

TALBOT COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008

Report Prepared By:

Talbot County, Maryland Finance Office



TALBOT COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2008
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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF PRINCIPAL 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 24, 2008

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, 2008 as required by both local and state statutes. These statutes require that Talbot County, Maryland annually issue financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted 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 public accounting firm of Trice, Geary and Myers, LLC has audited Talbot County, Maryland's financial statements. 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, 2008, 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 concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Talbot County, Maryland's financial statements for the fiscal year ended June 30, 2008 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

This independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements, including the Single Audit Act of 1984 and the U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government'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.

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 2010. 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.

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 (Sheriff, Finance, Public Works, etc.) and agencies (entities external to the county government that receive county funding, i.e., Cooperative Extension Service, Chesapeake College, social service non-profits, etc.) 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 on page 67 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 Supplementary Information subsection of this report that begins on page 79.

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 appropriately concerned about the slumping housing market and the far reaching effects it has had on Maryland's and the Nation's overall economy. Of greatest concern are the impact of potential reductions in state funding which costs may be passed on to local governments and the potential loss of income tax revenues derived from non-wage income, notably capital gains. Nevertheless, the County continues to have a healthy mix of service related businesses, agriculture, and light manufacturing; and its unemployment rates remain consistently below Maryland and U.S. averages. In addition, it 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 has no plans to issue debt in FY 2009, focusing instead on ongoing projects for which funds have already been secured, either through existing reserve balances or grants. Projects that will receive additional funding in FY 2009 include the renovation of the Talbot County Free Library in Easton, the reconstruction of the Talbot County Senior Center, the purchase/renovation of additional county office space, and three major roadway improvement projects – Glebe Road, Black Dog Alley, and Dutchman's Lane. In addition, capital funding will be provided for a variety of school building maintenance projects and as grant matching dollars for numerous park and public landing improvement projects.

Cash Management Policies and Practices. The County invests its funds according to its adopted investment policy, which provides for safety of principal, meets daily cash flow demands, and seeks to achieve an adequate rate of return. Cash temporarily idle during the year is invested in certificates of deposit or in the Maryland Local Government Investment Pool.

Risk Management. The County is a member of the Maryland Local Government Insurance Trust. The Trust is a public entity risk pool, which is owned and directed by the local governments that subscribe to its coverage and operates under the terms of a Trust Agreement. The Trust provides insurance and risk management services to its members.

The County obtains worker's compensation through a commercial insurance company and self-insures employee medical coverage with a third party providing administrative services.

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 cost are currently funded on a pay-as-you-go basis. However, beginning in FY 2009, GAAP require governments to report a liability in the financial statements in connection with their future obligation to provide these benefits. In FY 2008, the County chose to set aside a portion of its unreserved fund balance, \$6.35 million, to begin funding this liability.

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, 2007. 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 six 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,



John W. Lehner
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, 2007

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.



