297,840	70,891,721	149,189,561	75,905,106	68,339,300	144,244,406
Total Assets	<u>127,357,485</u>	<u>72,036,281</u>	<u>199,393,766</u>	<u>137,750,350</u>	<u>69,856,375</u>	<u>207,606,725</u>
Non Current Liabilities	38,989,906	12,181,854	51,171,760	39,590,882	12,852,244	52,443,126
Other Liabilities	9,160,362	2,293,155	11,453,517	8,075,418	2,730,917	10,806,335
Total Liabilities	<u>48,150,268</u>	<u>14,475,009</u>	<u>62,625,277</u>	<u>47,666,300</u>	<u>15,583,161</u>	<u>63,249,461</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	77,628,434	57,872,067	135,500,501	75,347,678	54,672,754	130,020,432
Restricted	547,778	-	547,778	-	-	-
Unrestricted	<u>1,031,005</u>	<u>(310,795)</u>	<u>720,210</u>	<u>14,736,372</u>	<u>(399,540)</u>	<u>14,336,832</u>
Total Net Assets	<u>\$ 79,207,217</u>	<u>\$ 57,561,272</u>	<u>\$ 136,768,489</u>	<u>\$ 90,084,050</u>	<u>\$ 54,273,214</u>	<u>\$ 144,357,264</u>

Talbot County's net assets decreased by \$7.6 million during fiscal year 2011, which can be attributed to continued declining income tax, housing related taxes (recordation and transfer) and fees and investment income revenues.

**Governmental Activities.** Governmental activities decreased the County's net assets before transfers by \$9.6 million.

### Talbot County Government's Changes in Net Assets

	June 30, 2011			June 30, 2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 2,888,070	\$ 6,705,412	\$ 9,593,482	\$ 3,055,542	\$ 6,098,866	\$ 9,154,408
Operating Grants and Contributions	5,877,037	-	5,877,037	3,134,627	-	3,134,627
Capital Grants and Contributions	-	6,431,135	6,431,135	-	5,282,059	5,282,059
<b>General Revenues:</b>						
Property Taxes	29,154,652	-	29,154,652	28,324,937	-	28,324,937
Local Income Tax	18,551,894	-	18,551,894	19,260,503	-	19,260,503
Other Local Taxes	6,792,369	-	6,792,369	6,831,278	-	6,831,278
Investment Income	221,952	10,720	232,672	980,562	60,046	1,040,608
Miscellaneous	136,104	-	136,104	1,927,226	-	1,927,226
<b>Total Revenues</b>	<b>63,622,078</b>	<b>13,147,267</b>	<b>76,769,345</b>	<b>63,514,675</b>	<b>11,440,971</b>	<b>74,955,646</b>
<b>Expenses:</b>						
General Government	10,183,649	-	10,183,649	9,518,269	-	9,518,269
Public Safety	13,657,735	-	13,657,735	13,185,294	-	13,185,294
Public Works	4,334,793	-	4,334,793	4,249,569	-	4,249,569
Health	3,120,074	-	3,120,074	2,410,440	-	2,410,440
Social Services	1,224,920	-	1,224,920	1,499,755	-	1,499,755
Education	39,715,193	-	39,715,193	39,811,132	-	39,811,132
Recreation	748,414	-	748,414	864,772	-	864,772
Conservation of Natural Resources	255,489	-	255,489	269,891	-	269,891
Interest Charges	23,388	-	23,388	55,936	-	55,936
Recreation Facilities	-	3,162,507	3,162,507	-	2,958,425	2,958,425
Sanitary District	-	2,952,404	2,952,404	-	2,759,881	2,759,881
Airport	-	4,712,248	4,712,248	-	3,855,297	3,855,297
Pools	-	267,306	267,306	-	329,445	329,445
<b>Total Expenses</b>	<b>73,263,655</b>	<b>11,094,465</b>	<b>84,358,120</b>	<b>71,865,058</b>	<b>9,903,048</b>	<b>81,768,106</b>
Increase in Net Assets before transfers	(9,641,577)	2,052,802	(7,588,775)	(8,350,383)	1,537,923	(6,812,460)
Transfers In (Out)	(1,235,256)	1,235,256	-	(1,664,071)	1,664,071	-
Increase (Decrease) in Net Assets	(10,876,833)	3,288,058	(7,588,775)	(10,014,454)	3,201,994	(6,812,460)
Net Assets -- Beginning	90,084,050	54,273,214	144,357,264	100,098,504	51,071,220	151,169,724
<b>Net Assets - Ending</b>	<b>\$ 79,207,217</b>	<b>\$ 57,561,272</b>	<b>\$136,768,489</b>	<b>\$ 90,084,050</b>	<b>\$ 54,273,214</b>	<b>\$144,357,264</b>

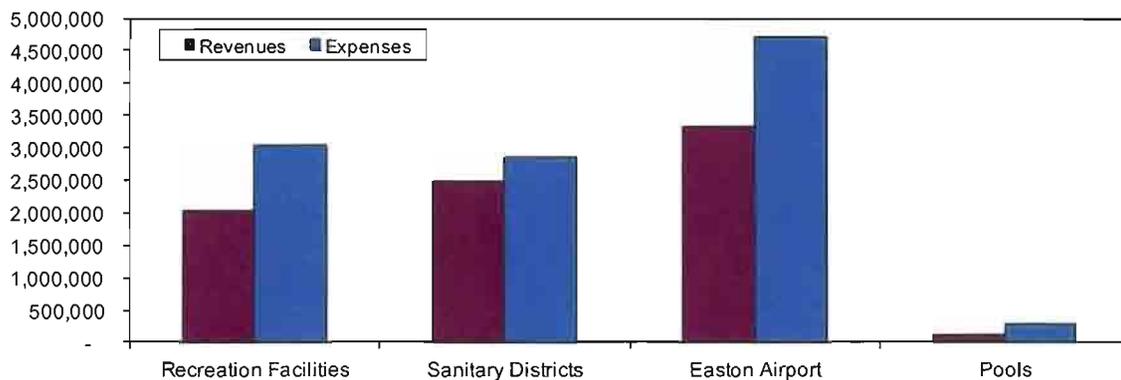
Key elements of the decrease in net assets of governmental activities are as follows:

- Income Tax revenues decreased by \$708 thousand, a 3.7 percent decrease from the prior year actual and were \$4.0 million less than originally budgeted for FY 2011.
- Property tax revenues increased by 2.9 percent over the prior fiscal year and were \$374 thousand more than originally budgeted. Assessments on new construction accounted for the increase.
- Investment earnings decreased by \$758 thousand, a 77.4 percent decrease from the prior year. This is due to a reduction in the funds available for investment and in interest rates during FY 2011.
- Transfer and recordation taxes, still affected by the weakened housing market, decreased by 1.7 percent from the prior fiscal year actual and were \$717 thousand less than originally budgeted for FY 2011.
- The FY 2011 budget, as adopted, planned for the use of \$7.0 million of reserved and unexpended funds from prior years (fund balance).
- Governmental activities also included the transfer of nearly \$1.2 million to various business-type activities, primarily for the operations of recreation facilities.

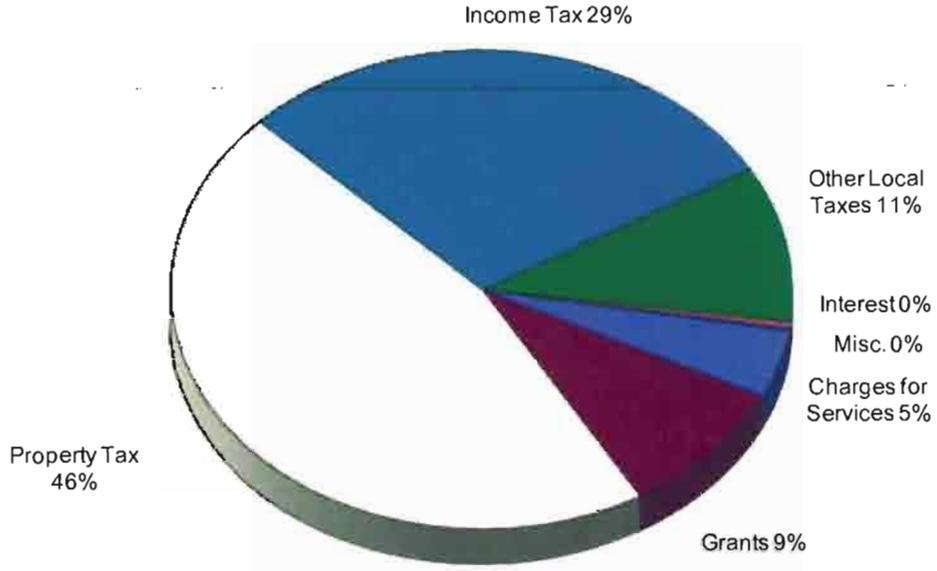
**Business-type Activities.** Business-type activities increased Talbot County’s net assets before transfers by \$2.1 million. The increase is primarily attributable to funding for capital improvements and upgrades to the County’s Bio-Solids Utilization facility.

Fiscal year 2011 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

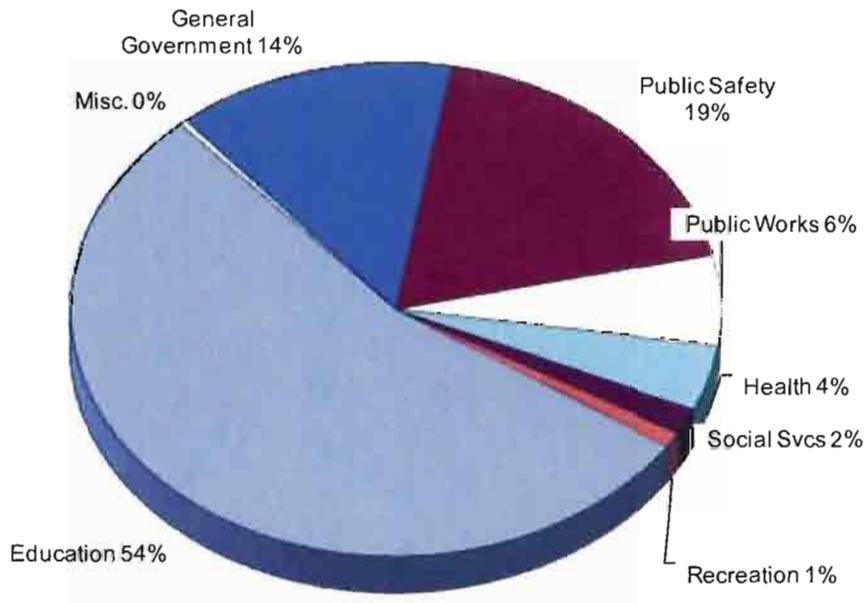
***Expenses and Program Revenues - Business-Type Activities  
For the Year Ended June 30, 2011***



**Revenues by Source - Governmental Activities  
For the Year Ended June 30, 2011**

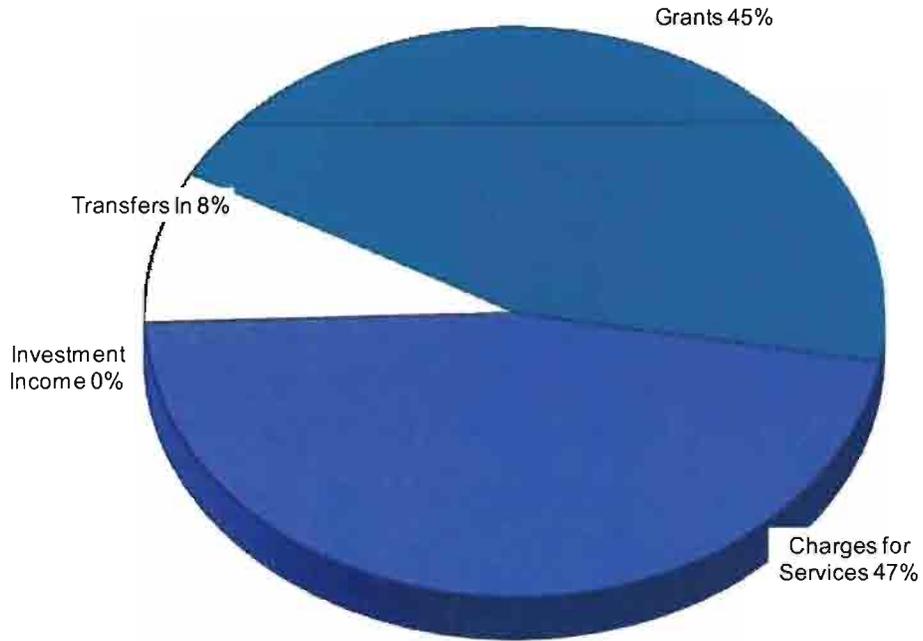


**Expenses - Governmental Activities  
For the Year Ended June 30, 2011**



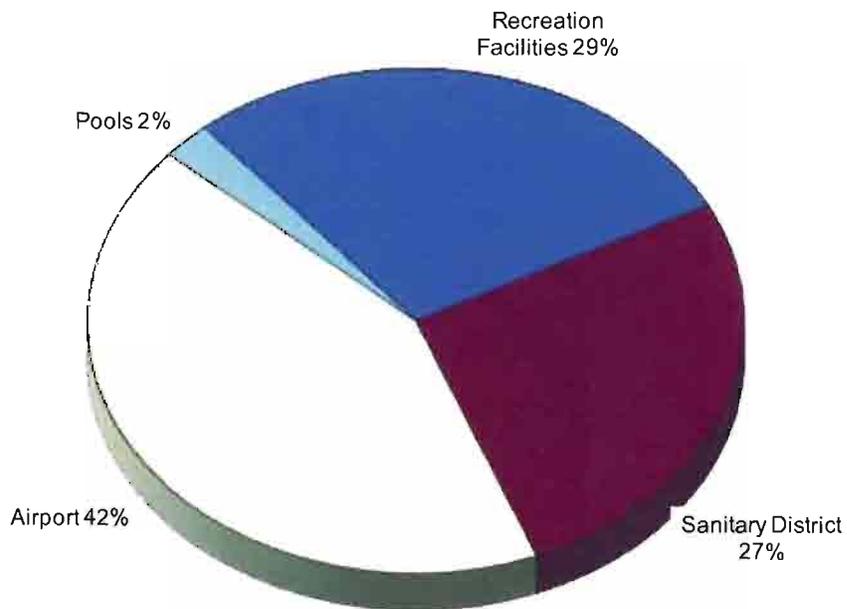
---

**Revenues by Source - Business-Type Activities  
For the Year Ended June 30, 2011**



---

**Expenses - Business-Type Activities  
For the Year Ended June 30, 2011**



## FINANCIAL ANALYSIS OF THE COUNTY'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, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$42.4 million. Approximately 36.6 percent of this total (\$15.5 million) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been classified to fund other purposes. Capital projects and advance funding toward the County's long-term obligation related to non-pension, or "other post-employment benefits" (OPEB), account for the vast majority of classified funds.

The General Fund is the primary operating fund of the Talbot County Government. At the end of the current fiscal year, the total fund balance was \$23.9 million, and the unassigned fund balance was \$15.5 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures (excluding debt refunding). Unassigned fund balance represents 22 percent of total general fund expenditures, while total fund balance represents 33.9 percent of total general fund expenditures.

The fund balance of Talbot County's General Fund decreased by \$9.1 million during FY 2011. This decrease was expected due to the use of \$7.4 million in fund balance to balance the FY 2011 budget and actual revenues were less than the amount budgeted in FY 2011.

The fund balance of the County's Capital Projects Fund decreased by \$4.8 million during FY 2011. This decrease was due to expending funding provided in previous years on various capital projects.

**Proprietary Funds.** Talbot County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. The total net assets of the proprietary funds at the end of the year totaled \$57.5 million. There is a deficit of \$311 thousand in unrestricted net assets, primarily due to Sanitary District and Airport investment in capital assets.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final actual results, exclusive of inter-fund transfers and other financing sources/uses, for the County totaled \$3.4 million. Operating revenues were \$4.0 million less than original budgetary estimates and operating expenditures were \$650 thousand under original budgetary estimates. The major variances can be summarized as follows:

- **Revenues.** The major differences between the originally budgeted revenues and the actual revenues received are:

Income tax revenues received were \$4.0 million less than budgeted. Property tax revenues exceed budget by \$373 thousand, investment income was \$1.6 million less than budgeted. Transfer and Recordation taxes were \$717 thousand less than budgeted; intergovernmental revenues were \$1.9 million more than budgeted.

- **Expenditures.** Expenditures were \$650 thousand less than originally budgeted for the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** Talbot County's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totals \$149.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year is \$5.0 million or 3.4 percent. Included in these additions is a road/culvert upgrade on Dutchman's Lane, continued renovation and expansion of the Talbot County Free Library facility in Easton and a wind/solar energy system at the County bio- solids utilization facility.

Capital assets are summarized as follows:

### **Talbot County Government's Capital Assets (net of accumulated depreciation)**

	June 30, 2011			June 30, 2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 10,467,602	\$ 3,499,479	\$ 13,967,081	\$ 10,467,602	\$ 3,499,479	\$ 13,967,081
Construction in progress	6,393,765	6,354,743	12,748,508	3,489,203	5,833,654	9,322,857
Buildings and improvements	23,224,453	56,105,291	79,329,744	23,791,044	57,772,599	81,563,643
Non-deprec. infrastructure	23,191,321	-	23,191,321	23,191,321	-	23,191,321
Infrastructure	8,047,892	-	8,047,892	7,149,899	-	7,149,899
Furniture and equipment	6,972,807	4,932,208	11,905,015	7,816,037	1,233,568	9,049,605
<b>Total</b>	<b>\$ 78,297,840</b>	<b>\$ 70,891,721</b>	<b>\$149,189,561</b>	<b>\$ 75,905,106</b>	<b>\$ 68,339,300</b>	<b>\$144,244,406</b>

See Note 5 of this report for additional information on Talbot County's capital assets.

**Long-term Debt.** At the end of the current fiscal year, Talbot County had total long term debt outstanding of \$48,423,262, a net decrease of approximately \$4.1 million. The full faith and credit and unlimited taxing power of the County are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. Of this amount, \$13,019,654 is considered self-supporting bonds, funded through various charges and assessments related to the enterprise operations of the County.

## Talbot County Government's Outstanding Debt

	June 30, 2011			June 30, 2010		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Debt	\$ 35,403,608	\$ 13,019,654	\$ 48,423,262	\$ 38,873,216	\$ 13,666,546	\$ 52,539,762

The County's most recent bond ratings from Moody's Investors Service and Fitch Ratings are Aa2 and AAA, respectively (October 2010).

See Note 6 of this report for additional information on Talbot County's long-term debt.

The County's Charter limits the amount of general obligation debt the County may issue to no more than 15 percent of the County's assessable property tax base. See Schedule 15 in the Statistical Section of this report for additional information on the computation of the legal debt margin.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

During FY 2011, Talbot County Income tax revenues, housing related revenues and investment revenues declined from prior years' levels.

Looking forward, overall economic performance is not expected to improve significantly in FY 2012, particularly in the housing area. The prospect that the sluggish economy would continue to keep the County's tax revenues from increasing significantly drove many of the decisions to reduce spending when preparing the County's budget for FY 2012. Talbot County's FY 2012 General Fund budget is 8.8% less than the FY 2011 budget. Further steps to reduce operating expenditures, including additional reductions in staff have been taken to offset any future State of Maryland funding cuts or reductions in revenue streams in FY 2012 and beyond.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Talbot County Government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Talbot County Courthouse, 11 North Washington Street, Suite 9, Easton, Maryland 21601.

Government-Wide Financial Statements

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**PRIMARY GOVERNMENT AS OF JUNE 30, 2011**  
**COMPONENT UNITS AS OF JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 34,360,372	\$ 6,271,682	\$ 40,632,054
Certificates of deposit	2,963,062	36,938	3,000,000
Investments	-	-	-
Receivables:			
Accounts receivable	580,059	427,007	1,007,066
Other	-	-	-
Intergovernmental:			
State	2,821,057	161,389	2,982,446
Federal	1,602,505	668,220	2,270,725
Prepaid items	56,271	5,034	61,305
Internal balances	5,950,483	(5,950,483)	-
Inventories	-	250,609	250,609
Advances to (from) other funds	725,836	(725,836)	-
Other assets	-	-	-
Nondepreciable capital assets	40,052,688	9,854,222	49,906,910
Depreciable capital assets, net	38,245,152	61,037,499	99,282,651
<b>TOTAL ASSETS</b>	<b>127,357,485</b>	<b>72,036,281</b>	<b>199,393,766</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,037,578	1,222,797	4,260,375
Other payables	1,474,064	-	1,474,064
Unearned revenue	2,104,955	137,717	2,242,672
Long-term liabilities, due within one year			
Compensated absences	340,700	42,405	383,105
Bonds and notes payable	2,203,065	890,236	3,093,301
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year			
Compensated absences	383,243	52,436	435,679
Bonds and notes payable	34,104,583	12,129,418	46,234,001
Obligations under state retirement system	-	-	-
Other post-employment benefit obligation	4,502,080	-	4,502,080
<b>TOTAL LIABILITIES</b>	<b>48,150,268</b>	<b>14,475,009</b>	<b>62,625,277</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	77,628,434	57,872,067	135,500,501
Restricted	547,778	-	547,778
Unrestricted (deficit)	1,031,005	(310,795)	720,210
<b>TOTAL NET ASSETS</b>	<b>\$ 79,207,217</b>	<b>\$ 57,561,272</b>	<b>\$ 136,768,489</b>

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

Component Units	
Board of Education	Library
\$ 7,193,008	\$ 131,901
-	-
-	1,586,537
51,525	9,337
35,851	-
92,260	-
347,100	-
-	395
-	-
24,203	-
-	-
-	141,693
377,446	49,921
67,476,937	421,905
<u>75,598,330</u>	<u>2,341,689</u>
4,257,251	29,297
68,191	141,693
1,771,823	6,555
-	-
307,980	-
29,330	-
171,000	-
191,175	-
458,797	-
11,904,000	284,000
<u>19,159,547</u>	<u>461,545</u>
67,355,228	471,826
213,254	1,352,744
(11,129,699)	55,574
<u>\$ 56,438,783</u>	<u>\$ 1,880,144</u>

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>GOVERNMENTAL ACTIVITIES</b>				
Current:				
General government	\$ 10,183,649	\$ 2,133,251	\$ 1,212,065	\$ -
Public safety	13,657,735	465,453	1,593,228	-
Public works	4,334,793	30,693	1,602,751	-
Health and hospitals	3,120,074	70,199	878,397	-
Social services	1,224,920	-	572,948	-
Education	39,715,193	112,872	-	-
Recreation	748,414	75,602	17,648	-
Conservation of natural resources	255,489	-	-	-
Interest on long-term debt	23,388	-	-	-
<b>Total Governmental Activities</b>	<b>73,263,655</b>	<b>2,888,070</b>	<b>5,877,037</b>	<b>-</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Recreation facilities	3,162,507	1,473,218	-	550,000
Sanitary district	2,952,404	2,103,019	-	2,027,975
Easton airport	4,712,248	3,015,851	-	3,853,160
Pool	267,306	113,324	-	-
<b>Total Business-Type Activities</b>	<b>11,094,465</b>	<b>6,705,412</b>	<b>-</b>	<b>6,431,135</b>
<b>Total Primary Government</b>	<b>\$ 84,358,120</b>	<b>\$ 9,593,482</b>	<b>\$ 5,877,037</b>	<b>\$ 6,431,135</b>
<b>COMPONENT UNITS</b>				
Board of Education	\$ 66,206,479	\$ 803,907	\$ 58,098,004	\$ 788,015
Talbot County Free Library	2,014,672	-	2,160,492	-
<b>Total Component Units</b>	<b>\$ 68,221,151</b>	<b>\$ 803,907</b>	<b>\$ 60,258,496</b>	<b>\$ 788,015</b>

**General Revenues**

Taxes:
Property
Local income
Other
Admissions and amusements
Recordation
Transfer
Public accommodations
Mobile manufactured homes
Interest
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net assets
Net assets, beginning of year
Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Board of Education	Library	
\$ (6,838,333)	\$ -	\$ (6,838,333)	\$ -	\$ -	
(11,599,054)	-	(11,599,054)	-	-	
(2,701,349)	-	(2,701,349)	-	-	
(2,171,478)	-	(2,171,478)	-	-	
(651,972)	-	(651,972)	-	-	
(39,602,321)	-	(39,602,321)	-	-	
(655,164)	-	(655,164)	-	-	
(255,489)	-	(255,489)	-	-	
(23,388)	-	(23,388)	-	-	
(64,498,548)	-	(64,498,548)	-	-	
-	(1,139,289)	(1,139,289)	-	-	
-	1,178,590	1,178,590	-	-	
-	2,156,763	2,156,763	-	-	
-	(153,982)	(153,982)	-	-	
-	2,042,082	2,042,082	-	-	
\$ (64,498,548)	\$ 2,042,082	\$ (62,456,466)	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ (6,516,553)	\$ -	
-	-	-	-	145,820	
\$ -	\$ -	\$ -	\$ (6,516,553)	\$ 145,820	
\$ 29,154,652	\$ -	\$ 29,154,652	\$ -	\$ -	
18,551,894	-	18,551,894	-	-	
43,484	-	43,484	-	-	
2,853,663	-	2,853,663	-	-	
2,829,367	-	2,829,367	-	-	
1,002,215	-	1,002,215	-	-	
63,640	-	63,640	-	-	
221,952	10,720	232,672	13,590	-	
136,104	-	136,104	172,348	-	
54,856,971	10,720	54,867,691	185,938	-	
(1,235,256)	1,235,256	-	-	-	
53,621,715	1,245,976	54,867,691	185,938	-	
(10,876,833)	3,288,058	(7,588,775)	(6,330,615)	145,820	
90,084,050	54,273,214	144,357,264	62,769,398	1,734,324	
\$ 79,207,217	\$ 57,561,272	\$ 136,768,489	\$ 56,438,783	\$ 1,880,144	

This page is intentionally left blank.