Charles S. Cox

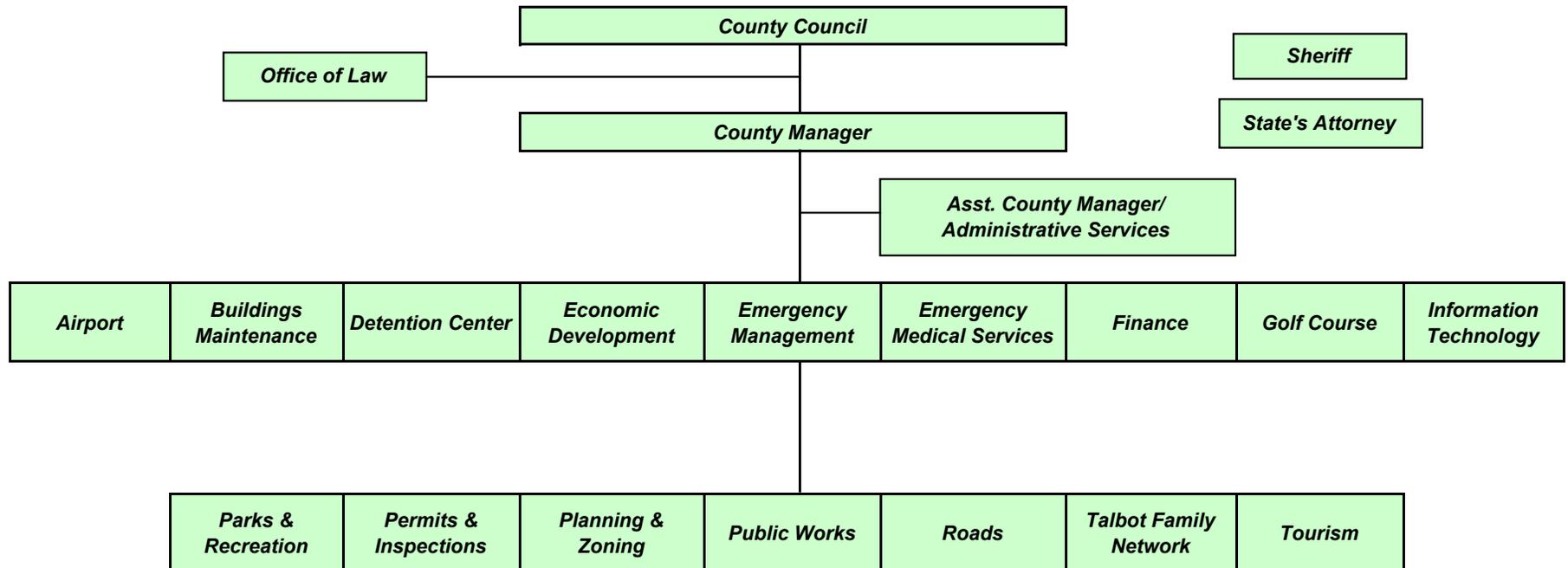
President

Jeffrey R. Emmer

Executive Director



Talbot County Government Organization Chart



Talbot County, Maryland
List of Elected and Appointed Officials
June 30, 2008

Elected Officials

County Council	Philip Carey Foster, President Dirck K. Bartlett Thomas G. Duncan Levin F. "Buddy" Harrison Corey Pack
Sheriff	Dallas G. Pope
State's Attorney	Scott Patterson

Appointed Officials

County Manager	R. Andrew Hollis
Assistant County Manager	Jim Urbanczyk
Attorney	Michael L. Pullen
Airport Manager	Mike Henry
Detention Center Warden	Larry DiNisio
Economic Development Director	Paige Bethke
Emergency Management Director	William E. Mullikin
Emergency Medical Services Director	Brian LeCates
Facilities Manager	Brian Moore
Finance Director	John W. Lehner
Golf Course Manager	Mike Kaminskis
Information Technology Director	Parker Durham
Permits & Inspections Director	Dan Cowee
Planning Officer (Acting)	Mary Kay Verdery
Public Works/County Engineer	Ray Clarke
Parks & Recreation Director	Rick Towle
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, 2008, 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, 2008, 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 24, 2008, on our consideration of Talbot County, Maryland's internal control over financial reporting and 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.

The management's discussion and analysis and budgetary comparison information on pages 13 through 23 and 67 through 76 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Talbot County, Maryland's basic financial statements. The introductory section, combining nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, based upon our audit and the reports of the other auditor, is fairly stated, in all material respects, in relation to the financial statements taken 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 express no opinion on them.

Trice Geary & Myers LLC

Salisbury, Maryland
November 24, 2008

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, 2008. 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, 2008, the assets of Talbot County exceeded liabilities by \$151.7 million (net assets), an increase of \$12.4 million, or 8.9 percent, over the prior year. Approximately 65.5 percent of net assets are attributable to the County's governmental activities. Of total net assets, \$49.7 million are available for use to meet the County's ongoing obligations to its citizens and creditors (unrestricted net assets).
- As of June 30, 2008, the County's governmental funds reported combined fund balances of \$74.7 million, an increase of \$20.4 million, or 37.7 percent, over the prior year. Approximately 35.2 percent of the combined fund balances is available to help meet the County's future funding needs (unreserved and undesignated fund balance).
- The unreserved fund balance for the General Fund (primary operating fund) was \$40.8 million or 50.2 percent of general fund expenditures and other financing uses at June 30, 2008. \$15.4 million, or 37.6 percent of the unreserved fund balance, has been designated for use in the fiscal year 2009 budget.
- Talbot County Government's total debt, excluding compensated absences, increased by net \$23.9 million during the year ended June 30, 2008. 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.

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.

Proprietary Funds. 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.

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.

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 \$151,677,311 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 two categories, *invested in capital assets*, (net of related debt) and *unrestricted net assets*. 67.3 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.

The remaining balance of unrestricted net assets (32.7 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, 2008			June 30, 2007		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 82,496,923	\$ 2,719,237	\$ 85,216,160	\$ 62,301,439	\$ 1,601,324	\$ 63,902,763
Capital Assets	69,464,182	65,572,854	135,037,036	63,825,861	56,519,189	120,345,050
Total Assets	<u>151,961,105</u>	<u>68,292,091</u>	<u>220,253,196</u>	<u>126,127,300</u>	<u>58,120,513</u>	<u>184,247,813</u>
Non Current Liabilities	41,973,447	13,469,626	55,443,073	19,018,051	13,104,347	32,122,398
Other Liabilities	10,568,883	2,563,929	13,132,812	9,888,867	2,957,591	12,846,458
Total Liabilities	<u>52,542,330</u>	<u>16,033,555</u>	<u>68,575,885</u>	<u>28,906,918</u>	<u>16,061,938</u>	<u>44,968,856</u>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	50,706,906	51,317,665	102,024,571	43,541,925	40,239,226	83,781,151
Unrestricted	<u>48,711,869</u>	<u>940,871</u>	<u>49,652,740</u>	<u>53,678,457</u>	<u>1,819,349</u>	<u>55,497,806</u>
Total Net Assets	<u>\$ 99,418,775</u>	<u>\$ 52,258,536</u>	<u>\$ 151,677,311</u>	<u>\$ 97,220,382</u>	<u>\$ 42,058,575</u>	<u>\$ 139,278,957</u>

Talbot County's net assets increased by \$12.4 million during fiscal year 2008, which can be largely attributed to increased revenues from income taxes, contributed funding for capital projects, and investment earnings. These items are addressed in more detail below.

Governmental Activities. Governmental activities increased the County's net assets before transfers by \$9.5 million. Key elements of this increase are as follows:

- Income tax revenues increased by 9.8 percent over the prior fiscal year and were \$8.2 million more than budgeted. Non-wage income again accounted for a significant portion of the increase.
- Intergovernmental revenues increased by \$2.2 million, including unanticipated grants from Maryland's "Program Open Space" and the Maryland Emergency Numbers System Board.