## Fund Financial Statements

**TALBOT COUNTY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2011**

	General <u>Fund</u>	Capital <u>Projects</u>	Other Governmental <u>Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 16,303,636	\$ 15,721,994	\$ 2,334,742	\$ 34,360,372
Certificates of deposit	1,202,726	1,628,446	131,890	2,963,062
Receivables:				
Accounts receivable	370,213	181,382	28,464	580,059
Intergovernmental:				
State	2,762,957	58,100	-	2,821,057
Federal	717,505	885,000	-	1,602,505
Prepaid items	56,271	-	-	56,271
Due from other funds	5,950,483	-	-	5,950,483
Advances to other funds	725,836	-	-	725,836
	<hr/>			
Total Assets	\$ 28,089,627	\$ 18,474,922	\$ 2,495,096	\$ 49,059,645
	<hr/>			
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,121,003	\$ 908,498	\$ 8,077	\$ 3,037,578
Other payables	1,474,064	-	-	1,474,064
Unearned revenue	571,256	1,506,928	26,771	2,104,955
	<hr/>			
Total Liabilities	4,166,323	2,415,426	34,848	6,616,597
	<hr/>			
<b>FUND BALANCES</b>				
Nonspendable	56,271	-	-	56,271
Restricted for:				
Social Services	-	-	547,778	547,778
Committed for:				
Capital projects	-	15,059,496	1,912,470	16,971,966
OPEB	7,000,000	-	-	7,000,000
Assigned for:				
Future budget	1,350,000	1,000,000	-	2,350,000
Unassigned	15,517,033	-	-	15,517,033
	<hr/>			
Total Fund Balances	23,923,304	16,059,496	2,460,248	42,443,048
	<hr/>			
Total Liabilities and Fund Balances	\$ 28,089,627	\$ 18,474,922	\$ 2,495,096	\$ 49,059,645
	<hr/>			

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

**TALBOT COUNTY, MARYLAND**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**June 30, 2011**

Total Governmental Funds Balances		\$ 42,443,048
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 therefore are not reported in the governmental funds		78,297,840
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds		
Bonds, notes payable and bond premiums	(36,307,648)	
Other post-employment benefit obligation	(4,502,080)	
Compensated absences	(723,943)	
		(41,533,671)
Net Assets of Governmental Activities		\$ 79,207,217

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES**  
**For the Year Ended June 30, 2011**

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real property taxes	\$ 29,154,652	\$ -	\$ -	\$ 29,154,652
Local income taxes	18,551,894	-	-	18,551,894
Other local taxes	6,792,369	-	-	6,792,369
Licenses and permits	560,079	-	194,442	754,521
Intergovernmental:				
Federal	1,995,801	1,208,278	-	3,204,079
State	1,728,156	662,868	281,934	2,672,958
Service charges	2,129,649	-	-	2,129,649
Fines and forfeitures	3,900	-	-	3,900
Miscellaneous	136,104	-	-	136,104
Interest	202,668	9,596	9,688	221,952
<b>Total Revenues</b>	<b>61,255,272</b>	<b>1,880,742</b>	<b>486,064</b>	<b>63,622,078</b>
<b>EXPENDITURES</b>				
Current				
General government	5,020,863	2,979,160	-	8,000,023
Public safety	11,736,551	-	-	11,736,551
Public works	2,595,204	1,996,801	-	4,592,005
Health and hospitals	3,105,223	8,591	-	3,113,814
Social services	715,840	-	493,561	1,209,401
Education	40,346,330	2,133,831	-	42,480,161
Recreation	270,939	58,252	-	329,191
Conservation of natural resources	255,489	-	-	255,489
Employee benefits	3,460,899	-	-	3,460,899
Miscellaneous	216,666	-	-	216,666
Intergovernmental	761,613	-	-	761,613
Debt service interest	23,388	-	-	23,388
Debt service principal	381,392	-	-	381,392
Contingencies	440,569	-	-	440,569
<b>Total Expenditures</b>	<b>69,330,966</b>	<b>7,176,635</b>	<b>493,561</b>	<b>77,001,162</b>
Excess of Revenues Over (Under) Expenditures	(8,075,694)	(5,295,893)	(7,497)	(13,379,084)
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of long-term debt	-	123,500	-	123,500
Issuance of refunding bonds	12,157,771	-	-	12,157,771
Bond premium	681,641	-	-	681,641
Payments to refunding bond escrow agent for:				
Principal	(12,650,858)	-	-	(12,650,858)
Transfers in (out) to other funds:				
Pool - operating appropriation	(164,281)	-	-	(164,281)
Recreation - operating appropriation	(1,070,975)	-	-	(1,070,975)
Capital projects pay-as-you-go transfer	-	338,000	(338,000)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(1,046,702)</b>	<b>461,500</b>	<b>(338,000)</b>	<b>(923,202)</b>
<b>Net Change in Fund Balances</b>	<b>(9,122,396)</b>	<b>(4,834,393)</b>	<b>(345,497)</b>	<b>(14,302,286)</b>
Fund Balances at Beginning of Year	33,045,700	20,893,889	2,805,745	56,745,334
Fund Balances at End of Year	\$ 23,923,304	\$ 16,059,496	\$ 2,460,248	\$ 42,443,048

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

**TALBOT COUNTY, MARYLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2011**

Net change in fund balances - total Governmental Funds		\$ (14,302,286)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
Capital outlays	5,990,743	
Current year depreciation	<u>(3,584,317)</u>	
Total		2,406,426
Loss on disposal of equipment		(13,692)
<p>Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.</p>		
Loan proceeds		(123,500)
Refunding bond		(12,157,771)
Refunding bond premium		(681,641)
<p>Repayment of debt obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal payments on long-term debt		3,100,021
Payments to refunding bond escrow agent		12,650,858
<p>Some expenses 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.</p>		
Change in unamortized bond premium		46,339
Change in other post-employment benefits liability		(1,817,722)
Change in compensated absences		16,135
Change in net assets of Governmental Activities		<u><u>\$ (10,876,833)</u></u>

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF FUND NET ASSETS**  
**BUSINESS-TYPE ACTIVITIES**  
**June 30, 2011**

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and short-term investments	\$ -	\$ 498,771	\$ 64,297	\$ -	\$ 563,068
Cash and short-term investments - capital projects	5,708,614	-	-	-	5,708,614
Certificates of deposit	-	36,938	-	-	36,938
Accounts receivable:					
Accounts receivable, customers	8,400	131,876	285,473	1,258	427,007
Intergovernmental:					
State	-	123,316	38,073	-	161,389
Federal	-	539,632	128,588	-	668,220
Prepaid items	5,034	-	-	-	5,034
Inventories	49,686	-	200,923	-	250,609
<b>Total Current Assets</b>	<b>5,771,734</b>	<b>1,330,533</b>	<b>717,354</b>	<b>1,258</b>	<b>7,820,879</b>
<b>NONCURRENT ASSETS</b>					
Land	450,000	2,463,801	585,678	-	3,499,479
Construction in progress	404,540	28,693	5,921,510	-	6,354,743
Buildings and improvements	15,858,472	40,282,581	33,067,645	1,660,648	90,869,346
Furniture and equipment	1,558,264	4,153,131	1,346,890	120,192	7,178,477
Less: accumulated depreciation	(7,540,977)	(13,095,318)	(15,379,784)	(994,245)	(37,010,324)
<b>Total Noncurrent Assets</b>	<b>10,730,299</b>	<b>33,832,888</b>	<b>25,541,939</b>	<b>786,595</b>	<b>70,891,721</b>
<b>Total Assets</b>	<b>16,502,033</b>	<b>35,163,421</b>	<b>26,259,293</b>	<b>787,853</b>	<b>78,712,600</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	647,554	159,336	408,903	7,004	1,222,797
Compensated absences	14,114	15,825	12,207	259	42,405
Due to other funds	2,939,659	2,382,880	181,228	446,716	5,950,483
Unearned revenues	3,670	79,384	15,862	38,801	137,717
Advances from other funds	-	-	725,836	-	725,836
Current maturities of long-term debt	209,591	549,212	131,433	-	890,236
<b>Total Current Liabilities</b>	<b>3,814,588</b>	<b>3,186,637</b>	<b>1,475,469</b>	<b>492,780</b>	<b>8,969,474</b>
<b>NONCURRENT LIABILITIES</b>					
Compensated absences	10,086	25,572	14,461	2,317	52,436
Long-term debt, less current maturities	2,755,046	8,162,676	1,211,696	-	12,129,418
<b>Total Noncurrent Liabilities</b>	<b>2,765,132</b>	<b>8,188,248</b>	<b>1,226,157</b>	<b>2,317</b>	<b>12,181,854</b>
<b>Total Liabilities</b>	<b>6,579,720</b>	<b>11,374,885</b>	<b>2,701,626</b>	<b>495,097</b>	<b>21,151,328</b>
<b>NET ASSETS</b>					
Net assets invested in capital assets, net of related debt	7,765,662	25,121,000	24,198,810	786,595	57,872,067
Unrestricted (deficit)	2,156,651	(1,332,464)	(641,143)	(493,839)	(310,795)
<b>Total Net Assets</b>	<b>\$ 9,922,313</b>	<b>\$ 23,788,536</b>	<b>\$ 23,557,667</b>	<b>\$ 292,756</b>	<b>\$ 57,561,272</b>

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

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended June 30, 2011**

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
<b>OPERATING REVENUES</b>					
Airport - operations	\$ -	\$ -	\$ 292,043	\$ -	\$ 292,043
Airport - fuel facility	-	-	2,180,280	-	2,180,280
Airport - hangars	-	-	527,341	-	527,341
Sewer service charges	-	1,965,776	-	-	1,965,776
Sewer connection charges	-	115,500	-	-	115,500
Residential benefit charges	-	20,184	-	-	20,184
Admissions	107,509	-	-	37,980	145,489
Room rents	27,503	-	-	-	27,503
Ice revenue	193,740	-	-	-	193,740
Pro shop and concessions	322,339	-	-	-	322,339
Cart rentals	73,623	-	-	-	73,623
Greens fees	734,282	-	-	-	734,282
Other operating	14,222	1,559	16,187	75,344	107,312
Total Operating Revenues	1,473,218	2,103,019	3,015,851	113,324	6,705,412
<b>OPERATING EXPENSES</b>					
Salaries and related expenses	889,367	821,667	311,215	116,627	2,138,876
Cost of sales - fuel	-	-	1,934,565	-	1,934,565
Professional fees	21,137	4,256	648,469	2,659	676,521
Office	35,950	12,868	19,103	223	68,144
Insurance	16,081	18,546	24,271	1,439	60,337
Contracted services	550,000	742,763	-	-	1,292,763
Repairs and maintenance	161,980	75,528	119,110	16,811	373,429
Utilities	210,764	-	46,454	12,276	269,494
Supplies and equipment	45,267	-	368	7,911	53,546
Lessons and programs	93,459	-	-	1,414	94,873
Concessions	186,467	-	-	-	186,467
Depreciation	761,679	1,131,675	1,600,502	102,274	3,596,130
Other operating	57,628	41,384	5,804	5,672	110,488
Total Operating Expenses	3,029,779	2,848,687	4,709,861	267,306	10,855,633
Operating Income (Loss)	(1,556,561)	(745,668)	(1,694,010)	(153,982)	(4,150,221)
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Intergovernmental revenues	550,000	378,088	316,807	-	1,244,895
Loss on disposal of capital assets	(25,945)	-	-	-	(25,945)
Interest income	-	10,720	-	-	10,720
Interest expense	(106,783)	(103,717)	(2,387)	-	(212,887)
Total Non-Operating Revenues (Expenses)	417,272	285,091	314,420	-	1,016,783
<b>CAPITAL CONTRIBUTIONS</b>					
Intergovernmental revenues	-	1,649,887	3,536,353	-	5,186,240
Income (Loss) Before Transfers	(1,139,289)	1,189,310	2,156,763	(153,982)	2,052,802
Transfers In	1,070,975	-	-	164,281	1,235,256
Change in Net Assets	(68,314)	1,189,310	2,156,763	10,299	3,288,058
Net Assets, Beginning of Year	9,990,627	22,599,226	21,400,904	282,457	54,273,214
Net Assets, End of Year	\$ 9,922,313	\$ 23,788,536	\$ 23,557,667	\$ 292,756	\$ 57,561,272

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

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended June 30, 2011**

	Major Funds		
	Recreation Facilities	Sanitary District	Easton Airport
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,458,780	\$ 2,086,494	\$ 2,926,508
Cash received from other revenues	14,222	1,559	16,187
Cash payments for salaries and related expenses	(894,202)	(816,405)	(311,432)
Cash payments to suppliers	(393,764)	(268,025)	(3,632,457)
Cash payments for contracted services	(550,000)	(742,763)	-
Other receipts (payments)	2,939,659	(1,017,936)	146,654
Net cash provided (used) by operating activities	<u>2,574,695</u>	<u>(757,076)</u>	<u>(854,540)</u>
<b>Cash flows from noncapital financing activities:</b>			
Transfers from other funds	1,070,975	-	-
Intergovernmental revenues	550,000	1,838,248	1,136,553
Net cash provided by noncapital financing activities	<u>1,620,975</u>	<u>1,838,248</u>	<u>1,136,553</u>
<b>Cash flows from capital and related financing activities:</b>			
Intergovernmental revenues	-	1,649,887	3,536,353
Issuance of long-term debt	812,267	19,573	306,284
Principal paid on long-term notes and bonds	(809,668)	(546,555)	(428,793)
Interest paid on long-term notes and bonds	(106,783)	(103,717)	(2,387)
Proceeds from sale of capital assets	3,500	-	-
Acquisition and construction of capital assets	(640,379)	(1,919,406)	(3,618,211)
Net cash (used) provided by capital and related financing activities	<u>(741,063)</u>	<u>(900,218)</u>	<u>(206,754)</u>
<b>Cash flows from investing activities:</b>			
Interest income on investments	-	10,720	-
Repayment of advances from other funds	-	-	(130,162)
Redemptions of certificates of deposit	970,123	111,325	-
Net cash provided (used) by investing activities	<u>970,123</u>	<u>122,045</u>	<u>(130,162)</u>
Increase (Decrease) in Cash and Cash Equivalents	4,424,730	302,999	(54,903)
Cash and Cash Equivalents at Beginning of Year	<u>1,283,884</u>	<u>195,772</u>	<u>119,200</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,708,614</u>	<u>\$ 498,771</u>	<u>\$ 64,297</u>

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

<u>Nonmajor Fund</u>		
<u>Pool</u>		<u>Totals</u>
\$ 41,429	\$	6,513,211
75,344		107,312
(115,668)		(2,137,707)
(48,338)		(4,342,584)
-		(1,292,763)
(117,048)		1,951,329
<hr/>		
(164,281)		798,798
<hr/>		
164,281		1,235,256
-		3,524,801
<hr/>		
164,281		4,760,057
<hr/>		
-		5,186,240
-		1,138,124
-		(1,785,016)
-		(212,887)
-		3,500
-		(6,177,996)
<hr/>		
-		(1,848,035)
<hr/>		
-		10,720
-		(130,162)
-		1,081,448
<hr/>		
-		962,006
<hr/>		
-		4,672,826
-		1,598,856
<hr/>		
\$ -	\$	6,271,682
<hr/> <hr/>		

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended June 30, 2011 (continued)**

	Major Funds		
	Recreation <u>Facilities</u>	Sanitary <u>District</u>	Easton <u>Airport</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>			
Operating loss	\$ (1,556,561)	\$ (745,668)	\$ (1,694,010)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	761,679	1,131,675	1,600,502
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable, customers	1,240	(14,966)	(74,040)
Increase in prepaid items	(5,034)	-	-
Decrease (increase) in inventories	9,218	-	(52,874)
Increase (decrease) in accounts payable	430,785	(115,443)	(781,439)
Increase (decrease) in compensated absences	(4,835)	5,262	(217)
Increase (decrease) in due to other funds	2,939,659	(1,017,936)	146,654
Increase (decrease) in unearned revenue	(1,456)	-	884
Net cash provided (used) by operating activities	<u>\$ 2,574,695</u>	<u>\$ (757,076)</u>	<u>\$ (854,540)</u>

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

<u>Nonmajor Fund</u>		
<u>Pool.</u>		<u>Totals</u>
\$ (153,982)	\$	(4,150,221)
102,274		3,596,130
(724)		(88,490)
-		(5,034)
-		(43,656)
67		(466,030)
959		1,169
(117,048)		1,951,329
4,173		3,601
<u>\$ (164,281)</u>	<u>\$</u>	<u>798,798</u>

## Notes to Financial Statements

## TALBOT COUNTY, MARYLAND NOTES TO FINANCIAL STATEMENTS

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

Talbot County, Maryland (the "County") is governed by a County Council; its offices are located in Easton, Maryland. The County directly provides all basic local governmental services.

The financial statements of the County are prepared in accordance with U.S. generally accepted accounting principles (GAAP) applicable to governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative literature. The following is a summary of the more significant policies:

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

#### **A. Financial Reporting Entity**

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

The component unit columns contain the financial data of the County's two discretely presented component units - the Board of Education of Talbot County and the Talbot County Free Library. They are reported in separate columns to emphasize that they are legally separate from the County. Although these organizations are legally separate entities and have separately elected or appointed governing boards, they are included in the financial statements of the County because the County is financially accountable for each organization. Separately issued financial statements can be obtained from the following:

Board of Education of Talbot County  
12 Magnolia Street  
Easton, MD 21601

Talbot County Free Library Association, Inc.  
100 W. Dover Street  
Easton, MD 21601

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

The *Talbot County Free Library Association, Inc. (TCFL)* is a separately appointed body that administers the public library system in the county. The TCFL is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The county owns and/or maintains most TCFL facilities and provides a significant portion of its operational funding.

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

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**B. 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. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities.

The statement of net assets presents the financial condition of the governmental and business-type activities of the County at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the County's governmental activities and business-type activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues that are not classified as program revenues are presented as general revenues of the County, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the County.

**Fund Financial Statements**

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

**C. 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. The County maintains two categories of funds: governmental and proprietary.

**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:

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**Governmental Fund Types (continued)**

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.

Capital Projects Fund: The Capital Projects Fund is 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.

In addition, the County has two non-major governmental funds, the Developmental Impact Fund and the Talbot Family Network.

**Proprietary Fund Types**

Proprietary funds focus on the determination of changes in net assets, financial position and cash flows and are classified as enterprise.

Enterprise Funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the County's major enterprise funds:

Recreation Fund: The Recreation Fund is used to account for the operations of the County owned golf course and community center.

Sanitary District Fund: The Sanitary District Fund is used to account for the operations of the County's wastewater treatment plants, onsite sewage disposal systems, and bio-solids utilization facilities.

Easton Airport Fund: The Easton Airport Fund is used to account for the operations of the County owned airport.

In addition, the County has one non-major enterprise fund, the pool fund.

**D. 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.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**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.

**E. 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 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 unearned 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 pay liabilities of the current fiscal year. For the County, available is defined as collected within 30 days of the fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include primarily grants. Revenue from grants 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 specific purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis of accounting, the following revenue sources are considered both measurable and available at year end: local and state-shared taxes, special assessments, intergovernmental revenues, interest revenue, and charges for services. Licenses and permit revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Unearned Revenue - Unearned revenues arise when assets are received before the revenue recognition criteria have been satisfied.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**E. Basis of Accounting (continued)**

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus on 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.

**F. Budgetary Process**

The County and Board of Education follow these procedures in establishing the budgetary data:

- (1) The County Manager and the Board of Education submit a proposed operating budget for their respective general and capital projects funds annually to the County Council.
- (2) A minimum of two public hearings are conducted to obtain taxpayer comments.
- (3) On or before June 1, the County's budget is legally enacted through passage of an ordinance by the County Council. The budget is required to be balanced as to proposed revenues and expenditures.
- (4) The County's legal level of budgetary control is at the general classification of expenditure level (personnel, operating, capital outlay, debt service, etc.). The County Manager is authorized to make transfers between general classifications of expenditures within the same department and fund. Transfers between departments can be made only with the approval of the County Council. All unexpended and unencumbered appropriations in the general fund lapse at the end of the fiscal year. However, no appropriation for a capital project may lapse until the purpose for which the appropriation was made is accomplished or abandoned. A capital project is abandoned if three fiscal years elapse without any expenditure.
- (5) Formal budgets are employed as a management control device during the year for the general, capital projects, special revenue, and enterprise funds. Annual budgets are legally adopted and presented in the combined statement of revenues and expenditures - budget and actual for the general fund, capital projects fund and special revenue funds of the Primary Government.
- (6) Budgets are prepared and adopted on a basis consistent with generally accepted accounting principles.
- (7) The general fund, capital projects fund, and special revenue fund budgeted amounts reflect the originally adopted and approved budget and the revised budget by the County Council. The budgeted amounts for the Board of Education and Library are not presented in these financial statements.
- (8) There were no supplemental appropriations for the County.