Talbot County Government's Changes in Net Assets

	June 30, 2008			June 30, 2007		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	3,678,919	6,685,131	10,364,050	4,684,471	5,761,549	10,446,020
Operating Grants and Contributions	10,108,796		10,108,796	10,045,423		10,045,423
Capital Grants and Contributions		7,269,502	7,269,502		6,416,909	6,416,909
General Revenues:						
Property Taxes	26,371,828		26,371,828	25,051,218		25,051,218
Local Income Tax	31,626,307		31,626,307	28,794,974		28,794,974
Other Local Taxes	9,949,967		9,949,967	12,002,501		12,002,501
Investment Income	3,405,782	115,854	3,521,636	3,049,507	139,807	3,189,314
Miscellaneous	456,406	2,160	458,566	622,980	(2,740)	620,240
Total Revenues	85,598,005	14,072,647	99,670,652	84,251,074	12,315,525	96,566,599
Expenses:						
General Government	8,476,977		8,476,977	5,447,411		5,447,411
Public Safety	12,911,154		12,911,154	11,161,287		11,161,287
Public Works	4,085,559		4,085,559	4,637,883		4,637,883
Health	1,964,816		1,964,816	1,880,034		1,880,034
Social Services	1,404,799		1,404,799	1,402,948		1,402,948
Education	45,950,955		45,950,955	39,858,261		39,858,261
Recreation	894,668		894,668	2,577,757		2,577,757
Conservation of Natural Resources	274,430		274,430	295,659		295,659
Interest Charges	86,132		86,132	100,461		100,461
Recreation Facilities		3,825,521	3,825,521		3,217,842	3,217,842
Sanitary District		2,910,842	2,910,842		1,649,537	1,649,537
Airport		4,089,080	4,089,080		3,468,909	3,468,909
Pools		397,365	397,365		343,182	343,182
Total Expenses	76,049,490	11,222,808	87,272,298	67,361,701	8,679,470	76,041,171
Increase in Net Assets before transfers	9,548,515	2,849,839	12,398,354	16,889,373	3,636,055	20,525,428
Transfers In (Out)	(7,350,122)	7,350,122	-	(1,563,108)	1,563,108	-
Increase (Decrease) in Net Assets	2,198,393	10,199,961	12,398,354	15,326,265	5,199,163	20,525,428
Net Assets – Beginning	97,220,382	42,058,575	139,278,957	81,894,117	36,859,412	118,753,529
Net Assets - Ending	99,418,775	52,258,536	151,677,311	97,220,382	42,058,575	139,278,957

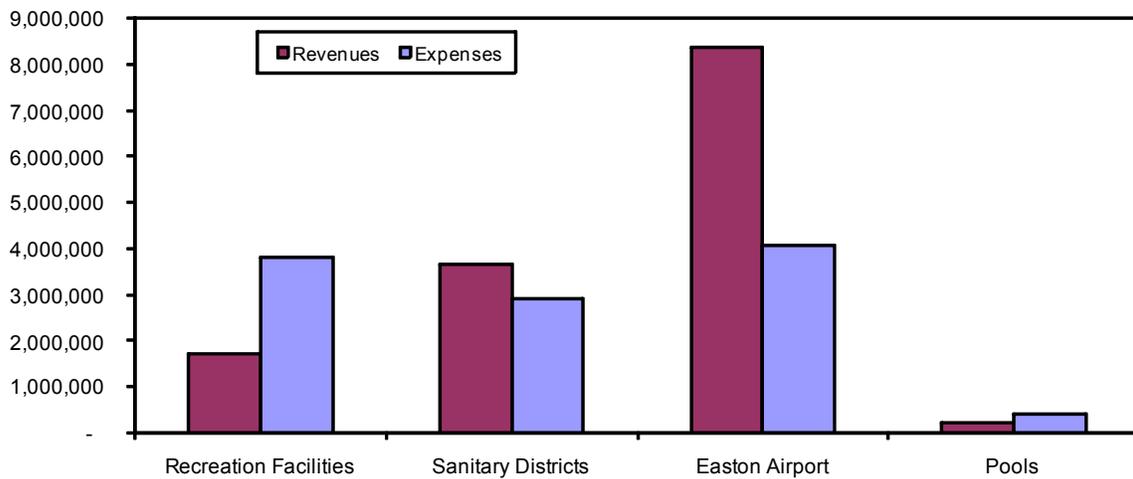
- Investment earnings increased by 11.7 percent and exceeded budgeted projections by \$992,608.
- Transfer and recordation taxes, affected by the soft housing market, decreased by 19.5 percent from the prior fiscal year, and missed budgeted projections by \$1.2 million. All other sources of governmental income yielded a net decrease of approximately \$700,000.

Governmental activities also included the transfer of nearly \$7.4 million to various business-type activities, most notably, \$6.0 million for the planned expansion of the Talbot County Community Center.