**G. Cash and Short-Term Investments**

For the purpose of the statement of cash flows, overnight investment accounts, stated at cost, and certificates of deposit maturing in three months or less, are considered to be cash equivalents.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**H. Property Tax**

Taxes are levied annually on July 1 and are due in full by September 30 for non-owner occupied properties. Owner occupied property taxes are due in two equal semi-annual installments on September 30 and December 31, respectively. Property taxes are attached as an enforceable lien and are in arrears on October 1 for non-owner occupied properties and January 1 for owner occupied properties. The County bills and collects its own taxes. County property tax revenues are recognized when collected.

**I. Inventory and Prepaid Items**

Board of Education inventories, consisting of expendable items held for consumption, are stated at the lower of cost or market. The cost is recorded as an expenditure item at the time the individual inventory items are used. Inventories of the enterprise funds are stated at the lower of cost or market on a first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items in both government-wide and fund financial statements.

**J. 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 capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of three hundred dollars. Public domain (infrastructure) general governmental capital assets such as roads, bridges, streets and sidewalks are capitalized and depreciated. 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 estimated useful asset lives, which are as follows:

Buildings and infrastructure	7 – 40 years
Sewer plants, lines, and improvements	10 – 50 years
Equipment	3 – 15 years

**K. Compensated Absences**

County employees earn annual leave based on length of service. Annual leave accumulates, and any unused portion is paid upon termination. County employees may accumulate a maximum of 30 days of annual leave. Twelve-month employees of the Board of Education earn annual leave at varying rates dependent upon position and length of service. Annual leave generally must be taken by June 30 each year. For support staff, up to ten days may be transferred to the next fiscal year. For administrative staff, up to 20 days may be transferred to the next fiscal year.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**K. Compensated Absences (continued)**

Sick leave for all County employees is earned at a rate of ten days per year. Board of Education employees earn sick leave at varying rates depending upon position and utilization. There is no limit on accumulated sick leave. At termination, employees are not paid for accumulated sick leave; however, at retirement, a portion may be used as additional credited service under the retirement plan.

The entire compensated absences liability is reported on the government-wide financial statements. On governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. For enterprise funds, the entire amount of compensated absences is reported as a fund liability.

**L. 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.

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

**N. Fund Balance Reserves**

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can only be spent for specific purposes because of the County charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts that can be used only for specific purposes determined by formal action by the County Council ordinance or resolutions.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**N. Fund Balance Reserves (continued)**

Assigned – Amounts that are designated by the Council or management with intent to be used for specific purposes, but are neither restricted or committed by ordinance or resolution.

Unassigned – Amounts not included in other spendable classifications.

Nonspendable fund balances consist of prepaid amounts.

**O. 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 recreational activities, sewer, airport, and pool activities. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

**P. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Q. Interfund Receivables/Payables**

On 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.”

**Note 3. Deposits and Investments**

**A. Deposits**

**Primary Government**

Deposits are maintained in a variety of financial institutions. Statutes authorized the County Council 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, in United States Government bonds or evidence of indebtedness, the Maryland Local Government Investment Pool, or to invest in federally insured banking institutions which pledge United States Treasury bills, notes or other obligations to secure such deposits.

At June 30, 2011, the County Primary Government had deposits of \$43,896,343 including \$3,000,000 in certificates of deposit with maturities greater than 3 months, with local banks (carrying value \$43,632,054). Of those deposits, \$1,000,000 was insured by federal depository insurance (FDIC). As required by law, a depository is required to pledge securities, in addition to FDIC insurance, at least equal to the amount on deposit at all times. At June 30, 2011, all deposits were fully insured or collateralized with securities pledged in the County’s name. Petty cash totaled \$9,390 as of June 30, 2011.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 3. Deposits and Investments (continued)**

**Board of Education**

At June 30, 2011, the Board of Education had deposits totaling \$10,142,330 (carrying value \$8,042,719). Of the total deposits, \$199,668 was subject to FDIC insurance, \$6,000,000 was covered by an irrevocable letter of credit held by the bank in favor of the Board, and \$3,942,662 was collateralized by securities held by the pledging financial institution's trust department or agent, but not in the Board's name.

**Library**

At June 30, 2011, the Library had deposits totaling \$141,756 (carrying value \$131,901), which were fully insured by federal depository insurance issued by the Federal Depository Insurance Corporation (FDIC).

**B. Investments**

**Primary Government**

The County is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Institutional Investments, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP portfolio is managed in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The MLGIP is rated AAAM by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. At June 30, 2011, the County had investments in MLGIP of \$7,000,000, which are recorded at cost, which approximates fair value.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's exposure to credit risk on deposits is minimal, as all deposits are in the form of cash or certificates of deposit fully insured by the FDIC or collateralized by securities pledged in the County's name. The County minimizes its exposure to credit risk on investments by limiting its investments to U.S. Treasury obligations and MLGIP.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the County manages its investment time horizons by averaging investment maturities and chooses to present its exposure to interest rate changes using the weighted average maturity method. Generally, the County limits its weighted average maturity of its investment portfolio to less than 12 months.

At June 30, 2011, the County had the following investments, which excludes certificates of deposits maturing in 3 months or less:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (months)</u>
Certificates of deposit	\$ 3,000,000	6
MLGIP	7,000,000	< 2

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 4. 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, 2011, appropriate due from/to other funds have been established.

Interfund transactions are classified as follows:

1. Transfers to support the operations of other funds are recorded as "Transfers in (out) to other funds" and classified as "Other Financing Sources (Uses)" in the fund statements. Transfers between governmental and proprietary funds are netted as part of the reconciliation of the Government-wide financial statements.
2. Loans between funds are classified as Interfund loans receivable and payable or as advances to and from other funds in the fund statements. Interfund loans do not affect total equity, but advances to other funds are offset by a reservation of fund equity. Loans and advances are netted as part of the reconciliation of the Government-wide financial statements.

Due from/to other funds balances as of June 30, 2011 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	Due from Other Funds	Due to Other Funds
General Fund	Transfers	\$ 5,950,483	\$ -
Enterprise Fund - Recreation Facilities	Transfers	-	2,939,659
Enterprise Fund - Sanitary District	Transfers	-	2,382,880
Enterprise Fund - Airport	Transfers	-	181,228
Enterprise Fund - Pool	Transfers	-	446,716
		<u>\$ 5,950,483</u>	<u>\$ 5,950,483</u>

Advances to/from other funds balances as of June 30, 2011 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	Advances to Other Funds	Advances from Other Funds
General Fund	Construction projects	\$ 725,836	\$ -
Enterprise Fund - Airport	Construction projects	-	725,836
		<u>\$ 725,836</u>	<u>\$ 725,836</u>

During fiscal year 2007, the County transferred approximately \$2.5 million to the Airport from the General Fund for construction of an airport control tower. The outstanding balance at June 30, 2011 was \$725,836, which is due on June 30, 2015.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 5. Capital Assets**

A summary of changes in capital assets for the fiscal year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Transfers and Reductions	Balance June 30, 2011
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Nondepreciable Capital Assets:				
Land	\$ 10,467,602	\$ -	\$ -	\$ 10,467,602
Infrastructure	23,191,321	-	-	23,191,321
Construction in progress	3,489,203	3,188,001	(283,439)	6,393,765
<b>Total Nondepreciable Capital Assets</b>	<b>37,148,126</b>	<b>3,188,001</b>	<b>(283,439)</b>	<b>40,052,688</b>
Depreciable Capital Assets:				
Buildings and improvements	33,754,559	460,766	70,091	34,285,416
Infrastructure	10,473,853	1,534,822	213,348	12,222,023
Furniture and equipment	19,786,669	807,154	(255,583)	20,338,240
<b>Total capital assets being depreciated</b>	<b>64,015,081</b>	<b>2,802,742</b>	<b>27,856</b>	<b>66,845,679</b>
Less accumulated depreciation for:				
Buildings and improvements	9,963,515	1,097,448	-	11,060,963
Infrastructure	3,323,954	850,177	-	4,174,131
Furniture and equipment	11,970,632	1,636,692	(241,891)	13,365,433
<b>Total accumulated depreciation</b>	<b>25,258,101</b>	<b>3,584,317</b>	<b>(241,891)</b>	<b>28,600,527</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>38,756,980</b>	<b>(781,575)</b>	<b>269,747</b>	<b>38,245,152</b>
<b>Total Governmental Activities, Net</b>	<b>\$ 75,905,106</b>	<b>\$ 2,406,426</b>	<b>\$ (13,692)</b>	<b>\$ 78,297,840</b>
	Balance June 30, 2010	Additions	Transfers and Reductions	Balance June 30, 2011
<b>Business-Type Activities:</b>				
Nondepreciable Capital Assets:				
Land	\$ 3,499,479	\$ -	\$ -	\$ 3,499,479
Construction in progress	5,833,654	3,915,768	(3,394,679)	6,354,743
<b>Total Nondepreciable Capital Assets</b>	<b>9,333,133</b>	<b>3,915,768</b>	<b>(3,394,679)</b>	<b>9,854,222</b>
Depreciable Capital Assets:				
Buildings and improvements	89,318,989	400,451	1,149,906	90,869,346
Furniture and equipment	3,289,858	1,861,777	2,026,842	7,178,477
<b>Total Depreciable Capital Assets</b>	<b>92,608,847</b>	<b>2,262,228</b>	<b>3,176,748</b>	<b>98,047,823</b>
Less accumulated depreciation for:				
Buildings and improvements	31,546,390	3,224,483	(6,818)	34,764,055
Furniture and equipment	2,056,290	371,647	(181,668)	2,246,269
<b>Total accumulated depreciation</b>	<b>33,602,680</b>	<b>3,596,130</b>	<b>(188,486)</b>	<b>37,010,324</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>59,006,167</b>	<b>(1,333,902)</b>	<b>3,365,234</b>	<b>61,037,499</b>
<b>Total Business-Type Activities, Net</b>	<b>\$ 68,339,300</b>	<b>\$ 2,581,866</b>	<b>\$ (29,445)</b>	<b>\$ 70,891,721</b>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 5. Capital Assets (continued)**

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 707,859
Public Safety	1,088,821
Public Works	1,382,341
Health & Hospitals	6,260
Social Services	15,519
Recreation	383,517
Total Depreciation Expense-Governmental Activities	\$ 3,584,317

A summary of changes in capital assets for the component units at June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Transfers and Reductions	Balance June 30, 2011
<b><u>Component Units</u></b>				
<b><u>Board of Education</u></b>				
Nondepreciable Capital Assets:				
Land	\$ 377,446	\$ -	\$ -	\$ 377,446
Total Nondepreciable Capital Assets	377,446	-	-	377,446
Depreciable Capital Assets:				
Buildings and improvements	92,392,055	22,553	-	92,414,608
Furniture and equipment	20,598,306	1,205,512	(227,246)	21,576,572
Total capital assets being depreciated	112,990,361	1,228,065	(227,246)	113,991,180
Less accumulated Depreciation for:				
Buildings and improvements	28,438,551	2,101,286	-	30,539,837
Furniture and equipment	14,260,852	1,938,337	(224,783)	15,974,406
Total accumulated depreciation	42,699,403	4,039,623	(224,783)	46,514,243
Total Depreciable Capital Assets, Net	\$ 70,290,958	\$ (2,811,558)	\$ (2,463)	\$ 67,476,937
<b><u>Library</u></b>				
Nondepreciable Capital Assets:				
Land	\$ 49,921	\$ -	\$ -	\$ 49,921
Depreciable Capital Assets:				
Buildings and improvements	329,025	-	-	329,025
Furniture and equipment	1,391,349	88,040	(77,634)	1,401,755
Total capital assets being depreciated	1,720,374	88,040	(77,634)	1,730,780
Less accumulated depreciation	1,242,437	144,072	(77,634)	1,308,875
Total Depreciable Capital Assets, Net	\$ 477,937	\$ (56,032)	\$ -	\$ 421,905

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt**

The following is a summary of long-term debt at June 30, 2011:

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amount Due in One Year
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Public Facilities and Refunding Bonds of 1998; original issue \$15,075,000, payable annually in principal payments ranging from \$300,000 to \$1,085,000 through May 1, 2018; interest payable semi-annually at rates from 4.1% to 6%.	\$ 5,195,000	\$ -	\$ 5,195,000	\$ -	\$ -
Public Improvement Bonds of 2008; original issue \$25,020,000, payable annually in principal payments ranging from \$810,000 to \$1,820,000 through December 15, 2027; interest payable semi-annually at rates from 3.5% to 4.0%.	23,365,000	-	1,990,000	21,375,000	920,000
Shore Erosion Construction Loan; original issue \$168,825, payable annually in principal payments of \$11,255 through July 1, 2011; interest-free.	22,510	-	11,255	11,255	11,255
Shore Erosion (Black Walnut Point); total authorized borrowing \$160,000, to be repaid in 15 annual payments of \$9,100, no interest, to begin July 1, 2011.	13,000	123,500	-	136,500	9,100
Chesapeake College Bond of 2003; original issue \$180,000, a contractual liability payable to Queen Anne's County, the registered owner, payable in annual principal installments from \$5,559 to \$13,434; interest payable annually at rates from 4.83% to 5.4%.	132,419	-	7,478	124,941	7,875
Chesapeake College Bond; original issue \$620,000, a contractual liability payable to Queen Anne's County, the registered owner, payable annually in principal payments ranging from \$20,000 to \$50,000 through January 15, 2020; interest payable semi-annually at rates from 5.10% to 5.75%.	385,000	-	30,000	355,000	30,000
Public Improvement and Refunding Bonds of 2006; original issue \$2,325,000, payable annually in principal payments ranging from \$90,000 to \$175,000 through February 1, 2024; interest payable semi-annually at rates from 4% to 4.3%.	1,935,000	-	105,000	1,830,000	110,000
Public Facilities Bonds of 2002; original issue \$11,245,000, payable annually in principal payments ranging from \$379,000 to \$832,000 through March 15, 2022; interest payable semi-annually at rates from 3.0% to 5.37%.	7,825,287	-	7,297,146	528,141	528,141
Public Improvement and Refunding Bonds of 2010; original issue \$12,157,771, payable annually in principal payments ranging from \$587,000 to \$1,318,000 through May 2022; interest payable semi-annually at rates from 2% to 5%.	-	12,157,771	1,115,000	11,042,771	586,694
Unamortized bond premium	38,873,216	12,281,271	15,750,879	35,403,608	2,203,065
Other post-employment benefits liability	268,738	681,641	46,339	904,040	-
Compensated absences	2,684,358	1,817,722	-	4,502,080	-
	740,078	642,466	658,601	723,943	340,700
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 42,566,390</b>	<b>\$ 15,423,100</b>	<b>\$ 16,455,819</b>	<b>\$ 41,533,671</b>	<b>\$ 2,543,765</b>

**TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**Note 6. Long-Term Debt (continued)**

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amount Due in One Year
<b>Business-type Activities:</b>					
<b>Recreation Facilities</b>					
Public Facilities Bonds of 2002; original issue \$1,030,000, payable annually in principal payments ranging from \$34,000 to \$77,000 through March 15, 2022; interest payable semi-annually at rates from 3.0% to 5.37%.	\$ 716,769	\$ -	\$ 668,393	\$ 48,376	\$ 48,376
Public Improvement and Refunding Bonds of 2006; original issue \$2,545,000, payable annually in principal payments ranging from \$90,000 to \$180,000 through February 1, 2026; interest payable semi-annually at rates from 4% to 4.375%.	2,175,000	-	100,000	2,075,000	105,000
Public Improvement and Refunding Bonds of 2010; original issue \$630,945, payable annually in principal payments ranging from \$5,590 to \$72,300 through May 2022; interest payable semi-annually at rates from 2% to 5%.	-	630,945	-	630,945	5,590
Golf course equipment capital lease; original issue of \$79,478, payable monthly in principal and interest payments of approximately \$1,309 through August 2010, with a final payment of approximately \$28,800 due September 2010; interest at 5.6%.	32,159	-	32,159	-	-
Golf course equipment capital lease; original issue of \$54,019, payable monthly in principal and interest payments of approximately \$859 through September 2012, with a final payment of approximately \$18,000 due October 2012; interest at 3.5%.	38,110	-	9,116	28,994	9,441
Golf course equipment capital lease; original issue of \$181,322, payable monthly in principal and interest payments of approximately \$4,176 through June 2015, interest at 4.8%.	-	181,322	-	181,322	41,184
Total Recreation Facilities	<u>\$ 2,962,038</u>	<u>\$ 812,267</u>	<u>\$ 809,668</u>	<u>\$ 2,964,637</u>	<u>\$ 209,591</u>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt (continued)**

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amount Due in One Year
<b>Business-type Activities (continued):</b>					
<b>Sanitary District</b>					
Public Improvement and Refunding Bonds of 2006; original issue \$390,000, payable annually in principal payments ranging from \$20,000 to \$35,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.2%.	\$ 255,000	\$ -	\$ 25,000	\$ 230,000	\$ 25,000
Water Quality Bonds of 2006; Total authorized borrowing of \$10,212,981; \$9,975,333 borrowed to date, loan to be repaid in level principal and interest payments over 20 years beginning February 2008; interest at 0.4%.	8,475,306	19,573	497,436	7,997,443	499,427
Farmers Home Administration Bond; Royal Oak, Newcomb Wastewater System; original issue \$571,000, payable quarterly in payments of \$9,479 through March 2024, including interest at 5.25%.	359,694	-	19,409	340,285	19,862
Farmers Home Administration Bond; Unionville/Tunis Mills/Coppersville Wastewater System Bond of 2001; original issue \$186,000, payable quarterly in payments of \$2,833 through May 2030, including interest at 4.5%.	148,870	-	4,710	144,160	4,923
Total Sanitary District	<u>\$ 9,238,870</u>	<u>\$ 19,573</u>	<u>\$ 546,555</u>	<u>\$ 8,711,888</u>	<u>\$ 549,212</u>

**TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS**

**Note 6. Long-Term Debt (continued)**

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011	Amount Due in One Year
<b>Business-type Activities (continued):</b>					
<b>Easton Airport</b>					
Public Facilities and Refunding Bonds of 2006; original issue \$100,000, payable annually in principal payments ranging from \$5,000 to \$10,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.2%.	\$ 80,000	\$ -	\$ 5,000	\$ 75,000	\$ 5,000
Public Facilities and Refunding Bonds of 2006; original issue \$440,000, payable annually in principal payments ranging from \$30,000 to \$40,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.2%.	320,000	-	30,000	290,000	30,000
Public Facilities and Refunding Bonds of 2006; original issue \$235,000, payable annually in principal payments ranging from \$25,000 to \$35,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.125%.	125,000	-	30,000	95,000	30,000
Public Facilities Bonds of 2002; original issue \$1,055,000, payable annually in principal payments ranging from \$31,000 to \$77,000 through March 15, 2022; interest payable semi-annually at rates from 3.0% to 5.37%.	747,945	-	349,461	398,484	48,483
Public Improvement and Refunding Bonds of 2010; original issue \$306,284, payable annually in principal payments ranging from \$13,000 to \$35,000 through May 2022; interest payable semi-annually at rates from 2% to 5%.	-	306,284	-	306,284	2,714
Department of Natural Resources Hanger; original issue \$300,000, payable monthly in principal and interest payments of \$2,030 through October 10, 2020; interest is payable at 5.3% per annum.	192,693	-	14,332	178,361	15,236
Total Easton Airport	1,465,638	306,284	428,793	1,343,129	131,433
Compensated absences	13,666,546	1,138,124	1,785,016	13,019,654	890,236
	93,672	77,274	76,105	94,841	42,405
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 13,760,218</b>	<b>\$ 1,215,398</b>	<b>\$ 1,861,121</b>	<b>\$ 13,114,495</b>	<b>\$ 932,641</b>

The bonds outstanding at June 30, 2011 for the primary government's governmental activities and business-type activities are general obligation bonds.

Current Refunding

In May 2011, the County issued \$13,095,000 of Public Improvement Refunding Bonds, Series 2010. The Bonds were allocated to governmental activities and business-type activities in the amount of \$12,157,771 and \$937,229 (\$630,945 and \$306,284), respectively. The proceeds will be used to refund outstanding obligations under the Public Facilities and Refunding Bonds, Series 1998 and Public Facilities Bonds, Series 2002. The Series 2010 bonds have an average interest rate of 3.17% and produce a savings of approximately \$1,301,000 over the debt service of the 1998 and 2002 Series bonds.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt (continued)**

The County has entered into leases for the acquisition of various equipment items, which transfer ownership at the end of the lease. Accordingly, the present value of future minimum lease payments and the related assets have been recorded in the appropriate fund.

The assets acquired through capital leases are as follows:

**Business-Type Activities**

Equipment	\$ 233,946
Less: accumulated depreciation	(41,783)
Total	\$ 192,163

The following is a summary of the future minimum lease payments on the capital leases:

**Business-Type Activities**

Year Ending June 30	
2012	\$ 60,411
2013	69,824
2014	50,106
2015	50,106
	230,447
Less amounts representing interest	(20,131)
Present value of future minimum lease payments	\$ 210,316

Funds Used For Debt Service and Liquidation of Compensated Absences

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

Other Obligations

The Primary Government is obligated to pay a share of the debt service on certain bonds issued by the County Commissioners of Queen Anne's County to finance construction of the Economic Development Center building at Chesapeake College. Talbot County's share of this debt is \$52,800. Currently, the obligation is being paid by Chesapeake College, and is not reported on the balance sheet of the County.

As part of the acquisition agreement between the County and the Martingham Utilities Cooperative for the wastewater treatment facility, the County is obligated to collect fees for use of the Martingham facilities from its customers and remit a portion of those proceeds to service debt related to the entire Martingham facility. The debt is in the name of the Martingham Utilities Cooperative and is not reported on the balance sheet of the County.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt (continued)**

Other Obligations (continued)

The County, on behalf of the Edge Creek Waterway Improvement District, entered into a loan agreement with the State of Maryland, Department of Natural Resources for a 20 year, interest-free Waterway Improvement Loan in the amount of \$304,699. The proceeds of this loan were used to dredge Edge Creek and pay the expenses associated with the dredging. The second loan payment of \$15,235 was paid on October 26, 2010. This loan is payable from the proceeds of a special assessment levied on parcels within the district and is not backed by the County's full faith and credit. This loan does not appear on the balance sheet of the County. The County acts only as a fiduciary in collecting the assessments and servicing the debt.

	Balance at June 30, 2010	Additions	Reductions	Balance at June 30, 2011
<u>Component Units</u>				
<u>Board of Education</u>				
Capital lease payable to All Points Public Funding, LLC; principal and interest payments of \$106,980 are payable annually through October 2011; interest is payable at 3.87% per annum; collateralized by school buses.	\$ 202,158	\$ -	\$ 99,161	\$ 102,997
Note payable to Branch Bank & Trust Co. principal and interest payments of \$6,835 are payable monthly through September 2011; interest payable at 4.19% per annum; collateralized by school buses.	99,714	-	79,351	20,363
Note payable to Branch Bank & Trust Co. principal and interest payments of \$197,962 are payable annually through August 2012; interest payable at 3.55% per annum; collateralized by school buses.	554,087	-	178,292	375,795
<b>TOTAL BOARD OF EDUCATION</b>	<b>\$ 855,959</b>	<b>\$ -</b>	<b>\$ 356,804</b>	<b>\$ 499,155</b>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt (continued)**

A summary of debt service requirements to maturity (excluding compensated absences and capital lease payments) by years is approximately as follows:

**Primary Government**

	Principal	Interest	Total
<b>Governmental Activities</b>			
Fiscal year Ending June 30,			
2012	\$ 2,203,065	\$ 1,332,218	\$ 3,535,283
2013	2,282,292	1,254,762	3,537,054
2014	2,347,092	1,190,434	3,537,526
2015	2,453,341	1,089,137	3,542,478
2016	2,526,432	1,019,887	3,546,319
2017-2021	12,072,043	3,672,582	15,744,625
2022-2026	9,064,343	1,577,204	10,641,547
2027-2031	2,455,000	144,000	2,599,000
<b>Total Governmental Activities</b>	<b>\$ 35,403,608</b>	<b>\$ 11,280,224</b>	<b>\$ 46,683,832</b>

**Enterprise Fund - Recreational Facilities (excluding capital leases)**

Fiscal year Ending June 30,			
2012	\$ 158,966	\$ 110,226	\$ 269,192
2013	158,910	103,356	262,266
2014	164,312	97,898	262,210
2015	172,103	90,525	262,628
2016	178,700	84,592	263,292
2017-2021	1,009,050	313,589	1,322,639
2022-2026	912,280	114,518	1,026,798
<b>Total Recreational Facilities</b>	<b>\$ 2,754,321</b>	<b>\$ 914,704</b>	<b>\$ 3,669,025</b>

**Enterprise Fund - Sanitary District**

Fiscal year Ending June 30,			
2012	\$ 549,212	\$ 66,854	\$ 616,066
2013	552,478	62,548	615,026
2014	555,817	58,178	613,995
2015	564,232	53,732	617,964
2016	567,728	48,999	616,727
2017-2021	2,839,136	171,705	3,010,841
2022-2026	2,528,965	69,385	2,598,350
2027-2031	554,320	6,108	560,428
<b>Total Sanitary District</b>	<b>\$ 8,711,888</b>	<b>\$ 537,509</b>	<b>\$ 9,249,397</b>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt (continued)**

**Primary Government (continued)**

	Principal	Interest	Total
<b>Enterprise Fund - Easton Airport</b>			
Fiscal year Ending June 30,			
2012	\$ 131,433	\$ 60,089	\$ 191,522
2013	142,234	53,660	195,894
2014	153,302	47,797	201,099
2015	120,577	40,580	161,157
2016	122,324	35,556	157,880
2017-2021	593,596	90,456	684,052
2022-2026	79,663	3,608	83,271
Total Easton Airport	\$ 1,343,129	\$ 331,746	\$ 1,674,875

**Component Units**

**Board of Education**

Fiscal year Ending June 30,			
2012	\$ 307,980	\$ 17,467	\$ 325,447
2013	191,175	6,787	197,962
Total Board of Education	\$ 499,155	\$ 24,254	\$ 523,409

**Obligations Under State Retirement System**

**Component Unit – Board of Education**

State Retirement and Pension System of Maryland  
Payable annually through December 2035;  
Interest only payable through December 2018

\$ 488,127

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt (continued)**

**Obligations Under State Retirement System (continued)**

**Component Unit – Board of Education (continued)**

The remaining deficit reduction payment schedule authorized by House Bill 430 is as follows:

<u>Fiscal Year Ending June 30,</u>	
2012	\$ 29,330
2013	30,797
2014	32,337
2015	33,953
2016	35,651
2017-2021	206,844
2022-2026	263,992
2027-2031	336,927
2032-2036	430,014
Sub-Total	<u>1,399,845</u>
Less amounts representing interest	(911,718)
Liability as of June 30, 2011	<u>\$ 488,127</u>

**Note 7. Pension Plans**

**Plan Description**

Generally, all regular employees of the County participate in the State of Maryland Employees Retirement and Pension Systems (Employees Systems). Teachers employed by the Board generally participate in the State of Maryland Teachers Retirement and Pensions Systems (Teachers Systems). Both the Employees System and the Teachers Systems (collectively the Systems) are cost-sharing multiple-employer public retirement systems sponsored by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly. The Maryland State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the systems. That report may be obtained by writing to the Maryland State Retirement Agency, 120 East Baltimore Street, Baltimore, Maryland, 21202.

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

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 7. Pension Plans (continued)**

**Funding Policy**

The State Personnel and Pensions Article requires active members to contribute to the System at the rate of 5% or 7% of their covered salary depending upon the retirement option selected. The combined State contribution rate for the year ending 2011 is established by annual actuarial valuations. The current rate is 14.3% of covered payroll for teachers and 11.69% for classified employees. On-behalf payments consist of pension contributions made by the State of Maryland to the State Retirement System for applicable employees of the Board of Education and Library. The amounts recognized as revenue and expenditures for the fiscal year ended June 30, 2011 were \$3,756,748 and \$95,844 for the Board of Education and Library, respectively.

**Employer's Payroll and Contributions Under the Plan**

The employer's current year payroll for the years ended June 30, 2011, 2010, and 2009, payroll covered under the various state plans, and contributions paid are as follows:

	2011	2010	2009
Total payroll	\$ 46,355,511	\$ 47,023,512	\$ 45,646,987
Payroll covered under the plans	42,750,177	43,339,977	41,000,339
Actual % contributed of required contributions	100%	100%	100%
Contributions paid:			
County payments	1,269,354	896,377	768,879
Board of Education payments	725,295	572,742	481,796
State On-Behalf payments:			
Board of Education	3,756,748	3,309,785	2,887,089
Library	95,844	79,270	63,161

**Board of Education - Funding Status**

As a result of a first time actuarial study of the State Retirement and Pension System of Maryland, the Talbot County Board of Education was identified as one of 23 municipal corporations not having enough assets available to fund the present value of accrued benefits for participants in the retirement system. Under the rules of House Bill 1338, the original deficit amount was determined to be \$925,482 as of June 30, 1996, to be repaid over a period of 40 years. The Board was granted relief of \$210,003 (as of June 30, 1996) by HB1348 enacted in 1997 and further relief of \$210,003 (as of June 30, 1996) by HB430 which was enacted in 1998. The fiscal year 2011 payment was \$27,934. The payments reflect a pattern which increases by 5% per year for the next 25 years. (See also Note 6.)

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 8. Other Post-Employment Benefits (OPEB)**

**Plan Description and Eligibility**

The County provides post-retirement health care benefits under the Talbot County Retiree Health Plan (the "Plan"), a single-employer defined benefit healthcare plan administered by the County, to retirees who meet the Maryland State Retirement System qualifications for full retirement benefits. The retiree must be a full-time employee at the date of their retirement and must have completed at least five years of employment with the County. Current County guidelines state that if the employee has 16 or more years of service with the County, the County will pay 90% of the health insurance cost for an individual and 85% of the health insurance cost for family coverage. If the employee has less than 16 years of employment, the County reduces the portion it subsidizes by 1/16 per year. The County has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report.

The Talbot County Public Schools Retiree Health Plan (the "Board of Education Plan") is a single-employer defined benefit healthcare plan that is administered by the Board of Education and covers retired employees of the Board of Education and their dependents. The Board of Education Plan provides for the payment of a portion or all of the health insurance premiums for eligible retired employees depending on their position that was held and length of service. The Board of Education has the authority to establish and amend benefit provisions of the Board of Education Plan. The Board of Education Plan does not issue a separate, publicly available report.

The Library administers a single-employer defined benefit healthcare plan for its retirees. The plan provides healthcare insurance for eligible retirees and their spouses. Employees are eligible to participate in the plan upon retirement provided they have 10 years of service with the Library and meet the eligibility requirements of the State Retirement and Pension System of Maryland. As of June 30, 2011, 1 retiree was receiving benefits under the plan, and an estimated 13 active employees are potentially eligible to receive future benefits. Active members eligible to receive healthcare benefits are currently covered under Talbot County, Maryland's healthcare plan.

**Funding Policy**

The County pays for the cost of post-retirement health care benefits under the Plan for eligible retirees and their dependents/family members on a pay-as-you-go basis. Eligible retirees must pay for 10% of the cost for individual plans and 15% of the cost for family coverage. For fiscal year 2011, the County paid for coverage of 62 eligible retirees, family members, and dependents at a total cost to the County of \$349,278 and eligible retirees contributed \$59,410. The County has the authority to establish and amend the funding policy of the Plan.

Premiums and other contributions for the Board of Education's share of the cost of group programs may be paid, as determined by the Board, from the assets of the Board. Premium payments for some programs may require contributions by the participant as well as the Board. The frequency and amount of such contributions shall be established from time to time by the Board. Plan members receiving benefits contribute a percentage of the monthly insurance premium. The Talbot County Public School Retiree Health Plan pays 66% of the individual premium for each insured retiree who has at least 8 years of service. Retirees with less than 8 years of service are allowed access, but must pay 100% of the published rates.

The Library pays for 66.67% of the cost of eligible retiree healthcare premiums with the retiree paying the remaining portion of the cost. For fiscal year 2011, the Library contributed \$4,547 to the plan for 1 eligible retiree.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 8. Other Post-Employment Benefits (OPEB) (continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The valuations were done to determine the funded status of the plans as well as the annual required contribution (ARC) for the fiscal year ended June 30, 2011. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The Library performed its own valuation using the alternative measurement method provided for in GASB 45.

The County, Board of Education, and Library's annual OPEB cost, employer contributions, percentage of annual OPEB cost contributed to the plan, and net OPEB obligation were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<b><u>Talbot County</u></b>				
2009	\$ 1,524,000	\$ 216,362	14.20%	\$ 1,307,638
2010	1,642,000	265,280	16.16%	2,684,358
2011	2,167,000	349,278	16.12%	4,502,080
<b><u>Board of Education</u></b>				
2009	\$ 4,140,000	\$ 239,848	5.79%	\$ 3,900,152
2010	4,467,000	238,727	5.34%	8,128,425
2011	4,039,000	263,425	6.52%	11,904,000
<b><u>Library</u></b>				
2009	\$ 100,000	\$ 6,000	6.00%	\$ 94,000
2010	100,000	5,000	5.00%	189,000
2011	100,000	5,000	5.00%	284,000

Fiscal year 2009, was the year of implementation of GASB 45, and the County, Board of Education, and Library elected to implement prospectively.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 8. Other Post-Employment Benefits (OPEB) (continued)**

**Annual OPEB Cost and Net OPEB Obligation (continued)**

The net OPEB obligation as of June 30, 2011 was calculated as follows:

	County	Board of Education	Library
Determination ARC:			
Normal cost	\$ 1,326,000	\$ 4,021,000	\$ 100,000
Amortization of UAAL	854,000	-	-
Annual required contribution	<u>2,180,000</u>	<u>4,021,000</u>	<u>100,000</u>
Determination of net OPEB obligation (NOO):			
Annual required contribution	2,180,000	4,021,000	100,000
Adjustment to NOO	-	(237,000)	-
Amortization of NOO	(119,000)	-	-
Interest on NOO	106,000	255,000	-
Annual OPEB cost	<u>2,167,000</u>	<u>4,039,000</u>	<u>100,000</u>
Retiree benefit payments paid	<u>(349,278)</u>	<u>(263,425)</u>	<u>(5,000)</u>
Increase in net OPEB obligation	1,817,722	3,775,575	95,000
Net OPEB obligation, beginning of year	2,684,358	8,128,425	189,000
Net OPEB obligation, end of year	<u>\$ 4,502,080</u>	<u>\$ 11,904,000</u>	<u>\$ 284,000</u>

**Funded Status and Funding Progress**

Year Ended June 30,	Date of Actuarial Valuation Data	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
<b><u>Talbot County, Maryland</u></b>							
2009	July 1, 2008	\$ -	\$ 13,455,000	0.00%	\$ 13,455,000	\$ 10,560,961	127.40%
2010	July 1, 2009	-	14,689,000	0.00%	14,689,000	11,685,261	125.71%
2011	July 1, 2009	-	14,689,000	0.00%	14,689,000	11,020,559	133.29%
<b><u>Board of Education</u></b>							
2009	July 1, 2008	\$ -	\$ 46,822,000	0.00%	\$ 46,822,000	\$ 29,794,343	157.15%
2010	July 1, 2009	-	50,155,000	0.00%	50,155,000	30,931,517	162.15%
2011	June 30, 2011	-	47,141,000	0.00%	47,141,000	30,917,375	152.47%
<b><u>Library</u></b>							
2009	June 30, 2009	\$ -	\$ 900,000	0.00%	\$ 900,000	\$ 645,035	139.53%
2010	June 30, 2009	-	900,000	0.00%	900,000	723,198	124.45%
2011	June 30, 2009	-	900,000	0.00%	900,000	812,243	110.80%

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 8. Other Post-Employment Benefits (OPEB) (continued)**

**Funded Status and Funding Progress (continued)**

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

**Actuarial Methods and Assumptions**

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

In the County's July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4% interest rate on investments, a projected salary increase of 2.5% per year, and an annual healthcare cost trend rate beginning at 8.02% initially reduced by decrements to an ultimate rate of 4.10%. The actuarial value of assets was not determined as the County has not advance-funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years on a closed basis. The remaining amortization period at June 30, 2011 was 28 years.

In the Board of Education's June 30, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a projected salary increase of 4% per year, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 4.9%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2011 was 28 years.

In determining its actuarial valuation of OPEB costs and liabilities, the Library used the unit credit cost method using certain assumptions and default values provided for under the alternative measurement method in GASB 45. Additionally, other assumptions were used based on comparable plans to include: a discount rate of 7.5% and an annual healthcare cost trend of 5.5%. The UAAL is being amortized as a level dollar amount over a 30 year period. The remaining amortization period at June 30, 2011 was 28 years.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 9. Deferred Compensation**

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all eligible County employees, permits them to defer a portion of their salaries 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 plan, at the direction of the covered employee, through investments underwritten by the Hartford Life Insurance Company.

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 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 No. 32, adopted by the County in 1998, the plan's assets are not reported on the combined balance sheet of the County.

**Note 10. Unearned Revenues**

Unearned revenue consists of federal and state grants, agricultural taxes collected, and other revenues that have been received by the County, but not expended by June 30, 2011. Under the modified accrual basis of revenue recognition, property taxes not received within the "available" period should be deferred. Property taxes receivable at year-end are nominal and have not been deferred by the County. Unearned revenue at June 30, 2011 consisted of the following:

	County	Board of Education	
Federal and state grants	\$ 35,065	\$ 1,552,982	
Other sources	2,207,607	218,841	
	\$ 2,242,672	\$ 1,771,823	

**Note 11. Commitments and Contingencies**

**Primary Government**

The County has a 27.93% financial interest in Mid-Shore Regional Solid Waste Facility, which is owned and operated by Maryland Environmental Service (MES). The Landfills are located on the eastern shore and is shared by four counties. Under the Waste Disposal Service Agreement between MES and the County, in the event expenditures should exceed revenues, the County is obligated to cover the deficiency in proportion to its financial interest, however, to date additional funding from the County has not been required nor does management anticipate it.

In December 2010 the Mid-shore I landfill located in Talbot County accepted its last trash and in January 2011 the Mid-shore II landfill was opened for commercial business. As of June 30, 2011, total closure and post closure care costs were estimated at approximately \$23.5 million, with approximately \$6.6 million attributable to the County. It is expected that these costs will be funded from future revenues. MES has accrued and reported as a long-term liability at June 30, 2011, a portion of these costs, \$9.2 million, determined by the estimated useful life of the Landfills.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 11. Commitments and Contingencies (continued)**

**Primary Government (continued)**

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2010. MES expects to satisfy these requirements as of June 30, 2011 using the same criteria.

Due to inflation and changes in technology, laws, and regulations, estimated closure and post closure care costs may change in the future. Financial Statements of the Landfill can be obtained from MES located at 259 Najoles Road, Millersville, MD 21108.

**Construction Commitments**

The County has entered into contracts for the design, construction, and renovation of various facilities at June 30, 2011, which are as follows:

	<u>Amounts Expended To Date</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Easton Branch of Talbot County Free Library	\$ 2,653,193	\$ 2,718,089	February 2012

**Note 12. Risk Management**

**Primary Government**

**General Insurance**

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 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 Easton 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.

**Health Insurance**

The County self-insures health insurance coverage for its active employees with United Health Care providing third party administrative services.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 12. Risk Management (continued)**

**Board of Education**

**General Insurance**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Effective July 1, 1992, the Board joined the Maryland Association of Boards of Education Group Insurance and Workers Compensation Pools (MABE), which provides casualty and property insurance, and workers compensation coverage. MABE operates as authorized by Section 482B of Article 84A of the Annotated Code of Maryland. The Board pays an annual premium to MABE for its insurance coverage. The agreement for formation of MABE provides that it will be self-sustaining through member premiums and will reinsure through commercial companies as specified in the agreement. As of June 30, 2011, MABE had total fund equity of approximately \$17 million. It is believed that there are no outstanding claims in excess of the equity.

MABE publishes its own audited financial report based on a June 30 year-end. This report may be obtained from Maryland Association of Boards of Education Group Insurance Pool, 621 Ridgely Avenue, Suite 300, Annapolis, Maryland 21401.

**Health Insurance**

Effective with the 1996 fiscal year, the Board joined together with the Eastern Shore of Maryland Boards of Education to form the Eastern Shore of Maryland Education Consortium Health Insurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for health insurance coverage. Currently, only five counties are participating in the alliance for their health insurance coverage.

The agreement for formation of the alliance provides that the pool will be self-sustaining through member premiums. These funds have been invested in the PNC Local Government Investment Pool.

The pooling agreement allows for the pool, which is administered by Carefirst Blue Cross/Blue Shield of Maryland, to make additional assessments to make the pool self-sustaining. As of the date of this report, no outstanding claims are believed to exist that are in excess of the equity of the trust.

**Note 13. Deficits**

At June 30, 2011, the Sanitary District Fund, the Easton Airport Fund, and the Pool Fund had deficits in unrestricted net assets of \$1,332,464, \$641,143, and \$493,839, respectively. These deficits are expected to be eliminated through normal operations.

**Note 14. Unrestricted Net Assets**

The County has issued bonds and notes payable for capital assets for the Board of Education of Talbot County and Chesapeake College. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. At June 30, 2011, the outstanding balance of these bonds and notes payables was \$34,761,202 and the effect of this non-capital debt has been reflected in the unrestricted net assets of the County.

**Note 15. Restricted Net Assets**

The County has net assets restricted for programs within the Talbot Family Network of \$547,778. The Board of Education has net assets restricted for food service operations totaling \$213,254. The Library has net assets restricted for various programs within the Library totaling \$1,352,744.