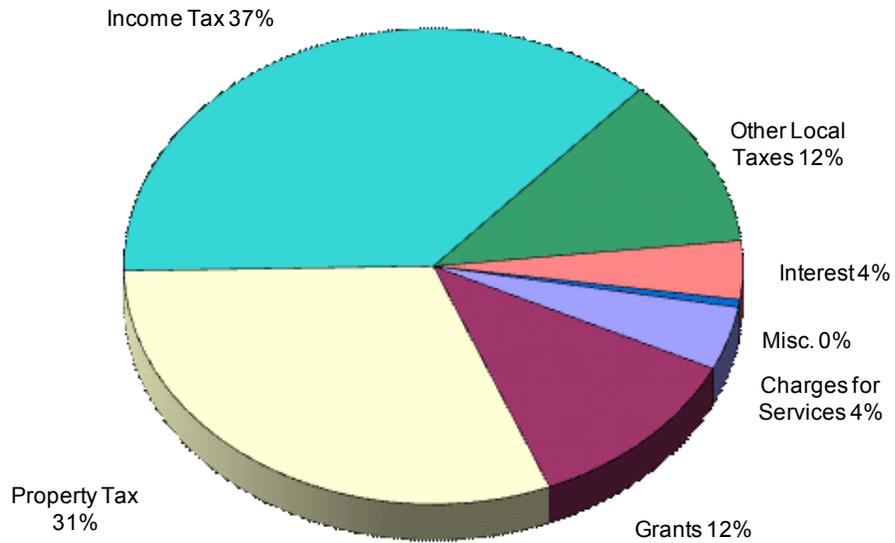
Business-type Activities. Business-type activities increased Talbot County's net assets before transfers by nearly \$2.9 million. The increase is primarily attributable to the receipt of funding for capital improvements at the Easton Airport and ongoing construction of a new wastewater treatment plant in St. Michaels.

Fiscal year 2008 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

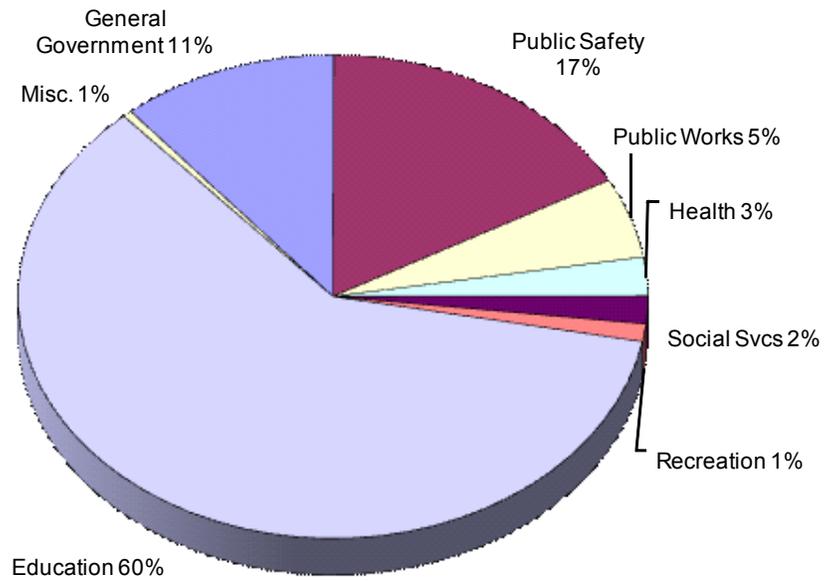
***Expenses and Program Revenues - Business-Type Activities
For the Year Ended June 30, 2008***



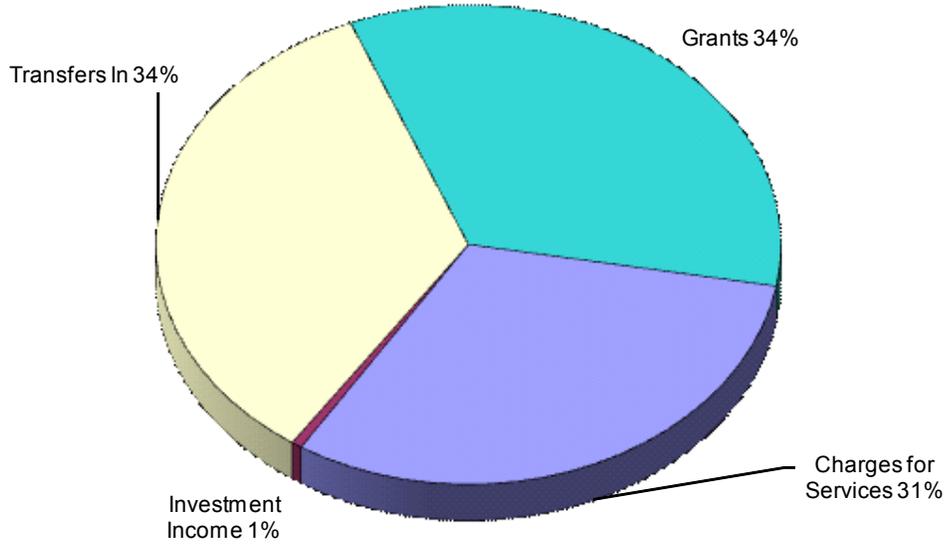
**Revenues by Source - Governmental Activities
For the Year Ended June 30, 2008**



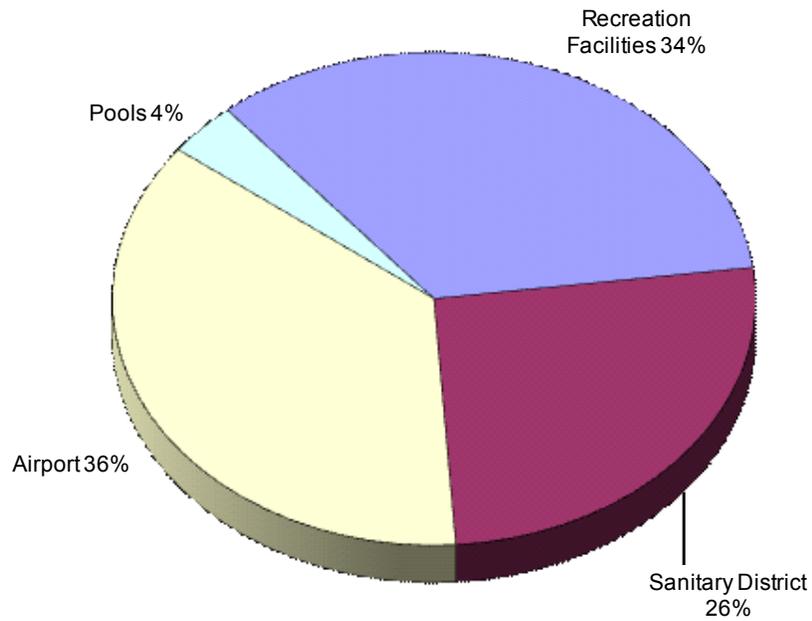
**Expenses - Governmental Activities
For the Year Ended June 30, 2008**



**Revenues by Source - Business-Type Activities
For the Year Ended June 30, 2008**



**Expenses - Business-Type Activities
For the Year Ended June 30, 2008**



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 unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$74.7 million. Approximately 35.2 percent of this total (\$26.2 million) constitutes unreserved undesignated fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either reserved or "designated" to indicate that it is not available for new spending because it has already been committed 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 designated 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 \$41.7 million, and the unreserved undesignated fund balance was \$25.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total fund expenditures. Unreserved undesignated fund balance represents 31.3 percent of total general fund expenditures, while total fund balance represents 51.3 percent of total general fund expenditures.

The fund balance of Talbot County's General Fund increased by \$290,216 during FY 2008, despite the transfer of over \$13.1 million to pay-as-you-go capital projects in the Capital Projects and Recreation Funds.

The fund balance of the County's Capital Projects Fund increased by \$20.7 million during FY 2008. This increase was due to the transfer of pay-as-you-go funding from the General Fund and remaining bond proceeds for the ongoing St. Michaels School renovation project.

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 \$52.3 million. Unrestricted net assets totaled \$940,871.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final actual budget, exclusive of inter-fund transfers and other financing sources/uses, for the County totaled \$9.5 million. Operating revenues exceeded budgetary estimates by \$10.9 million, and operating expenditures exceeded budgetary estimates by \$1.4 million. The major variances can be summarized as follows:

- As described in the Government-Wide Financial Analysis, greater than anticipated income tax receipts and grant funding from the State of Maryland provided the additional revenue to the General Fund.
- Expenditures exceeded authorization only to the extent that greater than anticipated state grant revenues were received and spent without an amendment to the original budget. In fact, a single grant for land acquisition from the Maryland Program Open Space program accounts for more than all of the excess expenditure.

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, 2008 totals \$135.0 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 was 12.2 percent (business-type activities make up 61.6 percent of this increase).

Capital assets are summarized as follows:

Talbot County Government’s Capital Assets (net of accumulated depreciation)

	June 30, 2008			June 30, 2007		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 8,454,186	\$ 3,499,479	\$ 11,953,665	\$ 4,891,711	\$ 1,181,017	\$ 6,072,728
Construction in progress	3,454,430	4,028,129	7,482,559	3,044,095	18,424,584	21,468,679
Buildings and improvements	19,208,670	57,016,085	76,224,755	18,859,774	35,947,359	54,807,133
Non-deprec. infrastructure	23,191,321	-	23,191,321	23,191,321	-	23,191,321
Infrastructure	5,874,139	-	5,874,139	4,460,623	-	4,460,623
Furniture and equipment	9,281,436	1,029,161	10,310,597	9,378,337	966,229	10,344,566
Total	\$ 69,464,182	\$ 65,572,854	\$ 135,037,036	\$ 63,825,861	\$ 56,519,189	\$ 120,345,050

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 bonded debt outstanding of \$57,852,254, a net increase of approximately \$23.8 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, \$14,074,978 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, 2008			June 30, 2007		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
General Bonded Debt	\$ 43,777,276	\$ 14,074,978	\$ 57,852,254	\$ 20,283,936	\$ 13,541,483	\$ 33,825,419

The County's most recent bond ratings from Moody's Investors Service and Fitch Ratings are Aa3 and AA+, respectively (December, 2007).

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 2008, Talbot County experienced a continuation of a number of recent trends. Recordation and transfer tax receipts were down 19.5 percent from the prior year – a further indication of the softening real estate market witnessed over the previous two years. Once again, however, increased income tax revenues, which grew 9.8 percent over the prior year, more than offset declining revenues related to the housing market. As the County began its FY 2009 budget process, though, there were indications that the nationwide weakness in housing was expanding to affect broader sections of the overall economy. The State of Maryland was projecting significant shortfalls in its current and FY 2009 projected budgets that promised to have negative impacts on local governments, as well. The prospect that a worsening economy could eventually stifle our income tax revenue growth drove many of the decisions made when preparing the County's budget for the upcoming year.