Required Supplementary Information

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
<b>TAXES - LOCAL</b>				
<b>LOCAL PROPERTY TAXES</b>				
Real property	\$ 28,485,000	\$ 28,775,000	\$ 28,599,021	\$ (175,979)
Railroad and public utilities	315,000	515,000	576,018	61,018
Prior Years	-	-	(17,417)	(17,417)
Penalties and interest	163,500	163,500	192,260	28,760
<b>Total property taxes</b>	<b>28,963,500</b>	<b>29,453,500</b>	<b>29,349,882</b>	<b>(103,618)</b>
Less: Discounts allowed on taxes	(182,500)	(182,500)	(195,230)	(12,730)
<b>Net property taxes</b>	<b>28,781,000</b>	<b>29,271,000</b>	<b>29,154,652</b>	<b>(116,348)</b>
<b>LOCAL INCOME TAXES</b>	<b>22,600,000</b>	<b>18,950,000</b>	<b>18,551,894</b>	<b>(398,106)</b>
<b>OTHER LOCAL TAXES</b>				
Admissions and amusements	50,000	50,000	43,484	(6,516)
Recordation	3,200,000	3,200,000	2,853,663	(346,337)
Transfer	3,200,000	3,200,000	2,829,367	(370,633)
Public accommodations	975,000	975,000	1,002,215	27,215
Mobile manufactured home	63,000	63,000	63,640	640
<b>Total other local taxes</b>	<b>7,488,000</b>	<b>7,488,000</b>	<b>6,792,369</b>	<b>(695,631)</b>
<b>Total local taxes</b>	<b>58,869,000</b>	<b>55,709,000</b>	<b>54,498,915</b>	<b>(1,210,085)</b>
<b>LICENSES AND PERMITS</b>				
Beer, wine and liquor licenses	175,000	175,000	188,795	13,795
Alcoholic beverages fines	1,500	1,500	1,900	400
Traders licenses	40,000	40,000	35,105	(4,895)
Animal tags and fines	3,500	3,500	1,439	(2,061)
Stormwater permits	10,000	10,000	15,700	5,700
Flood plain permits	500	500	315	(185)
Boat ramp permits and violations	81,250	81,250	90,931	9,681
Marriage licenses	2,500	2,500	3,020	520
Plumbing permits	14,000	14,000	12,747	(1,253)
Zoning fines	-	-	1,500	1,500
Health department fees	-	-	755	755
Plumbing licenses	8,000	8,000	8,469	469
HVAC inspections	10,000	10,000	9,228	(772)
Slot machine licenses	1,600	1,600	1,500	(100)
Electrical licenses	14,000	14,000	24,456	10,456
Building permits	210,000	210,000	164,219	(45,781)
<b>Total licenses and permits</b>	<b>571,850</b>	<b>571,850</b>	<b>560,079</b>	<b>(11,771)</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2011  
(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
<b>FROM THE FEDERAL GOVERNMENT</b>				
State's attorney - child support	\$ 95,000	\$ 95,000	\$ 109,985	\$ 14,985
Vest program	750	750	-	(750)
Byrne - corrections grant	-	-	8,374	8,374
HMEP grant	5,000	5,000	6,525	1,525
FEMA	63,420	63,420	68,140	4,720
Emergency management - DHS	32,000	32,000	223,904	191,904
Emergency shelter	40,000	40,000	27,206	(12,794)
Emergency food assistance	4,000	4,000	1,390	(2,610)
Community emergency response team	6,000	6,000	8,111	2,111
Highway safety - DOT	46,000	46,000	48,672	2,672
Rural cares - HHS grant	-	-	878,397	878,397
Health and human services grant	-	-	510,946	510,946
Planning and zoning	-	-	25,756	25,756
Tourism	-	-	78,395	78,395
<b>Total Federal revenues</b>	<b>292,170</b>	<b>292,170</b>	<b>1,995,801</b>	<b>1,703,631</b>
<b>FROM THE STATE OF MARYLAND</b>				
Police protection	63,387	63,387	55,257	(8,130)
Sex offender grant	7,500	7,500	14,700	7,200
School bus safety grant	10,000	10,000	12,724	2,724
Fire and rescue	217,000	217,000	243,409	26,409
911 grants and numbers system board	310,000	310,000	328,541	18,541
Community right to know grant	6,000	6,000	5,111	(889)
Community service	23,000	23,000	23,000	-
Circuit Court - Family Services	154,296	154,296	120,859	(33,437)
Substance abuse court grant	197,863	197,863	158,849	(39,014)
Critical areas	16,000	16,000	16,000	-
Emergency transitional housing	36,061	36,061	36,061	-
Homelessness prevention program	6,900	6,900	6,900	-
Housing special loan program	200,000	200,000	169,397	(30,603)
Highway user revenues	76,661	76,661	223,566	146,905
Recordation	1,500	1,500	14,000	12,500
MIEMSS grants	-	-	35,815	35,815
Courts security and technology	-	-	30,529	30,529
MD Historical Trust	-	-	660	660
Department of Natural Resources	-	-	86,155	86,155
Public landing grants	38,500	38,500	17,586	(20,914)
Tourism	40,000	40,000	78,842	38,842
DSS-Legal fees	70,000	70,000	50,060	(19,940)
Security filing fees	1,000	1,000	135	(865)
<b>Total state revenues</b>	<b>1,475,668</b>	<b>1,475,668</b>	<b>1,728,156</b>	<b>252,488</b>
<b>Total intergovernmental</b>	<b>1,767,838</b>	<b>1,767,838</b>	<b>3,723,957</b>	<b>1,956,119</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2011  
(Continued)**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>SERVICE CHARGES</b>				
<b>GENERAL GOVERNMENT CHARGES</b>				
Zoning fees and certificates	\$ 45,000	\$ 45,000	\$ 49,522	\$ 4,522
Subdivision applications	35,000	35,000	31,467	(3,533)
Administrative variance	4,000	4,000	4,800	800
Board of appeals	7,500	7,500	5,800	(1,700)
Site plan reviews	4,500	4,500	2,783	(1,717)
Forest conservation fees	3,300	3,300	7,125	3,825
Critical area preservation	10,000	10,000	13,360	3,360
Bed & breakfast license/home occupation	1,250	1,250	1,425	175
Short term rental fees	10,000	10,000	10,350	350
Wireless communication license	-	-	9,000	9,000
Mobile home fees	500	500	225	(275)
Zoning ordinances/maps	500	500	-	(500)
BOCA publications	302	302	-	(302)
Roadside vendors and produce stand permits	1,100	1,100	2,300	1,200
Weed and litter enforcement	1,000	1,000	950	(50)
Weed control spraying	45,000	45,000	33,155	(11,845)
Economic development/tourism	75,000	75,000	103,159	28,159
Wastewater transport fees	-	-	13,850	13,850
Election filing and voter lists	1,000	1,000	1,104	104
Sheriff's fees	40,000	40,000	35,293	(4,707)
Emergency medical services	1,200,000	1,200,000	1,186,596	(13,404)
MIEMSS-EMS communications	25,000	25,000	25,000	-
Other charges	1,000	1,000	730	(270)
<b>Total general government</b>	<b>1,510,952</b>	<b>1,510,952</b>	<b>1,537,994</b>	<b>27,042</b>
<b>PUBLIC SAFETY CHARGES</b>				
Boarding of local prisoners	171,810	171,810	179,280	7,470
Weekenders fees	5,000	5,000	5,653	653
Live-in, work-out fees	11,500	11,500	8,291	(3,209)
Home detention program	750	750	2,120	1,370
Federal prisoner program	215,000	215,000	264,929	49,929
Phone commissions/TCPSC	40,000	40,000	-	(40,000)
Inmate sick call service	500	500	-	(500)
Community service fees	4,500	4,500	5,180	680
<b>Total public safety charges</b>	<b>449,060</b>	<b>449,060</b>	<b>465,453</b>	<b>16,393</b>
<b>HEALTH</b>				
Mosquito control fees	106,500	106,500	70,199	(36,301)
<b>RECREATION CHARGES</b>				
Boat slips	53,500	53,500	46,216	(7,284)
Program fees	36,300	36,300	9,374	(26,926)
Other recreation grants	1,500	1,500	413	(1,087)
<b>Total recreation</b>	<b>91,300</b>	<b>91,300</b>	<b>56,003</b>	<b>(35,297)</b>
<b>Total service charges</b>	<b>2,157,812</b>	<b>2,157,812</b>	<b>2,129,649</b>	<b>(28,163)</b>
<b>FINES AND FORFEITURES</b>	<b>7,500</b>	<b>7,500</b>	<b>3,900</b>	<b>(3,600)</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2011  
(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>MISCELLANEOUS</b>				
Rents	\$ 30,000	\$ 30,000	\$ 55,851	\$ 25,851
Other	126,000	126,000	80,253	(45,747)
<b>Total miscellaneous</b>	<b>156,000</b>	<b>156,000</b>	<b>136,104</b>	<b>(19,896)</b>
<b>INTEREST</b>	<b>1,800,000</b>	<b>1,800,000</b>	<b>202,668</b>	<b>(1,597,332)</b>
<b>TOTAL REVENUES</b>	<b>65,330,000</b>	<b>62,170,000</b>	<b>61,255,272</b>	<b>(914,728)</b>
<b>OTHER FINANCING SOURCES</b>				
Issuance of refunding bonds	-	-	12,157,771	12,157,771
Bond premium	-	-	681,641	681,641
Reserved and unexpended funds	6,986,750	7,401,550	-	(7,401,550)
<b>Total other financing sources</b>	<b>6,986,750</b>	<b>7,401,550</b>	<b>12,839,412</b>	<b>5,437,862</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>72,316,750</b>	<b>69,571,550</b>	<b>74,094,684</b>	<b>4,523,134</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
<b>LEGISLATIVE</b>				
County Council:				
Salaries	73,000	73,000	73,000	-
Other operating	44,850	44,850	40,602	4,248
<b>Total legislative</b>	<b>117,850</b>	<b>117,850</b>	<b>113,602</b>	<b>4,248</b>
<b>JUDICIAL</b>				
Circuit Court:				
Salaries	119,453	119,453	111,439	8,014
Other operating	27,335	27,335	23,649	3,686
Capital outlay	-	-	30,159	(30,159)
Court Stenographer:				
Salaries	30,475	30,475	31,705	(1,230)
Other operating	225	225	-	225
Petit Jury	6,000	6,000	4,953	1,047
Family Services:				
Salaries and fringe benefits	61,819	61,819	61,376	443
Other operating	92,477	92,477	60,639	31,838
Problem Solving Court:				
Salaries and fringe benefits	129,118	129,118	127,220	1,898
Other operating	69,445	69,445	13,075	56,370
Teen Court:				
Other operating	-	-	18,046	(18,046)
Capital outlay	-	-	1,040	(1,040)
Orphan's Court:				
Salaries	18,212	18,212	17,846	366
Other operating	400	400	618	(218)
State's Attorney:				
Salaries	448,121	443,321	448,556	(5,235)
Other operating	28,176	28,176	24,537	3,639

TALBOT COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND

For the Year Ended June 30, 2011

(Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>GENERAL GOVERNMENT (continued)</b>				
JUDICIAL (continued)				
Child Support:				
Salaries and fringe benefits	\$ 181,592	\$ 181,592	\$ 166,304	\$ 15,288
Other operating	10,505	10,505	7,642	2,863
Victim Witness Program:				
Salaries	102,484	102,484	102,484	-
Other operating	5,064	5,064	2,730	2,334
Law Library:				
Salaries	2,962	2,962	2,962	-
Other operating	150	150	150	-
Total judicial	1,334,013	1,329,213	1,257,130	72,083
EXECUTIVE				
County Administration:				
Salaries	386,340	303,404	281,107	22,297
Other operating	23,085	23,085	22,148	937
Capital outlay	16,000	16,000	145	15,855
Total executive	425,425	342,489	303,400	39,089
ELECTIONS				
Board of Supervisors of Elections:				
Salaries and fringe benefits	181,460	181,460	146,486	34,974
Other operating	115,000	115,000	130,783	(15,783)
Registration and elections	121,512	121,512	96,881	24,631
Total elections	417,972	417,972	374,150	43,822
FINANCIAL ADMINISTRATION				
Finance Office:				
Salaries	452,727	452,727	454,973	(2,246)
Other operating	72,625	72,625	78,319	(5,694)
Contractual services	45,000	45,000	46,095	(1,095)
Liquor License Commissioners:				
Salaries	44,415	44,415	43,051	1,364
Other operating	6,250	6,250	(2,044)	8,294
Contractual services	11,500	11,500	8,830	2,670
Total financial administration	632,517	632,517	629,224	3,293
LAW				
County Attorney:				
Salaries	158,702	158,702	156,117	2,585
Other operating	29,691	29,691	21,597	8,094
Total law	188,393	188,393	177,714	10,679
PLANNING AND ZONING				
Planning Office:				
Salaries	445,156	445,156	440,677	4,479
Other operating	39,200	39,200	24,694	14,506
Contractual services	4,500	4,500	25	4,475
Capital outlay	-	-	24,128	(24,128)

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2011  
(Continued)**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>GENERAL GOVERNMENT (continued)</b>				
<b>PLANNING AND ZONING (continued)</b>				
Board of Appeals:				
Salaries	\$ 73,871	\$ 73,871	\$ 66,171	\$ 7,700
Other operating	17,950	17,950	9,074	8,876
Total planning and zoning	580,677	580,677	564,769	15,908
<b>GENERAL SERVICES</b>				
County Buildings:				
Salaries	200,617	200,617	199,090	1,527
Other operating	462,556	462,556	304,176	158,380
Capital outlay	-	-	8,978	(8,978)
Library Maintenance	99,748	99,748	68,879	30,869
Information Technology:				
Salaries	184,012	184,012	184,012	-
Other operating	136,145	136,145	98,074	38,071
Capital outlay	12,000	12,000	8,337	3,663
Insurance	124,825	124,825	76,168	48,657
Total general services	1,219,903	1,219,903	947,714	272,189
<b>ECONOMIC DEVELOPMENT</b>				
Office of Economic Development:				
Salaries and fringe benefits	88,062	88,062	91,312	(3,250)
Other operating	14,530	14,530	13,755	775
Arts Council	10,944	10,944	10,944	-
Tourism:				
Salaries and fringe benefits	95,482	95,482	100,793	(5,311)
Other operating	259,025	259,025	330,554	(71,529)
Capital outlay	-	-	86,448	(86,448)
Mid-Shore Regional Council	10,000	10,000	10,000	-
M.U.S.T.	4,060	4,060	4,060	-
Historic Preservation Commission	4,400	4,400	734	3,666
Talbot Partnership	4,560	4,560	4,560	-
Total economic development	491,063	491,063	653,160	(162,097)
<b>Total general government</b>	<b>5,407,813</b>	<b>5,320,077</b>	<b>5,020,863</b>	<b>299,214</b>
<b>PUBLIC SAFETY</b>				
<b>SHERIFF</b>				
Salaries	1,541,880	1,528,105	1,490,684	37,421
Other operating	279,914	279,914	262,236	17,678
Capital outlay	57,500	57,500	59,316	(1,816)
Total sheriff	1,879,294	1,865,519	1,812,236	53,283
<b>MUNICIPAL INSTITUTIONS</b>				
Detention Center:				
Salaries	1,604,618	1,598,758	1,588,139	10,619
Other operating	1,018,431	1,018,431	1,005,875	12,556
Capital outlay	88,000	88,000	70,885	17,115
Total municipal institutions	2,711,049	2,705,189	2,664,899	40,290

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2011  
(Continued)**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>PUBLIC SAFETY (continued)</b>				
<b>OTHER PUBLIC SAFETY:</b>				
School Crossing Guards	\$ 50,083	\$ 50,083	\$ 50,083	\$ -
Animal Control Program:				
Other operating	1,220	1,220	1,272	(52)
Contractual services	339,830	339,830	339,830	-
Emergency Management:				
Salaries	670,067	663,357	704,110	(40,753)
Other operating	333,786	333,786	332,415	1,371
Capital outlay	-	-	732,220	(732,220)
Volunteer Fire Companies	1,232,036	1,232,036	1,259,023	(26,987)
Highway Safety Program:				
Salaries and fringe benefits	36,000	36,000	50,203	(14,203)
Other operating	10,000	10,000	3,384	6,616
Emergency Medical Services:				
Salaries and fringe benefits	2,784,082	2,771,788	2,792,173	(20,385)
Other operating	368,125	368,125	425,198	(57,073)
Capital outlay	199,000	199,000	241,955	(42,955)
Hazardous Materials:				
Salaries and fringe benefits	12,250	12,250	2,098	10,152
Other operating	12,750	12,750	16,536	(3,786)
Total other public safety	6,049,229	6,030,225	6,950,500	(920,275)
<b>PROTECTIVE INSPECTION</b>				
Electrical Inspection:				
Salaries	6,500	6,500	5,000	1,500
Other operating	1,905	1,905	1,352	553
Building and Plumbing Inspection:				
Salaries	287,906	287,906	286,976	930
Other operating	23,880	23,880	15,588	8,292
Total protective inspection	320,191	320,191	308,916	11,275
<b>Total public safety</b>	<b>10,959,763</b>	<b>10,921,124</b>	<b>11,736,551</b>	<b>(815,427)</b>
<b>PUBLIC WORKS</b>				
<b>PUBLIC WORKS - GENERAL</b>				
Salaries	507,255	507,255	513,026	(5,771)
Other operating	29,650	29,650	23,634	6,016
Capital outlay	-	-	80,153	(80,153)
Total public works - general	536,905	536,905	616,813	(79,908)
<b>PUBLIC LANDINGS AND WHARVES</b>				
Salaries	146,186	146,186	143,058	3,128
Other operating	51,456	51,456	39,537	11,919
Capital outlay	-	-	913	(913)
Total public landings and wharves	197,642	197,642	183,508	14,134
<b>SOLID WASTE DISPOSAL</b>				
Recycling:				
Salaries and fringe benefits	39,962	39,962	41,621	(1,659)
Other operating	750	750	184	566
Contractual services	850	850	964	(114)
Total solid waste disposal	41,562	41,562	42,769	(1,207)

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL**

**GENERAL FUND**

**For the Year Ended June 30, 2011**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>PUBLIC WORKS (continued)</b>				
<b>HIGHWAYS AND STREETS</b>				
Salaries and fringe benefits	\$ 1,305,302	\$ 1,296,477	\$ 1,267,489	\$ 28,988
Other operating	509,130	509,130	333,525	175,605
Capital outlay	195,000	195,000	151,100	43,900
<b>Total highways and streets</b>	<b>2,009,432</b>	<b>2,000,607</b>	<b>1,752,114</b>	<b>248,493</b>
<b>Total public works</b>	<b>2,785,541</b>	<b>2,776,716</b>	<b>2,595,204</b>	<b>181,512</b>
<b>HEALTH AND HOSPITALS</b>				
Health department	1,464,799	1,464,799	1,466,483	(1,684)
School health	612,645	612,645	612,645	-
Addictions counseling	76,800	76,800	76,800	-
Rural Cares	-	-	878,397	(878,397)
Mosquito control	116,475	116,475	70,898	45,577
<b>Total health and hospitals</b>	<b>2,270,719</b>	<b>2,270,719</b>	<b>3,105,223</b>	<b>(834,504)</b>
<b>SOCIAL SERVICES</b>				
Social services legal	91,250	91,250	50,060	41,190
Neighborhood Service Center	70,034	70,034	70,034	-
Choptank Community Health	13,680	13,680	13,680	-
Delmarva Community Services	79,044	79,044	79,044	-
Senior Services	163,155	163,155	163,155	-
Social Services	12,912	12,912	12,912	-
St. Martin's Ministries	7,000	7,000	7,000	-
Emergency Transitional Housing	36,061	36,061	36,061	-
Homelessness Prevention Program	6,900	6,900	6,900	-
Emergency Shelter	40,000	40,000	27,206	12,794
Emergency Food Assistance	4,000	4,000	1,390	2,610
Housing Special Loan Program	200,000	200,000	167,367	32,633
Housing:				
Salaries and fringe benefits	69,903	69,903	79,008	(9,105)
Other operating	2,740	2,740	2,023	717
<b>Total social services</b>	<b>796,679</b>	<b>796,679</b>	<b>715,840</b>	<b>80,839</b>
<b>EDUCATION</b>				
Board of Education:				
Operating appropriation	34,329,542	34,329,542	34,329,542	-
Debt Service	3,797,677	3,797,677	3,609,346	188,331
Library				
Operating appropriation	909,606	909,606	909,606	-
Capital outlay	5,000	5,000	4,986	14
Community College:				
Operating appropriation	1,224,203	1,224,203	1,224,203	-
Capital outlay	77,000	77,000	77,000	-
Debt Service	63,219	63,219	62,354	865

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
GENERAL FUND**

**For the Year Ended June 30, 2011**

**(Continued)**

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>EDUCATION (continued)</b>				
Chesapeake Developmental Center	\$ 45,005	\$ 45,005	\$ 45,005	\$ -
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	72,978	72,978	76,115	(3,137)
Other operating	7,645	7,645	8,173	(528)
<b>Total education</b>	<b>40,531,875</b>	<b>40,531,875</b>	<b>40,346,330</b>	<b>185,545</b>
<b>RECREATION</b>				
Parks and Recreation:				
Salaries	188,786	188,786	141,539	47,247
Other operating	234,120	234,120	129,400	104,720
<b>Total recreation</b>	<b>422,906</b>	<b>422,906</b>	<b>270,939</b>	<b>151,967</b>
<b>CONSERVATION OF NATURAL RESOURCES</b>				
<b>AGRICULTURAL EXTENSION SERVICE</b>				
Salaries	113,899	113,899	113,489	410
Other operating	53,267	53,267	53,648	(381)
<b>Total agricultural extension service</b>	<b>167,166</b>	<b>167,166</b>	<b>167,137</b>	<b>29</b>
<b>OTHER CONSERVATION</b>				
Agricultural Preservation	10,000	10,000	780	9,220
Waterways testing/study	14,109	14,109	14,109	-
Resource Conservation & Development	350	350	350	-
Weed Control:				
Salaries and fringe benefits	58,432	58,432	58,173	259
Other operating	28,149	28,149	12,630	15,519
Gypsy Moth	7,000	7,000	2,310	4,690
<b>Total other conservation</b>	<b>118,040</b>	<b>118,040</b>	<b>88,352</b>	<b>29,688</b>
<b>Total conservation of natural resources</b>	<b>285,206</b>	<b>285,206</b>	<b>255,489</b>	<b>29,717</b>
<b>INTERGOVERNMENTAL</b>				
Payments to Municipalities:				
Fire, rescue and ambulance fund	20,000	20,000	16,135	3,865
Bank stock	7,535	7,535	7,535	-
Public accommodations tax	721,500	721,500	737,943	(16,443)
<b>Total intergovernmental</b>	<b>749,035</b>	<b>749,035</b>	<b>761,613</b>	<b>(12,578)</b>
<b>EMPLOYEE BENEFITS</b>				
Retirement and pension contributions:				
Employees retirement	800,000	700,000	813,660	(113,660)
Social security tax	600,000	600,000	564,025	35,975
Health insurance	2,111,250	1,681,250	1,761,075	(79,825)
Health insurance waiver	76,000	76,000	72,167	3,833

TALBOT COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL  
 GENERAL FUND  
 For the Year Ended June 30, 2011  
 (Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>EMPLOYEE BENEFITS (continued)</b>				
Unemployment insurance	\$ 22,000	\$ 22,000	\$ 12,089	\$ 9,911
Group life insurance	33,000	33,000	36,620	(3,620)
Disability insurance	27,000	27,000	23,043	3,957
Substance abuse testing	6,000	6,000	4,857	1,143
Workers' compensation	128,000	128,000	156,076	(28,076)
Employee training	15,000	15,000	11,485	3,515
Other operating	4,000	4,000	5,802	(1,802)
<b>Total employee benefits</b>	<b>3,822,250</b>	<b>3,292,250</b>	<b>3,460,899</b>	<b>(168,649)</b>
<b>MISCELLANEOUS</b>	<b>111,830</b>	<b>111,830</b>	<b>216,666</b>	<b>(104,836)</b>
<b>DEBT SERVICE</b>				
Principal on long-term debt	381,392	381,392	381,392	-
Interest on long-term debt	42,394	42,394	23,388	19,006
<b>Total debt service</b>	<b>423,786</b>	<b>423,786</b>	<b>404,780</b>	<b>19,006</b>
<b>RESERVE FOR CONTINGENCIES</b>	<b>1,414,091</b>	<b>434,091</b>	<b>440,569</b>	<b>(6,478)</b>
<b>TOTAL EXPENDITURES</b>	<b>69,981,494</b>	<b>68,336,294</b>	<b>69,330,966</b>	<b>(994,672)</b>
<b>OTHER FINANCING USES</b>				
Payments to refunding bond escrow agent for:				
Principal	-	-	12,650,858	(12,650,858)
Transfers:				
Pool - Operating appropriation	164,281	164,281	164,281	-
Recreation	1,070,975	1,070,975	1,070,975	-
Designated fund balance	1,100,000	-	-	-
<b>Total other financing uses</b>	<b>2,335,256</b>	<b>1,235,256</b>	<b>13,886,114</b>	<b>(12,650,858)</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>72,316,750</b>	<b>69,571,550</b>	<b>83,217,080</b>	<b>(13,645,530)</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (9,122,396)</b>	<b>\$ (9,122,396)</b>

**TALBOT COUNTY, MARYLAND**

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

**June 30, 2011**

Year Ended June 30,	Date of Actuarial Valuation Data	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
<b><u>Talbot County, Maryland</u></b>							
2009	July 1, 2008	\$ -	\$ 13,455,000	0.00%	\$ 13,455,000	\$ 10,560,961	127.40%
2010	July 1, 2009	-	14,689,000	0.00%	14,689,000	11,685,261	125.71%
2011	July 1, 2009	-	14,689,000	0.00%	14,689,000	11,020,559	133.29%
<b><u>Board of Education</u></b>							
2009	July 1, 2008	\$ -	\$ 46,822,000	0.00%	\$ 46,822,000	\$ 29,794,343	157.15%
2010	July 1, 2009	-	50,155,000	0.00%	50,155,000	30,931,517	162.15%
2011	June 30, 2011	-	47,141,000	0.00%	47,141,000	30,917,375	152.47%
<b><u>Library</u></b>							
2009	June 30, 2009	\$ -	\$ 900,000	0.00%	\$ 900,000	\$ 645,035	139.53%
2010	June 30, 2009	-	900,000	0.00%	900,000	723,198	124.45%
2011	June 30, 2009	-	900,000	0.00%	900,000	812,243	110.80%

**TALBOT COUNTY, MARYLAND**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**Note 1. Budgetary Basis**

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered part of the basic financial statements. Such information includes budgetary comparison schedules for the general fund and the schedule of funding progress for other post employment benefits. The budgetary information is prepared and adopted on a basis that is consistent with generally accepted accounting principles.

**Note 2. Schedule of Funding Progress - Other Post-Employment Benefits**

Effective January 2009, the County increased its contribution percentage for post-employment benefits from 66.66% to 90% for eligible individual plans and 85% for family coverage.

The information in this schedule is intended to help users assess the County's OPEB Plan's status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

**Note 3. Excess of Expenditures over Appropriations**

The general fund had an excess of expenditures over appropriations for the year ended June 30, 2011. Funds to provide for the excess were made available from prior years fund balance.

## Other Supplementary Information

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
CAPITAL PROJECTS FUND  
For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - Federal	\$ 885,000	\$ 885,000	\$ 1,208,278	\$ 323,278
Intergovernmental - State	539,000	539,000	662,868	123,868
Interest	-	-	9,596	9,596
<b>Total revenues</b>	<b>1,424,000</b>	<b>1,424,000</b>	<b>1,880,742</b>	<b>456,742</b>
<b>EXPENDITURES</b>				
General government	338,000	338,000	2,979,160	(2,641,160)
Public works	7,334,000	7,334,000	1,996,801	5,337,199
Health and hospitals	-	-	8,591	(8,591)
Education	746,700	746,700	2,133,831	(1,387,131)
Recreation	120,000	120,000	58,252	61,748
<b>Total expenditures</b>	<b>8,538,700</b>	<b>8,538,700</b>	<b>7,176,635</b>	<b>1,362,065</b>
<b>OTHER FINANCING SOURCES</b>				
Designated fund balance	776,700	776,700	-	(776,700)
Issuance of long-term debt	6,000,000	6,000,000	123,500	(5,876,500)
Transfers from developmental impact fund	338,000	338,000	338,000	-
<b>Total other financing sources</b>	<b>7,114,700</b>	<b>7,114,700</b>	<b>461,500</b>	<b>(6,653,200)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (4,834,393)</b>	<b>\$ (4,834,393)</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
DEVELOPMENTAL IMPACT FUND  
For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Licenses and permits:				
Impact fees:				
General government	\$ 60,000	\$ 60,000	\$ 31,278	\$ (28,722)
Public works	113,000	113,000	30,693	(82,307)
Education				
Public schools	150,000	150,000	91,688	(58,312)
Library	30,000	30,000	17,484	(12,516)
Community College	7,000	7,000	3,700	(3,300)
Recreation	25,000	25,000	19,599	(5,401)
Interest	30,000	30,000	7,291	(22,709)
<b>Total revenues</b>	<b>415,000</b>	<b>415,000</b>	<b>201,733</b>	<b>(213,267)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated fund balance	(77,000)	(77,000)	-	(77,000)
Transfers to capital projects fund	(338,000)	(338,000)	(338,000)	-
<b>Total other financing uses</b>	<b>(415,000)</b>	<b>(415,000)</b>	<b>(338,000)</b>	<b>(77,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (136,267)</b>	<b>\$ (136,267)</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL  
TALBOT FAMILY NETWORK  
For the Year Ended June 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - State	\$ 438,369	\$ 438,369	\$ 281,934	\$ (156,435)
Interest	-	-	2,397	2,397
<b>Total revenues</b>	<b>438,369</b>	<b>438,369</b>	<b>284,331</b>	<b>(154,038)</b>
<b>EXPENDITURES</b>				
Social services	438,369	438,369	493,561	(55,192)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (209,230)</b>	<b>\$ (98,846)</b>

This page is intentionally left blank.

**TALBOT COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**ENTERPRISE FUND - RECREATION FACILITIES**  
**For the Year Ended June 30, 2011**

	<b>Hog Neck Golf Course</b>		
	Revised <u>Final Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
<b>OPERATING REVENUES</b>			
Program fees and admissions	\$ -	\$ -	\$ -
Room rents	-	-	-
Ice revenues	-	-	-
Pro shop and concessions	352,500	288,266	(64,234)
Cart rentals	90,000	73,623	(16,377)
Green fees	850,000	734,282	(115,718)
Other operating	5,000	11,252	6,252
<b>Total operating revenues</b>	<b>1,297,500</b>	<b>1,107,423</b>	<b>(190,077)</b>
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	628,924	576,699	52,225
Professional fees	9,000	9,773	(773)
Office	31,000	29,135	1,865
Insurance	6,500	5,062	1,438
Contracted services	-	-	-
Repairs and maintenance	157,800	99,563	58,237
Utilities	61,000	61,107	(107)
Supplies and equipment	77,000	45,267	31,733
Lessons and programs	4,500	3,638	862
Pro shop and concessions	155,000	154,645	355
Other operating	34,300	47,558	(13,258)
<b>Total operating expenses</b>	<b>1,165,024</b>	<b>1,032,447</b>	<b>132,577</b>
Operating income (loss) before depreciation	132,476	74,976	(57,500)
Depreciation	-	201,948	(201,948)
<b>Net operating income (loss)</b>	<b>132,476</b>	<b>(126,972)</b>	<b>(259,448)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Transfers from general fund	413,582	413,582	-
Intergovernmental revenues	-	-	-
Loss on disposal of capital assets	-	(24,885)	24,885
Interest expense	(44,841)	(16,792)	28,049
<b>Net non-operating revenues</b>	<b>368,741</b>	<b>371,905</b>	<b>52,934</b>
<b>Change in net assets</b>	<b>\$ 501,217</b>	<b>\$ 244,933</b>	<b>\$ (206,514)</b>
<b>OTHER BUDGETED EXPENSES</b>			
Debt service	(87,635)		
Capital outlay	-		
<b>Total other budgeted expenses</b>	<b>(87,635)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ 413,582</b>		

Talbot Community Center			Combined Totals		
Revised Final Budget	Actual	Variance with Final Budget	Revised Final Budget	Actual	Variance with Final Budget
\$ 135,000	\$ 107,509	\$ (27,491)	\$ 135,000	\$ 107,509	\$ (27,491)
30,000	27,503	(2,497)	30,000	27,503	(2,497)
188,500	193,740	5,240	188,500	193,740	5,240
44,500	34,073	(10,427)	397,000	322,339	(74,661)
-	-	-	90,000	73,623	(16,377)
-	-	-	850,000	734,282	(115,718)
250	2,970	2,720	5,250	14,222	8,972
398,250	365,795	(32,455)	1,695,750	1,473,218	(222,532)
357,178	312,668	44,510	986,102	889,367	96,735
12,500	11,364	1,136	21,500	21,137	363
8,700	6,815	1,885	39,700	35,950	3,750
23,750	11,019	12,731	30,250	16,081	14,169
-	550,000	(550,000)	-	550,000	(550,000)
45,225	62,417	(17,192)	203,025	161,980	41,045
193,760	149,657	44,103	254,760	210,764	43,996
-	-	-	77,000	45,267	31,733
107,750	89,821	17,929	112,250	93,459	18,791
30,000	31,822	(1,822)	185,000	186,467	(1,467)
5,358	10,070	(4,712)	39,658	57,628	(17,970)
784,221	1,235,653	(451,432)	1,949,245	2,268,100	(318,855)
(385,971)	(869,858)	(483,887)	(253,495)	(794,882)	(541,387)
-	559,731	(559,731)	-	761,679	(761,679)
(385,971)	(1,429,589)	(1,043,618)	(253,495)	(1,556,561)	(1,303,066)
657,393	657,393	-	1,070,975	1,070,975	-
-	550,000	550,000	-	550,000	550,000
-	(1,060)	1,060	-	(25,945)	(25,945)
(91,654)	(89,991)	1,663	(136,495)	(106,783)	29,712
565,739	1,116,342	552,723	934,480	1,488,247	553,767
\$ 179,768	\$ (313,247)	\$ (490,895)	\$ 680,985	\$ (68,314)	\$ (749,299)
(100,000)			(187,635)		
(6,600)			(6,600)		
(106,600)			(194,235)		
\$ 73,168			\$ 486,750		

**TALBOT COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**ENTERPRISE FUND - SANITARY DISTRICT**  
**For the Year Ended June 30, 2011**

	<u>St. Michaels District</u>			<u>Royal Oak District</u>		
	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>OPERATING REVENUES</b>						
Sewer service charges	\$ 945,740	\$ 947,345	\$ 1,605	\$ 233,800	\$ 229,201	\$ (4,599)
Sewer connection charges	25,000	51,000	26,000	12,000	28,500	16,500
Residential benefit charges	-	-	-	-	-	-
Miscellaneous	11,860	346	(11,514)	-	144	144
<b>Total operating revenues</b>	<b>982,600</b>	<b>998,691</b>	<b>16,091</b>	<b>245,800</b>	<b>257,845</b>	<b>12,045</b>
<b>OPERATING EXPENSES</b>						
Salaries and related expenses	339,712	321,276	18,436	56,895	51,897	4,998
Professional fees	400	1,286	(886)	100	399	(299)
Office	5,550	5,109	441	1,538	1,581	(43)
Insurance	8,638	11,126	(2,488)	4,150	1,567	2,583
Contracted services	156,500	213,752	(57,252)	53,700	46,712	6,988
Repairs and maintenance	47,000	26,862	20,138	10,100	8,236	1,864
Other operating	25,000	13,924	11,076	13,000	1,517	11,483
<b>Total operating expenses</b>	<b>582,800</b>	<b>593,335</b>	<b>(10,535)</b>	<b>139,483</b>	<b>111,909</b>	<b>27,574</b>
Operating income before depreciation	399,800	405,356	5,556	106,317	145,936	39,619
Depreciation	5,000	577,433	(572,433)	13,917	118,744	(104,827)
<b>Net operating income (loss)</b>	<b>394,800</b>	<b>(172,077)</b>	<b>(566,877)</b>	<b>92,400</b>	<b>27,192</b>	<b>(65,208)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental revenues	-	13,267	13,267	-	-	-
Interest income	-	4,907	4,907	3,500	2,182	(1,318)
Interest expense	(34,500)	(27,798)	6,702	(24,300)	(22,495)	1,805
<b>Net non-operating revenues (expenses)</b>	<b>(34,500)</b>	<b>(9,624)</b>	<b>24,876</b>	<b>(20,800)</b>	<b>(20,313)</b>	<b>487</b>
<b>Change in net assets</b>	<b>\$ 360,300</b>	<b>\$ (181,701)</b>	<b>\$ (542,001)</b>	<b>\$ 71,600</b>	<b>\$ 6,879</b>	<b>\$ (64,721)</b>
<b>OTHER BUDGETED EXPENSES</b>						
Debt service	\$ (360,300)			\$ (71,600)		
<b>Total other budgeted expenses</b>	<b>(360,300)</b>			<b>(71,600)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>			<b>\$ -</b>		

<u>Tilghman District</u>			<u>Unionville District</u>		
<u>Revised</u>		<u>Variance With</u>	<u>Revised</u>		<u>Variance With</u>
<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
\$ 227,000	\$ 218,241	\$ (8,759)	\$ 106,100	\$ 104,217	\$ (1,883)
1,490	-	(1,490)	-	36,000	36,000
-	20,184	20,184	-	-	-
3,000	360	(2,640)	-	696	696
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
231,490	238,785	7,295	106,100	140,913	34,813
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
140,376	126,945	13,431	27,532	24,993	2,539
100	455	(355)	100	387	(287)
3,100	2,630	470	1,275	1,014	261
8,000	2,452	5,548	2,100	737	1,363
39,500	54,025	(14,525)	24,400	26,468	(2,068)
8,400	18,788	(10,388)	3,600	5,282	(1,682)
-	7	(7)	1,800	761	1,039
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
199,476	205,302	(5,826)	60,807	59,642	1,165
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
32,014	33,483	1,469	45,293	81,271	35,978
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
1,500	155,637	(154,137)	6,601	140,662	(134,061)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
30,514	(122,154)	(152,668)	38,692	(59,391)	(98,083)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	-	-	-	-
6,000	2,398	(3,602)	1,500	1,077	(423)
(11,514)	(10,100)	1,414	(9,125)	(8,621)	504
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(5,514)	(7,702)	(2,188)	(7,625)	(7,544)	81
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 25,000	\$ (129,856)	\$ (154,856)	\$ 31,067	\$ (66,935)	\$ (98,002)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ (25,000)			\$ (31,067)		
<hr/>			<hr/>		
(25,000)			(31,067)		
<hr/>			<hr/>		
\$ -			\$ -		
<hr/>			<hr/>		

**TALBOT COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**ENTERPRISE FUND - SANITARY DISTRICT**  
**For the Year Ended June 30, 2011 (Continued)**

	<u>Bio-solids Utilization Facility</u>			<u>Onsite Sewage Disposal</u>		
	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>OPERATING REVENUES</b>						
Sewer service charges	\$ 200,000	\$ 268,454	\$ 68,454	\$ -	\$ -	\$ -
Sewer connection charges	-	-	-	-	-	-
Residential benefit charges	-	-	-	-	-	-
Miscellaneous	40,000	-	(40,000)	-	-	-
<b>Total operating revenues</b>	<b>240,000</b>	<b>268,454</b>	<b>28,454</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING EXPENSES</b>						
Salaries and related expenses	132,738	130,649	2,089	65,232	64,209	1,023
Professional fees	250	1,400	(1,150)	-	119	(119)
Office	975	1,069	(94)	1,125	-	1,125
Insurance	9,700	2,664	7,036	-	-	-
Contracted services	27,550	48,128	(20,578)	383,300	300,377	82,923
Repairs and maintenance	2,750	10,046	(7,296)	-	-	-
Other operating	-	3,402	(3,402)	-	21,309	(21,309)
<b>Total operating expenses</b>	<b>173,963</b>	<b>197,358</b>	<b>(23,395)</b>	<b>449,657</b>	<b>386,014</b>	<b>63,643</b>
Operating income (loss) before depreciation	66,037	71,096	5,059	(449,657)	(386,014)	63,643
Depreciation	21,037	125,133	(104,096)	343	4,606	(4,263)
<b>Net operating income (loss)</b>	<b>45,000</b>	<b>(54,037)</b>	<b>(99,037)</b>	<b>(450,000)</b>	<b>(390,620)</b>	<b>59,380</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental revenues	-	1,649,887	1,649,887	450,000	364,821	(85,179)
Interest income	-	-	-	-	-	-
Interest expense	(30,000)	(9,232)	20,768	-	-	-
<b>Net non-operating revenues (expenses)</b>	<b>(30,000)</b>	<b>1,640,655</b>	<b>1,670,655</b>	<b>450,000</b>	<b>364,821</b>	<b>(85,179)</b>
<b>Change in net assets</b>	<b>\$ 15,000</b>	<b>\$ 1,586,618</b>	<b>\$ 1,571,618</b>	<b>\$ -</b>	<b>\$ (25,799)</b>	<b>\$ (25,799)</b>
<b>OTHER BUDGETED EXPENSES</b>						
Debt service	\$ (15,000)			\$ -		
<b>Total other budgeted expenses</b>	<b>(15,000)</b>			<b>-</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>			<b>\$ -</b>		

<u>Martingham District</u>			<u>Combined Totals</u>		
<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>	<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
\$ 210,000	\$ 198,318	\$ (11,682)	\$ 1,922,640	\$ 1,965,776	\$ 43,136
-	-	-	38,490	115,500	77,010
-	-	-	-	20,184	20,184
29,500	13	(29,487)	84,360	1,559	(82,801)
239,500	198,331	(41,169)	2,045,490	2,103,019	57,529
114,982	101,698	13,284	877,467	821,667	55,800
150	210	(60)	1,100	4,256	(3,156)
1,900	1,465	435	15,463	12,868	2,595
150	-	150	32,738	18,546	14,192
49,250	53,301	(4,051)	734,200	742,763	(8,563)
11,000	6,314	4,686	82,850	75,528	7,322
8,000	464	7,536	47,800	41,384	6,416
185,432	163,452	21,980	1,791,618	1,717,012	74,606
54,068	34,879	(19,189)	253,872	386,007	132,135
10,068	9,460	608	58,466	1,131,675	(1,073,209)
44,000	25,419	(18,581)	195,406	(745,668)	(941,074)
-	-	-	450,000	2,027,975	1,577,975
-	156	156	11,000	10,720	(280)
(14,000)	(25,471)	(11,471)	(123,439)	(103,717)	19,722
(14,000)	(25,315)	(11,315)	337,561	1,934,978	1,597,417
\$ 30,000	\$ 104	\$ (29,896)	\$ 532,967	\$ 1,189,310	\$ 656,343
\$ (30,000)			\$ (532,967)		
(30,000)			(532,967)		
\$ -			\$ -		

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND - EASTON AIRPORT  
For the Year Ended June 30, 2011**

	Revised <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>OPERATING REVENUES</b>			
Charges - operations	\$ 273,224	\$ 292,043	\$ 18,819
Charges - fuel facility	1,905,479	2,180,280	274,801
Charges - hangars	550,207	527,341	(22,866)
Other operating	6,000	16,187	10,187
<b>Total operating revenues</b>	<b>2,734,910</b>	<b>3,015,851</b>	<b>280,941</b>
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	323,447	311,215	12,232
Cost of sales - fuel	1,695,921	1,934,565	(238,644)
Professional fees	1,500	648,469	(646,969)
Office	21,800	19,103	2,697
Insurance	21,000	24,271	(3,271)
Repairs and maintenance	123,450	119,110	4,340
Utilities	51,600	46,454	5,146
Supplies and equipment	500	368	132
Other operating	14,600	5,804	8,796
<b>Total operating expenses</b>	<b>2,253,818</b>	<b>3,109,359</b>	<b>(855,541)</b>
Operating income (loss) before depreciation	481,092	(93,508)	(574,600)
Depreciation	213,693	1,600,502	(1,386,809)
<b>Net operating income (loss)</b>	<b>267,399</b>	<b>(1,694,010)</b>	<b>(1,961,409)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenues	136,084	3,853,160	3,717,076
Interest income	2,500	-	(2,500)
Interest expense	(119,498)	(2,387)	117,111
<b>Net non-operating revenues (expenses)</b>	<b>19,086</b>	<b>3,850,773</b>	<b>3,831,687</b>
<b>Change in net assets</b>	<b>\$ 286,485</b>	<b>\$ 2,156,763</b>	<b>\$ 1,870,278</b>
<b>OTHER BUDGETED EXPENSES</b>			
Debt service	\$ (168,485)		
Capital outlay	(118,000)		
<b>Total other budgeted expenses</b>	<b>(286,485)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>		

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND - POOL  
For the Year Ended June 30, 2011**

	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>OPERATING REVENUES</b>			
Admissions	\$ 35,500	\$ 37,980	\$ 2,480
Other operating	31,950	75,344	43,394
<hr/>			
Total operating revenues	67,450	113,324	45,874
<hr/>			
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	170,640	116,627	54,013
Professional fees	2,404	2,659	(255)
Office	2,210	223	1,987
Insurance	3,672	1,439	2,233
Repairs and maintenance	15,433	16,811	(1,378)
Utilities	13,335	12,276	1,059
Supplies and equipment	14,013	7,911	6,102
Lessons and programs	2,281	1,414	867
Other operating	7,743	5,672	2,071
<hr/>			
Total operating expenses	231,731	165,032	66,699
<hr/>			
Operating income (loss) before depreciation	(164,281)	(51,708)	112,573
<hr/>			
Depreciation	-	102,274	(102,274)
<hr/>			
Net operating income (loss)	(164,281)	(153,982)	10,299
<hr/>			
<b>NON-OPERATING REVENUES</b>			
Transfer from general fund	164,281	164,281	-
<hr/>			
Total non-operating revenues	164,281	164,281	-
<hr/>			
Change in net assets	\$ -	\$ 10,299	\$ 10,299

**TALBOT COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**June 30, 2011**

	Special Revenue Funds		
	Developmental Impact	Talbot Family Network	Total Other Governmental Funds
<b>ASSETS</b>			
Cash and short-term investments	\$ 1,780,580	\$ 15,539	\$ 1,796,119
Cash and short-term investments - earned reinvestment	-	538,623	538,623
Certificate of deposit	131,890	-	131,890
Receivables:			
Accounts receivable	-	28,464	28,464
<b>Total Assets</b>	<b>\$ 1,912,470</b>	<b>\$ 582,626</b>	<b>\$ 2,495,096</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	\$ -	\$ 8,077	\$ 8,077
Unearned revenue	-	26,771	26,771
<b>Total Liabilities</b>	<b>-</b>	<b>34,848</b>	<b>34,848</b>
<b>FUND BALANCES</b>			
Restricted for:			
Social services	-	547,778	547,778
Committed for:			
Capital projects	1,912,470	-	1,912,470
<b>Total Fund Balances</b>	<b>1,912,470</b>	<b>547,778</b>	<b>2,460,248</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,912,470</b>	<b>\$ 582,626</b>	<b>\$ 2,495,096</b>

**TALBOT COUNTY, MARYLAND**  
**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES**  
**OTHER GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2011**

	Special Revenue Funds		
	Developmental Impact	Talbot Family Network	Total Other Governmental Funds
<b>REVENUES</b>			
Intergovernmental - State	\$ -	\$ 281,934	\$ 281,934
Licenses and permits	194,442	-	194,442
Interest	7,291	2,397	9,688
Total revenues	201,733	284,331	486,064
<b>EXPENDITURES</b>			
Social services	-	493,561	493,561
Total Expenditures	-	493,561	493,561
Excess of Revenues Over (Under) Expenditures	201,733	(209,230)	(7,497)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer to Capital Projects Fund	(338,000)	-	(338,000)
Total Other Financing Sources (Uses)	(338,000)	-	(338,000)
Net change in fund balances	(136,267)	(209,230)	(345,497)
Fund balances at beginning of year	2,048,737	757,008	2,805,745
Fund balances at end of year	\$ 1,912,470	\$ 547,778	\$ 2,460,248

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENDITURES -  
AS REQUIRED BY THE GOC FOR LMB OFFICES  
ON BEHALF OF THE CHILDREN'S CABINET  
Year Ended June 30, 2011**

**REVENUES**

Intergovernmental:		
Administration	\$	65,000
Community partnership		137,424
Pass through programs		68,319
Reinvestment		11,191
Interest		2,397
Total revenues		284,331

**EXPENDITURES**

Social services		
Community partnership programs:		
Administration		65,000
After school program		57,213
Healthy families		71,677
Home visiting		13,000
Voluntary family services		41,673
Total Community partnership programs		248,563
Non-community partnership programs:		
Administration		61,294
Home visiting		68,645
Universal Pre K		104,606
Other		10,453
Total non-community partnership programs		244,998
Total Expenditures		493,561
Net change in fund balances	\$	(209,230)

**TALBOT COUNTY, MARYLAND**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**

**Note 1. Budgetary Basis**

Other supplementary information includes financial statements and schedules that are not required by the Governmental Accounting Standards Board nor are they considered part of the basic financial statements. Such information is included for purposes of additional analysis. The budgetary information contained in this section is prepared and adopted on a basis consistent with generally accepted accounting principles. Such statements and schedules include:

Budgetary Comparison Schedules:

- Capital Projects Fund
- Developmental Impact Fund
- Talbot Family Network
- Recreation Facilities
- Sanitary District
- Easton Airport
- Pool Fund

Combining Balance Sheet - Other Governmental Funds

Combining Schedule of Revenues and Expenditures - Other Governmental Funds

Schedule of Revenues and Expenditures - as Required by the GOC for LMB

Offices on Behalf of the Children's Cabinet

## STATISTICAL SECTION

The Statistical Section presents detailed information as a context for understanding what the information in the preceding sections says about the County's overall financial health. They differ from financial statements in that they usually cover more than one year and may present non-accounting data. For this reason, they are unaudited.

Schedules 1-4 reflect **financial trends** data to help the reader understand how the County's financial performance and well-being have changed over time.

Schedules 5-11 reflect **revenue capacity** and help the reader assess the County's most significant local revenue sources.

Schedules 12-15 reflect **debt capacity** and help the reader to assess the affordability of the County's current level of outstanding debt and the County's ability to issue additional debt in the future.

Schedules 16-17 offer **demographic and economic information** to help the reader understand the environment within which the County's financial activities take place.

Schedules 18-20 contain **operating information** to help the reader understand how the information in the County's financial report relates to the services the County provides.

Unless otherwise noted, the source for all data presented is the Talbot County Finance Department.