In the long-term, Talbot County believes that the region surrounding Washington, D.C. and Baltimore, Maryland will weather the economic downturn as well as any other region of the Country. Relatively speaking, and because of the dominance of government and service related jobs, this region should be one of the least affected areas, and may be one of the first to see signs of a recovery.

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, 2008
COMPONENT UNITS AS OF JUNE 30, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and short-term investments	\$ 26,185,722	\$ 1,470,069	\$ 27,655,791
Certificates of deposit	47,285,884	2,582,349	49,868,233
Investments	-	-	-
Receivables:			
Taxes	16,478	-	16,478
Accounts receivable	1,641,592	343,225	1,984,817
Other	-	-	-
Intergovernmental:			
State	4,885,592	37,813	4,923,405
Federal	226,649	175,962	402,611
Prepaid items	74,521	-	74,521
Internal balances	1,267,910	(1,267,910)	-
Inventories	-	290,304	290,304
Advances to (from) other funds	912,575	(912,575)	-
Other assets	-	-	-
Nondepreciable capital assets	35,099,937	7,527,608	42,627,545
Depreciable capital assets, net	34,364,245	58,045,246	92,409,491
TOTAL ASSETS	151,961,105	68,292,091	220,253,196
LIABILITIES			
Accounts payable and accrued liabilities	5,637,093	1,574,865	7,211,958
Other payables	715,146	-	715,146
Due to State of Maryland	4,259	-	4,259
Unearned revenue	1,488,409	116,002	1,604,411
Long-term liabilities, due within one year			
Compensated absences	304,090	40,984	345,074
Bonds and notes payable	2,404,529	832,078	3,236,607
Bond premium	15,357	-	15,357
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year			
Compensated absences	316,605	46,515	363,120
Bonds and notes payable	41,372,747	13,423,111	54,795,858
Bond premium	284,095	-	284,095
Obligations under state retirement system	-	-	-
TOTAL LIABILITIES	52,542,330	16,033,555	68,575,885
NET ASSETS			
Invested in capital assets, net of related debt	50,706,906	51,317,665	102,024,571
Restricted for food service and capital projects	-	-	-
Unrestricted	48,711,869	940,871	49,652,740
TOTAL NET ASSETS	\$ 99,418,775	\$ 52,258,536	\$ 151,677,311

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

Component Units	
Board of Education	Library
\$ 1,623,513	\$ 322,246
-	-
4,135,538	1,281,109
-	-
1,668,345	6,968
3,290	-
40,213	-
296,369	-
-	2,595
-	-
34,656	-
-	-
-	46,127
24,065,790	49,921
40,725,992	566,926
<u>72,593,706</u>	<u>2,275,892</u>
4,580,021	43,383
53,599	46,127
-	-
1,545,971	-
-	46,376
171,084	-
-	-
25,337	-
184,984	-
473,444	-
-	-
431,031	-
<u>7,465,471</u>	<u>135,886</u>
64,147,254	616,847
308,124	-
672,857	1,523,159
<u>\$ 65,128,235</u>	<u>\$ 2,140,006</u>

**TALBOT COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
GOVERNMENTAL ACTIVITIES				
Current:				
General government	\$ 8,476,977	\$ 2,298,674	\$ 607,909	\$ -
Public safety	12,911,154	565,415	1,811,663	-
Public works	4,085,559	321,330	5,713,498	-
Health and hospitals	1,964,816	75,854	-	-
Social services	1,404,799	-	401,801	-
Education	45,950,955	292,956	-	-
Recreation	894,668	124,690	1,563,232	-
Conservation of natural resources	274,430	-	10,693	-
Interest on long-term debt	86,132	-	-	-
Total Governmental Activities	76,049,490	3,678,919	10,108,796	-
BUSINESS-TYPE ACTIVITIES				
Recreation facilities	3,825,521	1,726,905	-	-
Sanitary district	2,910,842	1,803,762	-	1,847,620
Easton airport	4,089,080	3,075,162	-	5,284,651
Pool	397,365	79,302	-	137,231
Total Business-Type Activities	11,222,808	6,685,131	-	7,269,502
Total Primary Government	\$ 87,272,298	\$ 10,364,050	\$ 10,108,796	\$ 7,269,502
COMPONENT UNITS				
Board of Education	\$ 54,476,776	\$ 888,058	\$ 51,612,371	\$ 12,478,836
Talbot County Free Library	1,631,915	-	1,536,286	-
Total Component Units	\$ 56,108,691	\$ 888,058	\$ 53,148,657	\$ 12,478,836