**Schedule 1**  
**Talbot County, Maryland**  
**Net Assets by Component, Last Nine Fiscal Years**  
*(accrual basis of accounting)*

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Fiscal Year</u> <u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental activities</b>									
Invested in capital assets, net of related debt	\$ 25,549,797	\$ 30,368,639	\$ 34,281,353	\$ 38,317,480	\$ 43,541,925	\$ 50,706,906	\$ 60,070,294	\$ 75,347,678	\$ 77,628,434
Unrestricted	<u>21,900,817</u>	<u>24,467,804</u>	<u>33,050,665</u>	<u>43,576,637</u>	<u>53,678,457</u>	<u>48,711,869</u>	<u>40,028,210</u>	<u>14,736,372</u>	<u>1,578,783</u>
<b>Total governmental activities net assets</b>	<b>\$ 47,450,614</b>	<b>\$ 54,836,443</b>	<b>\$ 67,332,018</b>	<b>\$ 81,894,117</b>	<b>\$ 97,220,382</b>	<b>\$ 99,418,775</b>	<b>\$ 100,098,504</b>	<b>\$ 90,084,050</b>	<b>\$ 79,207,217</b>
<b>Business-type activities</b>									
Invested in capital assets, net of related debt	\$ 28,226,489	\$ 28,895,926	\$ 29,355,427	\$ 36,450,814	\$ 40,239,226	\$ 51,317,665	\$ 53,100,037	\$ 54,672,754	\$ 57,872,067
Unrestricted	<u>2,766,537</u>	<u>2,010,982</u>	<u>1,962,310</u>	<u>408,598</u>	<u>1,819,349</u>	<u>940,871</u>	<u>(2,028,817)</u>	<u>(399,540)</u>	<u>(310,795)</u>
<b>Total business-type activities net assets</b>	<b>\$ 30,993,026</b>	<b>\$ 30,906,908</b>	<b>\$ 31,317,737</b>	<b>\$ 36,859,412</b>	<b>\$ 42,058,575</b>	<b>\$ 52,258,536</b>	<b>\$ 51,071,220</b>	<b>\$ 54,273,214</b>	<b>\$ 57,561,272</b>
<b>Primary government</b>									
Invested in capital assets, net of related debt	\$ 53,776,286	\$ 59,264,565	\$ 63,636,780	\$ 74,768,294	\$ 83,781,151	\$ 102,024,571	\$ 113,170,331	\$ 130,020,432	\$ 135,500,501
Unrestricted	<u>24,667,354</u>	<u>26,478,786</u>	<u>35,012,975</u>	<u>43,985,235</u>	<u>55,497,806</u>	<u>49,652,740</u>	<u>37,999,393</u>	<u>14,336,832</u>	<u>1,267,988</u>
<b>Total primary government net assets</b>	<b>\$ 78,443,640</b>	<b>\$ 85,743,351</b>	<b>\$ 98,649,755</b>	<b>\$ 118,753,529</b>	<b>\$ 139,278,957</b>	<b>\$ 151,677,311</b>	<b>\$ 151,169,724</b>	<b>\$ 144,357,264</b>	<b>\$ 136,768,489</b>

**Note:** Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

**Schedule 2**  
**Talbot County, Maryland**  
**Changes in Net Assets, Last Nine Fiscal Years**  
*(accrual basis of accounting)*

	<b>Fiscal Year</b>								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Expenses</b>									
Governmental activities:									
General government	\$ 4,386,312	\$ 4,995,333	\$ 4,980,170	\$ 5,615,463	\$ 5,447,411	\$ 8,476,977	\$ 10,151,451	\$ 9,518,269	\$ 10,183,649
Public safety	7,004,515	8,579,829	10,277,842	10,921,003	11,161,287	12,911,154	13,731,318	13,185,294	13,657,735
Public works	2,496,544	2,925,889	4,642,392	4,981,242	4,637,883	4,085,559	4,831,967	4,249,569	4,334,793
Health and hospitals	1,379,364	1,355,972	1,449,359	1,531,391	1,880,034	1,964,816	2,338,752	2,410,440	3,120,074
Social services	2,953,069	1,609,871	1,696,493	1,814,939	1,402,948	1,404,799	1,484,690	1,499,755	1,224,920
Education	33,340,191	29,268,117	30,704,758	31,966,292	39,858,261	45,950,955	46,271,163	39,811,132	39,715,193
Recreation	296,404	345,504	542,531	1,275,345	2,577,757	894,668	885,695	864,772	748,414
Conservation of natural resources	209,727	231,996	210,248	244,923	295,659	274,430	302,516	269,891	255,489
Miscellaneous	1,409,577	1,522,465	-	-	-	-	-	-	-
Interest on long-term debt	155,585	157,743	124,966	113,108	100,461	86,132	71,418	55,936	23,388
Total governmental activities expenses	<u>53,631,288</u>	<u>50,992,719</u>	<u>54,628,759</u>	<u>58,463,706</u>	<u>67,361,701</u>	<u>76,049,490</u>	<u>80,068,970</u>	<u>71,865,058</u>	<u>73,263,655</u>
Business-type activities:									
Recreation facilities	2,137,153	2,147,153	2,140,155	2,494,818	3,217,842	3,825,521	3,258,076	2,958,425	3,162,507
Sanitary district	1,337,094	1,414,081	1,468,246	1,485,046	1,649,537	2,910,842	3,396,151	2,759,881	2,952,404
Airport	2,204,071	2,434,808	2,832,127	3,438,045	3,468,909	4,089,080	4,280,559	3,855,297	4,712,248
Pool	282,896	276,819	314,780	350,962	343,182	397,365	397,202	329,445	267,306
Total business-type activities expenses	<u>5,961,214</u>	<u>6,272,861</u>	<u>6,755,308</u>	<u>7,768,871</u>	<u>8,679,470</u>	<u>11,222,808</u>	<u>11,331,988</u>	<u>9,903,048</u>	<u>11,094,465</u>
Total primary government expenses	<u>\$ 59,592,502</u>	<u>\$ 57,265,580</u>	<u>\$ 61,384,067</u>	<u>\$ 66,232,577</u>	<u>\$ 76,041,171</u>	<u>\$ 87,272,298</u>	<u>\$ 91,400,958</u>	<u>\$ 81,768,106</u>	<u>\$ 84,358,120</u>
<b>Program Revenues</b>									
Governmental activities:									
Charges for services									
General government	\$ 766,926	\$ 1,717,820	\$ 1,876,461	\$ 2,252,476	\$ 2,294,954	\$ 2,298,674	\$ 2,239,048	\$ 2,083,519	\$ 2,133,251
Public safety	492,915	700,872	767,105	586,274	568,421	565,415	487,375	318,213	465,453
Public works	-	-	181,792	408,874	1,089,966	321,330	233,621	152,197	30,693
Health and hospitals	42,531	69,496	68,644	57,058	63,159	75,854	89,123	89,939	70,199
Education	-	-	391,810	631,900	532,531	292,956	189,303	267,153	112,872
Recreation	35,320	65,631	114,412	150,279	135,440	124,690	133,934	144,521	75,602
Operating grants and contributions	<u>7,245,332</u>	<u>6,332,123</u>	<u>7,790,739</u>	<u>8,397,525</u>	<u>10,045,423</u>	<u>10,108,796</u>	<u>9,192,985</u>	<u>3,134,627</u>	<u>5,877,037</u>
Total governmental activities program revenues	<u>8,583,024</u>	<u>8,885,942</u>	<u>11,190,963</u>	<u>12,484,386</u>	<u>14,729,894</u>	<u>13,787,715</u>	<u>12,565,389</u>	<u>6,190,169</u>	<u>8,765,107</u>

	Fiscal Year								
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Program Revenues (continued)</b>									
Business-type activities:									
Charges for services									
Recreation facilities	992,355	1,319,337	1,443,726	1,247,469	1,698,087	1,726,905	1,475,498	1,446,815	1,473,218
Sanitary district	1,072,726	1,015,001	1,110,847	1,061,865	1,151,340	1,803,762	2,100,885	2,045,673	2,103,019
Easton airport	1,807,185	1,856,821	2,330,429	2,904,517	2,824,353	3,075,162	2,898,388	2,519,061	3,015,851
Pool	276,852	86,424	80,220	93,161	87,769	79,302	77,082	87,317	113,324
Capital grants and contributions	-	1,647,042	833,848	4,895,190	6,416,909	7,269,502	2,297,603	5,282,059	6,431,135
Total business-type activities program revenues	<u>4,149,118</u>	<u>5,924,625</u>	<u>5,799,070</u>	<u>10,202,202</u>	<u>12,178,458</u>	<u>13,954,633</u>	<u>8,849,456</u>	<u>11,380,925</u>	<u>13,136,547</u>
Total primary government program revenues	<u>\$ 12,732,142</u>	<u>\$ 14,810,567</u>	<u>\$ 16,990,033</u>	<u>\$ 22,686,588</u>	<u>\$ 26,908,352</u>	<u>\$ 27,742,348</u>	<u>\$ 21,414,845</u>	<u>\$ 17,571,094</u>	<u>\$ 21,901,654</u>
<b>Net (Expense)/Revenue</b>									
Governmental activities	\$ (45,048,264)	\$ (42,106,777)	\$ (43,437,796)	\$ (45,979,320)	\$ (52,631,807)	\$ (62,261,775)	\$ (67,503,581)	\$ (65,674,889)	\$ (64,498,548)
Business-type activities	<u>(1,812,096)</u>	<u>(348,236)</u>	<u>(956,238)</u>	<u>2,433,331</u>	<u>3,498,988</u>	<u>2,731,825</u>	<u>(2,482,532)</u>	<u>1,477,877</u>	<u>2,042,082</u>
Total primary government net expense	<u>\$ (46,860,360)</u>	<u>\$ (42,455,013)</u>	<u>\$ (44,394,034)</u>	<u>\$ (43,545,989)</u>	<u>\$ (49,132,819)</u>	<u>\$ (59,529,950)</u>	<u>\$ (69,986,113)</u>	<u>\$ (64,197,012)</u>	<u>\$ (62,456,466)</u>
<b>General Revenues and Other Changes in Net Assets</b>									
Governmental activities:									
Property taxes	\$ 20,285,162	\$ 21,230,753	\$ 22,509,555	\$ 23,824,569	\$ 25,051,218	\$ 26,371,828	\$ 27,436,368	\$ 28,324,937	\$ 29,154,652
Local income tax	13,115,496	15,429,138	19,492,772	23,825,934	28,794,974	31,626,307	31,635,555	19,260,503	18,551,894
Other local taxes	6,577,034	9,909,957	13,681,174	13,647,096	12,002,501	9,949,967	7,097,837	6,831,278	6,792,369
Interest	588,344	299,144	795,404	1,870,166	3,049,507	3,405,782	2,470,720	980,562	221,952
Miscellaneous	3,855,478	2,840,639	718,241	324,881	622,980	456,406	739,625	1,927,226	136,104
Transfers in (out)	<u>(793,990)</u>	<u>(217,025)</u>	<u>(1,263,775)</u>	<u>(2,951,227)</u>	<u>(1,563,108)</u>	<u>(7,350,122)</u>	<u>(1,196,795)</u>	<u>(1,664,071)</u>	<u>(1,235,256)</u>
Total governmental activities	<u>43,627,524</u>	<u>49,492,606</u>	<u>55,933,371</u>	<u>60,541,419</u>	<u>67,958,072</u>	<u>64,460,168</u>	<u>68,183,310</u>	<u>55,660,435</u>	<u>53,621,715</u>
Business-type activities:									
Interest	87,770	45,093	103,292	145,109	139,807	115,854	98,421	60,046	10,720
Miscellaneous	-	-	-	12,008	(2,740)	2,160	-	-	-
Transfers in (out)	<u>793,990</u>	<u>217,025</u>	<u>1,263,775</u>	<u>2,951,227</u>	<u>1,563,108</u>	<u>7,350,122</u>	<u>1,196,795</u>	<u>1,664,071</u>	<u>1,235,256</u>
Total business-type activities	<u>881,760</u>	<u>262,118</u>	<u>1,367,067</u>	<u>3,108,344</u>	<u>1,700,175</u>	<u>7,468,136</u>	<u>1,295,216</u>	<u>1,724,117</u>	<u>1,245,976</u>
Total primary government	<u>\$ 44,509,284</u>	<u>\$ 49,754,724</u>	<u>\$ 57,300,438</u>	<u>\$ 63,649,763</u>	<u>\$ 69,658,247</u>	<u>\$ 71,928,304</u>	<u>\$ 69,478,526</u>	<u>\$ 57,384,552</u>	<u>\$ 54,867,691</u>
<b>Change in Net Assets</b>									
Governmental activities	\$ (1,420,740)	\$ 7,385,829	\$ 12,495,575	\$ 14,562,099	\$ 15,326,265	\$ 2,198,393	\$ 679,729	\$ (10,014,454)	\$ (10,876,833)
Business-type activities	<u>(930,336)</u>	<u>(86,118)</u>	<u>410,829</u>	<u>5,541,675</u>	<u>5,199,163</u>	<u>10,199,961</u>	<u>(1,187,316)</u>	<u>3,201,994</u>	<u>3,288,058</u>
Total primary government	<u>\$ (2,351,076)</u>	<u>\$ 7,299,711</u>	<u>\$ 12,906,404</u>	<u>\$ 20,103,774</u>	<u>\$ 20,525,428</u>	<u>\$ 12,398,354</u>	<u>\$ (507,587)</u>	<u>\$ (6,812,460)</u>	<u>\$ (7,588,775)</u>

Note: Accrual-basis financial information for the county government as a whole is only available back to 2003, the year GASB Statement 34 was implemented.

**Schedule 3**  
**Talbot County, Maryland**  
**Fund Balances, Governmental Funds,**  
**Last Ten Fiscal Years**  
*(modified accrual basis of accounting)*

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>Fiscal Year</u> <u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>
General Fund										
Reserved	\$ -	\$ -	\$ 22,051	\$ 7,681	\$ 42,293	\$ 2,509,615	\$ 913,869	\$ 966,200	\$ 105,269	\$ -
Unreserved										
Designated	4,201,000	4,200,000	5,200,000	9,922,800	7,285,867	15,812,496	15,353,614	17,643,743	15,947,750	-
Undesignated	10,505,119	9,588,567	14,118,491	17,993,526	25,387,252	23,095,026	25,439,870	22,625,265	16,992,681	-
Non spendable	-	-	-	-	-	-	-	-	-	56,271
Committed	-	-	-	-	-	-	-	-	-	7,000,000
Assigned	-	-	-	-	-	-	-	-	-	1,350,000
Unassigned	-	-	-	-	-	-	-	-	-	15,517,033
<b>Total General Fund</b>	<b>\$ 14,706,119</b>	<b>\$ 13,788,567</b>	<b>\$ 19,340,542</b>	<b>\$ 27,924,007</b>	<b>\$ 32,715,412</b>	<b>\$ 41,417,137</b>	<b>\$ 41,707,353</b>	<b>\$ 41,235,208</b>	<b>\$ 33,045,700</b>	<b>\$ 23,923,304</b>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	13,424,726	7,771,608	4,933,233	3,863,961	8,428,417	7,613,828	32,119,063	22,890,931	20,893,889	-
Designated - Special Revenue Funds	721,981	720,150	594,188	1,707,767	2,859,426	4,839,284	24,295	2,391,733	2,805,745	-
Undesignated - Special Revenue Funds	-	-	-	-	63,711	337,033	801,305	-	-	-
Restricted	-	-	-	-	-	-	-	-	-	547,778
Committed	-	-	-	-	-	-	-	-	-	16,971,966
Assigned	-	-	-	-	-	-	-	-	-	1,000,000
<b>Total all other governmental funds</b>	<b>\$ 14,146,707</b>	<b>\$ 8,491,758</b>	<b>\$ 5,527,421</b>	<b>\$ 5,571,728</b>	<b>\$ 11,351,554</b>	<b>\$ 12,790,145</b>	<b>\$ 32,944,663</b>	<b>\$ 25,282,664</b>	<b>\$ 23,699,634</b>	<b>\$ 18,519,744</b>
<b>Total Governmental Funds</b>	<b>\$ 28,852,826</b>	<b>\$ 22,280,325</b>	<b>\$ 24,867,963</b>	<b>\$ 33,495,735</b>	<b>\$ 44,066,966</b>	<b>\$ 54,207,282</b>	<b>\$ 74,652,016</b>	<b>\$ 66,517,872</b>	<b>\$ 56,745,334</b>	<b>\$ 42,443,048</b>

\*Prior year amounts have not been restated for the implementation of GASB 54 in FY 2011.

Schedule 4  
Talbot County, Maryland  
Changes in Fund Balances, Governmental Funds,  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Revenues</b>										
Property tax	\$ 19,517,609	\$ 20,285,162	\$ 21,230,753	\$ 22,509,555	\$ 23,824,569	\$ 25,051,218	\$ 26,371,828	\$ 27,436,368	\$ 28,324,937	\$ 29,154,652
Income tax	15,004,893	13,115,496	15,429,138	19,492,772	23,825,934	28,794,974	31,626,307	31,635,555	19,260,503	18,551,894
Other local taxes	7,445,196	9,234,107	12,063,661	13,681,174	13,647,096	12,002,501	9,949,967	7,097,837	6,831,278	6,792,369
Licenses and permits	634,650	559,035	657,060	1,434,242	2,163,301	2,634,811	1,451,225	1,031,899	1,079,221	754,521
Intergovernmental:										
Federal	598,959	1,005,838	1,017,047	2,161,763	897,727	1,166,795	986,313	1,440,141	862,601	3,204,079
State	5,742,874	6,239,496	5,315,076	5,628,976	7,499,800	8,878,628	9,122,483	7,752,844	2,272,026	2,672,958
Service charges	1,291,900	1,337,694	1,874,539	1,965,982	1,918,108	2,035,151	2,220,939	2,336,814	1,967,453	2,129,649
Fines and forfeitures	17,499	21,830	22,220	11,241	5,452	14,509	6,755	3,691	8,868	3,900
Miscellaneous	520,350	617,536	742,247	707,000	324,881	622,980	456,406	739,625	1,927,226	136,104
Interest Income	786,748	588,344	299,143	795,404	1,870,166	3,049,507	3,405,782	2,470,720	980,562	221,952
Total revenues	<u>51,560,678</u>	<u>53,004,538</u>	<u>58,650,884</u>	<u>68,388,109</u>	<u>75,977,034</u>	<u>84,251,074</u>	<u>85,598,005</u>	<u>81,945,494</u>	<u>63,514,675</u>	<u>63,622,078</u>
<b>Expenditures</b>										
General Government	4,264,382	5,803,654	7,225,024	5,603,724	5,584,396	5,191,173	5,958,766	12,998,191	5,704,039	8,000,023
Public Safety	5,842,322	6,940,735	7,757,238	9,135,164	9,157,464	9,994,797	11,246,960	11,633,072	11,048,315	11,736,551
Public Works	3,902,358	4,361,390	3,209,637	4,492,762	6,126,343	5,528,800	6,371,000	6,148,333	3,563,248	4,592,005
Health and hospitals	1,379,633	1,375,601	1,352,209	1,445,596	1,526,270	1,872,922	3,963,933	2,331,749	2,404,180	3,113,814
Social services	2,104,868	2,937,003	1,594,320	1,681,193	1,778,837	1,401,182	1,390,590	1,468,953	1,484,019	1,209,401
Education	31,955,041	31,627,468	28,777,258	29,644,623	31,029,594	38,998,222	44,676,973	44,485,803	38,135,444	38,808,462
Debt service interest - Educ	664,574	1,128,080	1,095,167	1,060,135	901,243	891,193	1,273,144	1,751,927	1,701,468	1,393,224
Debt service principal - Educ	571,051	953,302	1,002,888	1,044,951	988,345	1,124,548	1,162,079	2,027,389	2,138,863	2,278,475
Recreation	491,690	492,123	518,026	491,528	1,104,324	2,992,661	2,497,017	1,279,319	491,376	329,191
Conservation of natural resources	164,901	206,433	231,996	210,248	244,923	295,659	274,430	313,771	269,891	255,489
Employee Benefits	1,476,801	1,409,577	1,522,465	2,303,921	2,579,628	2,748,331	2,644,213	2,926,325	3,116,961	3,460,899
Miscellaneous	87,856	45,590	125,035	58,960	209,365	94,132	233,696	122,362	130,043	216,666
Intergovernmental	446,811	451,785	492,908	544,538	701,132	860,102	860,442	750,180	722,861	761,613
Debt service interest	135,342	155,585	157,743	124,966	113,108	100,461	86,132	71,418	55,936	23,388
Debt service principal	292,947	330,842	341,299	291,241	306,022	318,022	333,097	345,390	363,245	381,392
Contingencies	973,848	563,881	623,008	363,013	66,850	135,445	157,807	228,661	306,253	440,569
Total expenditures	<u>54,754,425</u>	<u>58,783,049</u>	<u>56,026,221</u>	<u>58,496,562</u>	<u>62,417,844</u>	<u>72,547,650</u>	<u>83,130,279</u>	<u>88,882,843</u>	<u>71,636,142</u>	<u>77,001,162</u>
Excess of revenues over (under) expenditures	<u>(3,193,747)</u>	<u>(5,778,511)</u>	<u>2,624,663</u>	<u>9,891,547</u>	<u>13,559,190</u>	<u>11,703,424</u>	<u>2,467,726</u>	<u>(6,937,349)</u>	<u>(8,121,467)</u>	<u>(13,379,084)</u>
<b>Other Financing Sources (Uses)</b>										
Proceeds from long-term debt	11,245,000	-	180,000	-	2,325,000	-	25,020,000	-	13,000	12,281,271
Payment to refunded debt escrow agent	-	-	-	-	(2,361,732)	-	-	-	-	(12,650,858)
Bond premium	-	-	-	-	-	-	307,130	-	-	681,641
Transfers in (out)										
Pools	(33,800)	(119,100)	(139,720)	(125,275)	(119,526)	(148,960)	(152,776)	(144,014)	(79,561)	(164,281)
Recreation	(336,050)	(674,890)	(77,305)	(1,138,500)	(2,831,701)	(1,414,148)	(7,197,346)	(1,052,781)	(1,584,510)	(1,070,975)
Total other financing sources (uses)	<u>10,875,150</u>	<u>(793,990)</u>	<u>(37,025)</u>	<u>(1,263,775)</u>	<u>(2,987,959)</u>	<u>(1,563,108)</u>	<u>17,977,008</u>	<u>(1,196,795)</u>	<u>(1,651,071)</u>	<u>(923,202)</u>
Net change in fund balances	\$ 7,681,403	\$ (6,572,501)	\$ 2,587,638	\$ 8,627,772	\$ 10,571,231	\$ 10,140,316	\$ 20,444,734	\$ (8,134,144)	\$ (9,772,538)	\$ (14,302,286)
Debt service as a percentage of noncapital expenditures	3.57%	4.78%	5.11%	4.65%	3.98%	3.68%	3.83%	5.40%	6.14%	5.74%

Schedule 5  
 Talbot County, Maryland  
 Assessed Value and Actual Value of Taxable Property,  
 Last Ten Fiscal Years

Fiscal Year	Real Property <sup>a</sup>			Public Utility Personal Property <sup>b</sup>			Total Estimated Market Value
	Assessed Value	Estimated Market Value	Tax Rate <sup>c</sup>	Assessed Value	Estimated Market Value	Tax Rate <sup>c</sup>	
2011	\$ 10,093,360,351	\$ 10,093,360,351	0.432	\$ 58,123,220	\$ 58,123,220	1.080	\$ 10,151,483,571
2010	10,076,574,525	10,076,574,525	0.432	56,285,760	56,285,760	1.080	10,132,860,285
2009	9,079,721,565	9,079,721,565	0.449	54,920,220	54,920,220	1.123	9,134,641,785
2008	7,849,685,172	7,849,685,172	0.475	54,664,610	54,664,610	1.188	7,904,349,782
2007	6,664,737,183	6,664,737,183	0.500	55,889,230	55,889,230	1.250	6,720,626,413
2006	5,802,305,273	5,802,305,273	0.520	50,485,530	50,485,530	1.300	5,852,790,803
2005	4,668,045,168	4,668,045,168	0.540	51,646,400	51,646,400	1.350	4,719,691,568
2004	4,225,258,553	4,225,258,553	0.553	54,126,210	54,126,210	1.383	4,279,384,763
2003	3,838,437,925	3,838,437,925	0.553	58,610,730	58,610,730	1.383	3,897,048,655
2002	3,657,847,336	3,657,847,336	0.556	62,042,860	62,042,860	1.390	3,719,890,196

Source: State of Maryland, Department of Assessments and Taxation

Notes:

<sup>a</sup> Real Property is reassessed every three years. Real Property is assessed at market value.

<sup>b</sup> Public Utility Personal Property is assessed at market value.

<sup>c</sup> Per \$100 of value.

**Schedule 6**  
**Talbot County, Maryland**  
**Direct and Overlapping Property Tax Rates,**  
**Last Ten Years**  
*(rate per \$100 of assessed value)*

	Year Taxes Are Payable									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>County Direct Rates</b>										
General	\$ 0.556	\$ 0.553	\$ 0.553	\$ 0.540	\$ 0.520	\$ 0.500	\$ 0.475	\$ 0.449	\$ 0.432	\$ 0.432
<b>Town Rates</b>										
Easton	0.44	0.44	0.453	0.440	0.430	0.480	0.520	0.520	0.520	0.520
Oxford	0.25	0.26	0.280	0.300	0.300	0.290	0.280	0.256	0.2438	0.2306
Queen Anne	0.18	0.18	0.180	0.180	0.180	0.180	0.180	0.180	0.180	0.180
St. Michaels	0.58	0.58	0.640	0.640	0.640	0.640	0.640	0.640	0.640	0.640
Trappe	0.22	0.30	0.300	0.300	0.300	0.300	0.300	0.300	0.300	0.290

Source: Talbot County Finance Office and State of Maryland, Department of Assessments and Taxation

**Notes:**

Real property is assessed at full cash value.

Section 614 of the Talbot County Charter states that "revenues derived from taxes on properties existing on the County real property tax rolls at the commencement of the County fiscal year shall not increase, compared with the previous year, by more than two percent, or by the Consumer Price Index for all urban consumers (CPI-U) percentage of change for the latest calendar year, determined by the U.S. Department of Labor, whichever is the lesser."

**Schedule 7**  
**Talbot County, Maryland**  
**Principal Property Tax Payers,**  
**Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>Fiscal Year 2011</u>			<u>Fiscal Year 2002</u>		
	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Perry Cabin Acquisitions Corp.	\$ 21,795,300	1	0.22%	\$ 6,111,266	9	0.17%
William Hill Manor, Inc.	15,943,033	2	0.16%			
Easton Shoppes Business Trust	13,594,600	3	0.13%	10,745,700	1	0.29%
Lowe's Home Centers, Inc.	13,388,866	4	0.13%			
Remco Properties, LLC	12,337,200	5	0.12%			
Individual	11,447,600	6	0.11%			
Target Corporation	9,920,066	7	0.10%			
Individual	9,165,000	8	0.09%			
Wal Mart Stores, Inc. #1715	8,902,500	9	0.09%	5,994,900	10	0.16%
Individual	8,570,990	10	0.08%			
Eastern Shore Retirement Assoc.				10,307,166	2	0.28%
Cal-Mar Associates				7,082,700	3	0.19%
Easton Marketplace LLC				6,615,100	4	0.18%
Marlboro Road Shopping Center				6,492,600	5	0.18%
Tidewater Inn				6,359,666	6	0.17%
Black & Decker, Inc.				6,233,300	7	0.17%
Hampden Investment Properties LLC				6,186,400	8	0.17%
<b>Total</b>	<b>\$ 125,065,155</b>		<b>1.24%</b>	<b>\$ 72,128,798</b>		<b>1.97%</b>

Source: Talbot County Finance Office

**Schedule 8**  
**Talbot County, Maryland**  
**Property Tax Levies and Collections,**  
**Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections/(Refunds/ Adjustments) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 28,628,850	\$ 28,599,021	99.90%	\$ -	28,599,021	99.90%
2010	27,801,093	27,801,093	100.00%	(17,417)	27,783,676	99.94%
2009	26,909,600	26,898,002	99.96%	(31,611)	26,866,391	99.84%
2008	25,789,640	25,775,727	99.95%	2,593	25,778,320	99.96%
2007	24,484,233	24,452,320	99.87%	(4,651)	24,447,669	99.85%
2006	23,255,337	23,233,396	99.91%	(775)	23,232,621	99.90%
2005	21,921,706	21,889,134	99.85%	(688)	21,888,446	99.85%
2004	20,578,116	20,553,632	99.88%	(9,052)	20,544,580	99.84%
2003	19,505,902	19,462,848	99.78%	(2,207)	19,460,641	99.77%
2002	18,660,305	18,630,613	99.84%	28,058	18,658,671	99.99%

Source: Talbot County Finance Office

Note: The information in this schedule relates to the County's own property tax levies, and does not include those it collects on behalf of other governments.

Schedule 9  
 Talbot County, Maryland  
 Income Tax Rates  
 Last Ten Tax Years

State Income Tax Rates*										
Tax Year	\$1 to \$1,000 Net Taxable Income	\$1,001 to \$2,000 Net Taxable Income	\$2,001 to \$3,000 Net Taxable Income	In excess of \$3,000 Net Taxable Income	\$3,001 to \$150,000 Net Taxable Income	\$150,001 to \$300,000 Net Taxable Income	\$300,001 to \$500,000 Net Taxable Income	\$500,001 to \$1,000,000 Net Taxable Income	In excess of \$1,000,000 Net Taxable Income	Talbot County Income Tax Direct Rate
2010	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2009	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2008	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2007	2.00%	3.00%	4.00%	4.75%						2.25%
2006	2.00%	3.00%	4.00%	4.75%						2.25%
2005	2.00%	3.00%	4.00%	4.75%						2.25%
2004	2.00%	3.00%	4.00%	4.75%						2.25%
2003	2.00%	3.00%	4.00%	4.75%						1.79%
2002	2.00%	3.00%	4.00%	4.75%						1.79%
2001	2.00%	3.00%	4.00%	4.80%						1.77%

Source: Revenue Administration Division, State of Maryland Comptroller's Office.

Notes:  
 \*Individual Filing Status

The current maximum allowed local income tax rate is 3.2%.

Schedule 10  
 Talbot County, Maryland  
 Income Tax Filers Summary Information  
 Last Ten Tax Years

Tax Year	Number of Taxable Returns	Maryland Adjusted Gross Income	Net Taxable Income	Net State Income Tax	Local Income Tax	Total Tax Liability	Talbot County Income Tax Direct Rate
2009	13,615	\$ 1,152,941,209	\$ 892,490,578	\$ 41,524,166	\$ 19,813,516	\$ 61,337,682	2.25%
2008	14,129	1,275,092,494	997,801,625	45,438,942	22,225,752	67,664,694	2.25%
2007	15,098	1,637,948,218	1,327,023,177	55,858,849	29,601,486	85,460,335	2.25%
2006	14,912	1,479,509,503	1,198,242,460	50,575,137	26,704,974	77,280,111	2.25%
2005	14,598	1,291,510,360	1,044,209,152	45,179,814	23,253,365	68,433,179	2.25%
2004	13,838	1,019,237,035	814,647,762	35,470,358	18,097,797	53,568,155	2.25%
2003	13,465	885,849,882	693,793,965	29,853,475	12,237,862	42,091,337	1.79%
2002	13,209	840,433,946	646,451,786	28,141,244	11,400,412	39,541,656	1.79%
2001	13,402	859,877,248	677,836,887	30,101,156	11,831,961	41,933,117	1.77%
2000	13,646	937,647,561	754,189,002	33,740,370	13,030,384	46,770,754	1.75%

Source: Revenue Administration Division, State of Maryland Comptroller's Office.

Notes:

See Schedule 11 for detailed breakout of adjusted gross income.

Talbot County Income Tax Direct Rate is a percentage of Maryland taxable income.

Schedule 11  
 Talbot County, Maryland  
 Income Tax Filers, Net Taxable Income, and Liability by Adjusted Gross Income Level  
 Current Year and Ten Years Ago

Adjusted Gross Income Level	Tax Year 2009					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
\$500,000 and higher	194	1.4%	\$ 261,990,246	29.4%	\$ 5,894,782	29.8%
\$200,000 - 499,999	584	4.3%	147,189,821	16.5%	3,311,772	16.7%
\$100,000 - 199,999	1,744	12.8%	181,020,989	20.3%	4,073,015	20.6%
\$50,000 - 99,999	3,625	26.6%	180,327,725	20.2%	4,057,377	20.5%
\$25,000 - 49,999	3,975	29.2%	91,503,779	10.3%	1,924,536	9.7%
\$5,000 - 24,999	3,406	25.0%	30,302,310	3.4%	548,680	2.8%
Under \$5,000	87	0.6%	155,708	0.0%	3,354	0.0%
Totals	13,615	100.0%	\$ 892,490,578	100.0%	\$ 19,813,516	100.0%

Adjusted Gross Income Level	Tax Year 2000					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
\$200,000 and higher	628	4.6%	\$ 319,511,295	42.4%	\$ 5,591,448	42.9%
\$100,000 - 199,999	1,128	8.3%	125,901,311	16.7%	2,203,272	16.9%
\$50,000 - 99,999	2,944	21.6%	157,805,522	20.9%	2,761,597	21.2%
\$25,000 - 49,999	3,943	28.9%	102,364,758	13.6%	1,779,366	13.7%
\$5,000 - 24,999	4,879	35.8%	48,406,724	6.4%	691,433	5.3%
Under \$5,000	124	0.9%	199,392	0.0%	3,268	0.0%
Totals	13,646	100.0%	\$ 754,189,002	100.0%	\$ 13,030,384	100.0%

Source: Revenue Administration Division, State of Maryland Comptroller's Office.

**Schedule 12**  
**Talbot County, Maryland**  
**Ratios of Outstanding Debt by Type,**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities	Business Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	General Obligation Bonds	Capital Leases			
2011	35,403,608	12,809,338	210,316	48,423,262	2.36%	1,281.65
2010	38,873,216	13,596,277	70,269	52,539,762	2.56%	1,390.60
2009	41,372,747	13,582,399	129,153	55,084,299	2.69%	1,519.06
2008	43,777,276	14,074,978	180,211	58,032,465	2.75%	1,607.01
2007	20,283,936	13,541,483	273,950	34,099,369	1.67%	945.18
2006	21,757,660	8,262,807	281,747	30,302,214	1.55%	840.26
2005	23,053,302	4,038,642	-	27,091,944	1.52%	760.18
2004	24,389,494	4,271,029	-	28,660,523	1.68%	814.44
2003	25,711,180	4,493,625	-	30,204,805	2.00%	873.95
2002	27,156,574	4,772,135	-	31,928,709	2.18%	929.24

**Sources:** Talbot County Finance Office and Bureau of Economic Analysis, U.S. Department of Commerce

**Notes:**

2010 and 2011 percentages calculated using 2009 personal income data, which is the most recent available.

2011 debt per capita is calculated using 2010 census data, which is the most recent available.

See Schedule 16 for population and personal income data.

**Schedule 13  
Talbot County, Maryland  
Ratios of General Bonded Debt Outstanding,  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds<sup>a</sup></b>	<b>Total Taxable Assessable Base<sup>b</sup></b>	<b>Percentage of Total Taxable Assessable Base</b>	<b>Population<sup>c</sup></b>	<b>Debt Per Capita</b>
2011	48,212,946	10,151,483,571	0.47%	*	1,276.08
2010	52,469,493	10,132,860,285	0.52%	37,782	1,388.74
2009	54,955,146	9,134,641,785	0.60%	36,262	1,515.50
2008	57,852,254	7,904,349,782	0.73%	36,112	1,602.02
2007	33,825,419	6,720,626,413	0.50%	36,077	937.59
2006	30,020,467	5,852,790,803	0.51%	36,063	832.45
2005	27,091,944	4,719,691,568	0.57%	35,639	760.18
2004	28,660,523	4,279,384,763	0.67%	35,191	814.44
2003	30,204,805	3,897,048,655	0.78%	34,561	873.95
2002	31,928,709	3,719,890,196	0.86%	34,360	929.24

**Sources:**

<sup>a</sup> Talbot County Finance Office

<sup>b</sup> State of Maryland, Department of Assessments and Taxation

<sup>c</sup> U.S. Census Bureau.

\* Information not yet available; 2011 debt per capita is calculated using 2010 census data.

Schedule 14  
Talbot County, Maryland  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2011

<u>Governmental Unit</u>	<u>Total Assessed Valuation of Real Property<sup>a</sup></u>	<u>% of Assessed Valuation to County Total</u>	<u>Pro Rata Share of County General Obligation Bonded Debt</u>	<u>Municipal Debt Outstanding<sup>b</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Easton	2,177,937,523	21.58%	7,639,363	\$ 9,745,000	\$ 17,384,363
Oxford	419,700,096	4.16%	1,472,146	-	1,472,146
Queen Anne	8,986,370	0.09%	31,521	-	31,521
St. Michaels	357,642,130	3.54%	1,254,470	-	1,254,470
Trappe	99,967,456	0.99%	350,647	220,585	571,232
Unincorporated	<u>7,029,126,776</u>	<u>69.64%</u>	<u>24,655,461</u>	<u>-</u>	<u>24,655,461</u>
<b>Total</b>	<u>10,093,360,351</u>	<u>100.00%</u>	<u>35,403,608</u>	<u>\$ 9,965,585</u>	<u>\$ 45,369,193</u>

Sources:

<sup>a</sup> State of Maryland, Department of Assessments and Taxation

<sup>b</sup> Municipal Town Clerks

**Schedule 15**  
**Talbot County, Maryland**  
**Legal Debt Margin Information,**  
**Last Ten Fiscal Years**  
*(dollars in thousands)*

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Taxable Assessable Base *	\$ 3,441,166	\$ 3,611,888	\$ 3,979,685	\$ 4,392,502	\$ 5,500,025	\$ 6,353,469	\$ 7,508,763	\$ 8,695,733	\$ 9,633,030	\$ 10,093,360
Debt Limit, 15% of Assessable Base	516,175	541,783	596,953	658,875	825,004	953,020	1,126,314	1,304,360	1,444,955	1,514,004
Amount of Debt Applicable to Limit										
General Obligation Bonds	27,157	25,711	24,389	23,053	30,020	20,284	43,777	41,373	38,873	35,404
Legal Debt Margin	<u>\$ 489,018</u>	<u>\$ 516,072</u>	<u>\$ 572,563</u>	<u>\$ 635,822</u>	<u>\$ 794,984</u>	<u>\$ 932,736</u>	<u>\$ 1,082,537</u>	<u>\$ 1,262,987</u>	<u>\$ 1,406,082</u>	<u>\$ 1,478,600</u>
Total net debt applicable to the limit as a percentage of debt limit	5.26%	4.75%	4.09%	3.50%	3.64%	2.13%	3.89%	3.17%	2.69%	2.34%

**Source:**

\* State of Maryland, Department of Assessments and Taxation

**Note:**

Section 622 of the Talbot County Charter limits the County's outstanding general obligation long-term debts to no more than 15 percent of the assessable property tax base of the County.

**Schedule 16**  
**Talbot County, Maryland**  
**Demographic and Economic Statistics,**  
**Last Ten Fiscal Years**

<b>Year</b>	<b>Population<sup>a</sup></b>	<b>Personal Income<sup>b</sup> (thousands of dollars)</b>	<b>Per Capita Personal Income<sup>b</sup></b>	<b>Public School Enrollment<sup>c</sup></b>	<b>Unemployment Rate<sup>d</sup></b>
2011	*	*	*	4,504	7.2%
2010	37,782	*	*	4,495	7.8%
2009	36,262	2,049,065	56,507	4,419	7.4%
2008	36,112	2,110,997	58,457	4,396	4.4%
2007	36,077	2,041,855	56,597	4,398	3.5%
2006	36,063	1,961,009	54,377	4,482	3.5%
2005	35,639	1,783,541	50,045	4,505	3.7%
2004	35,191	1,706,746	48,500	4,459	2.9%
2003	34,561	1,509,115	43,665	4,498	4.0%
2002	34,360	1,466,518	42,681	4,516	3.1%

**Sources:**

<sup>a</sup> U.S. Census Bureau.

<sup>b</sup> Bureau of Economic Analysis, U.S. Department of Commerce.

<sup>c</sup> Maryland State Department of Education.

<sup>d</sup> Maryland Department of Labor, Licensing and Regulation.

\* Information not yet available.

Schedule 17  
 Talbot County, Maryland  
 Principal Private Employers,  
 Current Year and Nine Years Ago

<u>Employer</u>	<u>CY 2010</u>			<u>CY 2001</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Shore Health Systems/EMH	2,040	1	12.03%	1,000	2	5.47%
Quality Health Strategies	600	2	3.54%			
Allen Family Foods	530	3	3.13%	700	3	3.83%
Shore Bankshares	320	4	1.89%			
William Hill Manor	300	5	1.77%	185	5	1.01%
Wal-Mart	215	6	1.27%			
Genesis Healthcare/The Pines	186	7	1.10%	186	4	1.02%
Global Strategies Group	150	8	0.88%			
Celeste Contract Packaging	136	9	0.80%			
Chesapeake Publishing	135	10	0.80%	165	6	0.90%
Black & Decker, Inc.				1,300	1	7.11%
Cadmus Prof. Communications				340	7	1.86%
Celeste Industries				140	8	0.77%
Salisbury Pewter				70	9	0.38%
Orion Safety Products				52	10	0.28%
	<u>4,612</u>		<u>27.20%</u>	<u>4,133</u>		<u>22.61%</u>

Source: Maryland Department of Business and Economic Development

Schedule 18  
 Talbot County, Maryland  
 Full-time Equivalent County Government Employees by Function,  
 Last Ten Fiscal Years

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30,</u>										
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	
General Government	*	49.6	50.1	57.8	60.9	65.8	66.7	68.4	66.0	63.0	
Public Safety	*	103.1	112.8	117.3	123.3	128.7	139.6	151.1	151.3	152.0	
Public Works	*	35.2	33.0	34.4	36.5	39.9	44.7	48.3	50.5	46.0	
Social Services	*	10.8	5.6	5.3	5.0	4.0	4.8	4.0	3.4	3.0	
Recreation	*	45.2	47.1	46.9	47.8	51.1	52.4	51.8	46.0	34.0	
Airport	*	5.0	5.1	5.0	5.1	5.0	5.0	4.9	5.0	5.0	
Total		<u>251.0</u>	<u>248.9</u>	<u>253.7</u>	<u>266.7</u>	<u>278.6</u>	<u>294.5</u>	<u>313.3</u>	<u>328.5</u>	<u>322.2</u>	<u>303.0</u>

Sources: Talbot County Finance Office.

Notes:

A full-time employee is scheduled to work 260 days per year (52 weeks x 5 days per week). At eight hours per day, 2,080 hours are scheduled per year (including vacation and sick leave). Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

\* Oldest available records, by function, are from FY 2003.

**Schedule 19  
Talbot County, Maryland  
Operating Indicators by Function,  
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>General Government</b>										
Building Permits issued	920	656	909	999	1,034	626	529	388	316	308
Value of new construction (000's)	83,618	64,013	70,601	130,073	62,002	76,505	58,812	36,505	31,116	36,974
<b>Public Safety</b>										
Detention Center										
Avg. daily population	91	102	98	106	101	106	106	90	92	104
Bookings	821	876	782	833	850	764	989	821	807	771
9-1-1 Calls Answered										
Fire	1,286	1,388	1,339	1,370	1,409	1,462	1,557	1,427	1,724	1,705
Emergency Medical Services	1,267	3,144	3,861	4,568	4,525	4,767	4,330	4,334	4,408	4,330
Sheriff	4,335	5,592	6,230	10,983	15,053	10,939	12,592	14,891	15,191	13,627
Other Police	4,772	5,000	4,323	4,778	6,682	6,578	7,289	7,755	7,399	7,383
<b>Education</b>										
Students	4,516	4,498	4,459	4,505	4,482	4,398	4,396	4,419	4,495	4,504
Teachers Instructional	315	313	312	298	295	300	301	308	304	316
<b>Recreation Facilities</b>										
Boat ramp permits	2,934	3,992	3,705	4,357	4,482	3,635	6,673	6,288	6,848	6,724
Golf rounds	44,654	23,507	37,217	39,142	40,080	43,110	30,140	33,670	22,781	27,969
<b>Public Works</b>										
Centerline miles of road maintained	367	369	369	369	370	372	372	372	372	372
Wastewater treated (mgd)	0.423	0.423	0.540	0.550	0.490	0.561	0.450	0.415	0.558	0.481
<b>Airport</b>										
Based aircraft	145	148	148	158	158	170	185	147	143	146
Gallons of fuel sold	757,000	730,500	715,161	760,910	817,497	809,242	690,904	679,857	614,612	646,268

Sources: Talbot County Finance Office, applicable County Departments, and Maryland State Board of Education.

**Schedule 20**  
**Talbot County, Maryland**  
**Capital Asset Statistics by Function,**  
**Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Public Safety</b>										
Detention center capacity	140	140	140	140	140	140	140	140	140	140
Fire stations	7	7	7	7	7	7	7	7	7	7
Emergency Medical Services Stations	3	3	4	4	5	5	5	5	5	5
<b>Education</b>										
Elementary Schools	6	6	6	6	6	6	6	6	6	6
Middle Schools	2	2	2	2	2	2	2	2	2	2
High Schools	2	2	2	2	2	2	2	2	2	2
Public Libraries	3	3	3	3	3	3	3	3	3	3
<b>Recreation Facilities</b>										
Community Center/Ice Rink	1	1	1	1	1	1	1	1	1	1
Golf Course (27 holes)	1	1	1	1	1	1	1	1	1	1
County Parks	11	11	11	11	11	13	13	13	17	17
Park acreage	190	190	190	190	190	632	632	672	672	672
Public Landings & Wharves	28	28	28	29	29	29	29	29	29	30
Boat Slips	102	102	102	102	113	113	113	113	117	117
Public Pools	1	2	2	2	2	2	2	2	2	2
<b>Public Works</b>										
Centerline miles of county roads	367	369	369	369	370	372	372	372	372	372
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	2	2	2	2	2	2	3	3	3	3
Miles of mains	33	33	33	33	33	33	38	38	38	38
Pump stations	12	12	12	12	12	12	12	12	12	12
<b>Airport</b>										
Number of Runways	2	2	2	2	2	2	2	2	2	2

Sources: Talbot County Finance Office and applicable County Departments.