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
\$ (5,570,394)	\$ -	\$ (5,570,394)	\$ -	\$ -
(10,534,076)	-	(10,534,076)	-	-
1,949,269	-	1,949,269	-	-
(1,888,962)	-	(1,888,962)	-	-
(1,002,998)	-	(1,002,998)	-	-
(45,657,999)	-	(45,657,999)	-	-
793,254	-	793,254	-	-
(263,737)	-	(263,737)	-	-
(86,132)	-	(86,132)	-	-
(62,261,775)	-	(62,261,775)	-	-
-	(2,098,616)	(2,098,616)	-	-
-	740,540	740,540	-	-
-	4,270,733	4,270,733	-	-
-	(180,832)	(180,832)	-	-
-	2,731,825	2,731,825	-	-
<u>\$ (62,261,775)</u>	<u>\$ 2,731,825</u>	<u>\$ (59,529,950)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 10,502,489	\$ -
-	-	-	-	(95,629)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,502,489</u>	<u>\$ (95,629)</u>
\$ 26,371,828	\$ -	\$ 26,371,828	\$ -	\$ -
31,626,307	-	31,626,307	-	-
67,106	-	67,106	-	-
4,476,013	-	4,476,013	-	-
4,199,101	-	4,199,101	-	-
1,143,703	-	1,143,703	-	-
64,044	-	64,044	-	-
3,405,782	115,854	3,521,636	158,076	-
456,406	2,160	458,566	81,402	-
71,810,290	118,014	71,928,304	239,478	-
(7,350,122)	7,350,122	-	-	-
64,460,168	7,468,136	71,928,304	239,478	-
2,198,393	10,199,961	12,398,354	10,741,967	(95,629)
97,220,382	42,058,575	139,278,957	54,386,268	2,235,635
<u>\$ 99,418,775</u>	<u>\$ 52,258,536</u>	<u>\$ 151,677,311</u>	<u>\$ 65,128,235</u>	<u>\$ 2,140,006</u>

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Fund Financial Statements

TALBOT COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
ASSETS				
Cash and short-term investments	\$ 13,755,080	\$ 10,592,695	\$ 1,837,947	\$ 26,185,722
Certificates of deposit	24,781,439	19,177,023	3,327,422	47,285,884
Receivables:				
Taxes	16,478	-	-	16,478
Accounts receivable	1,226,405	414,416	771	1,641,592
Intergovernmental:				
State	3,770,544	943,970	171,078	4,885,592
Federal	226,649	-	-	226,649
Prepaid items	74,521	-	-	74,521
Due from other funds	1,267,910	-	-	1,267,910
Advances to other funds	912,575	-	-	912,575
	<hr/>			
Total Assets	\$ 46,031,601	\$ 31,128,104	\$ 5,337,218	\$ 82,496,923
	<hr/> <hr/>			
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 3,306,558	\$ 1,770,123	\$ 560,412	\$ 5,637,093
Other payables	715,146	-	-	715,146
Due to State of Maryland	4,259	-	-	4,259
Unearned revenue	298,285	1,064,698	125,426	1,488,409
	<hr/>			
Total Liabilities	4,324,248	2,834,821	685,838	7,844,907
	<hr/>			
FUND BALANCES				
Reserved:				
Prepaid items	74,521	-	-	74,521
Noncurrent receivables	839,348	-	-	839,348
Unreserved, designated for subsequent years' expenditures:				
Capital projects	-	28,293,283	3,825,780	32,119,063
Social services	-	-	24,295	24,295
Future budget	15,353,614	-	-	15,353,614
Unreserved, reported in:				
General fund	25,439,870	-	-	25,439,870
Special revenue funds	-	-	801,305	801,305
	<hr/>			
Total Fund Balances	41,707,353	28,293,283	4,651,380	74,652,016
	<hr/>			
Total Liabilities and Fund Balances	\$ 46,031,601	\$ 31,128,104	\$ 5,337,218	\$ 82,496,923
	<hr/> <hr/>			

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

Total Governmental Funds Balances \$ 74,652,016

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 funds 69,464,182

Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds

Bonds and notes payable (43,777,276)

Bond premium (299,452)

Compensated absences (620,695)

(44,697,423)

Net Assets of Governmental Activities

\$ 99,418,775

TALBOT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2008

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes	\$ 26,371,828	\$ -	\$ -	\$ 26,371,828
Local income taxes	31,626,307	-	-	31,626,307
Other local taxes	9,949,967	-	-	9,949,967
Licenses and permits	665,413	-	785,812	1,451,225
Intergovernmental:				
Federal	454,601	531,712	-	986,313
State	7,043,895	1,963,633	114,955	9,122,483
Service charges	2,220,939	-	-	2,220,939
Fines and forfeitures	6,755	-	-	6,755
Miscellaneous	446,406	10,000	-	456,406
Interest	2,492,608	658,303	254,871	3,405,782
Total Revenues	81,278,719	3,163,648	1,155,638	85,598,005
EXPENDITURES				
Current				
General government	5,545,546	413,220	-	5,958,766
Public safety	11,246,960	-	-	11,246,960
Public works	4,040,458	2,330,542	-	6,371,000
Health and hospitals	1,957,072	2,006,861	-	3,963,933
Social services	852,015	-	538,575	1,390,590
Education	36,705,795	10,406,401	-	47,112,196
Recreation	2,004,489	492,528	-	2,497,017
Conservation of natural resources	274,430	-	-	274,430
Employee benefits	2,644,213	-	-	2,644,213
Miscellaneous	233,696	-	-	233,696
Intergovernmental	860,442	-	-	860,442
Debt service interest	86,132	-	-	86,132
Debt service principal	333,097	-	-	333,097
Contingencies	157,807	-	-	157,807
Total Expenditures	66,942,152	15,649,552	538,575	83,130,279
Excess of Revenues Over (Under) Expenditures	14,336,567	(12,485,904)	617,063	2,467,726
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	-	25,020,000	-	25,020,000
Bond premium	307,130	-	-	307,130
Transfers in (out) to other funds:				
Pool - operating appropriation	(152,776)	-	-	(152,776)
Recreation - operating appropriation	(1,074,953)	-	-	(1,074,953)
Recreation - capital projects transfer	(6,002,393)	-	(120,000)	(6,122,393)
Capital projects - capital	-	1,022,000	(1,022,000)	-
Capital projects pay-as-you-go transfer	(7,123,359)	7,123,359	-	-
Total Other Financing Sources (Uses)	(14,046,351)	33,165,359	(1,142,000)	17,977,008
Net Change in Fund Balances	290,216	20,679,455	(524,937)	20,444,734
Fund Balances at Beginning of Year	41,417,137	7,613,828	5,176,317	54,207,282
Fund Balances at End of Year	\$ 41,707,353	\$ 28,293,283	\$ 4,651,380	\$ 74,652,016

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

Net change in fund balances - total Governmental Funds \$ 20,444,734

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	8,684,330
Current year depreciation	<u>(2,970,317)</u>

Total	5,714,013
-------	-----------

Loss on disposal of equipment (75,692)

Loan proceeds and bond premiums provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets and bond premiums are amortized over the life of the bond in the government-wide financial statements.

Bond proceeds	(25,020,000)
Bond premium, net of amortization	(299,452)

Repayment of debt obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments on long-term debt	1,526,660
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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.

Change in compensated absences	(91,870)
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Change in net assets of Governmental Activities	<u><u>\$ 2,198,393</u></u>
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TALBOT COUNTY, MARYLAND
STATEMENT OF FUND NET ASSETS
BUSINESS-TYPE ACTIVITIES
June 30, 2008

	Major Funds			Nonmajor Fund	
	Recreation Facilities	Sanitary District	Easton Airport	Pool	Totals
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and short-term investments	\$ 1,306,605	\$ 56,886	\$ 106,578	\$ -	\$ 1,470,069
Certificates of deposit	2,359,052	102,987	120,310	-	2,582,349
Accounts receivable:					
Accounts receivable, customers	52,343	70,431	217,935	2,516	343,225
Intergovernmental:					
State	-	-	37,813	-	37,813
Federal	-	-	175,962	-	175,962
Inventories	65,401	-	224,903	-	290,304
Total Current Assets	<u>3,783,401</u>	<u>230,304</u>	<u>883,501</u>	<u>2,516</u>	<u>4,899,722</u>
NONCURRENT ASSETS					
Land	450,000	2,463,801	585,678	-	3,499,479
Construction in progress	355	-	4,027,774	-	4,028,129
Buildings and improvements	14,176,842	37,917,166	28,777,551	1,657,448	82,529,007
Furniture and equipment	1,635,984	180,780	889,746	121,204	2,827,714
Less: accumulated depreciation	(5,785,365)	(9,928,826)	(10,908,593)	(688,691)	(27,311,475)
Total Noncurrent Assets	<u>10,477,816</u>	<u>30,632,921</u>	<u>23,372,156</u>	<u>1,089,961</u>	<u>65,572,854</u>
Total Assets	<u>14,261,217</u>	<u>30,863,225</u>	<u>24,255,657</u>	<u>1,092,477</u>	<u>70,472,576</u>
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts payable	257,474	812,263	484,542	20,586	1,574,865
Compensated absences	24,853	6,484	9,647	-	40,984
Due to other funds	-	805,919	-	461,991	1,267,910
Unearned revenues	6,299	79,384	30,319	-	116,002
Advances from other funds	-	-	73,227	-	73,227
Current maturities of long-term debt	230,702	487,632	113,744	-	832,078
Total Current Liabilities	<u>519,328</u>	<u>2,191,682</u>	<u>711,479</u>	<u>482,577</u>	<u>3,905,066</u>
NONCURRENT LIABILITIES					
Compensated absences	23,814	12,900	9,801	-	46,515
Advances from other funds	-	-	839,348	-	839,348
Long-term debt, less current maturities	3,113,352	8,719,212	1,590,547	-	13,423,111
Total Noncurrent Liabilities	<u>3,137,166</u>	<u>8,732,112</u>	<u>2,439,696</u>	<u>-</u>	<u>14,308,974</u>
Total Liabilities	<u>3,656,494</u>	<u>10,923,794</u>	<u>3,151,175</u>	<u>482,577</u>	<u>18,214,040</u>
<u>NET ASSETS</u>					
Invested in capital assets, net	7,133,762	21,426,077	21,667,865	1,089,961	51,317,665
Unrestricted (deficit)	3,470,961	(1,486,646)	(563,383)	(480,061)	940,871
Total Net Assets	<u>\$ 10,604,723</u>	<u>\$ 19,939,431</u>	<u>\$ 21,104,482</u>	<u>\$ 609,900</u>	<u>\$ 52,258,536</u>

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, 2008

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
OPERATING REVENUES					
Airport - operations	\$ -	\$ -	\$ 213,953	\$ -	\$ 213,953
Airport - fuel facility	-	-	2,385,600	-	2,385,600
Airport - hangars	-	-	469,906	-	469,906
Sewer service charges	-	1,680,519	-	-	1,680,519
Sewer connection charges	-	83,071	-	-	83,071
Residential benefit charges	-	21,336	-	-	21,336
Admissions	137,044	-	-	33,960	171,004
Room rents	23,041	-	-	-	23,041
Ice revenue	183,233	-	-	-	183,233
Pro shop and concessions	417,708	-	-	-	417,708
Cart rentals	108,048	-	-	-	108,048
Greens fees	843,190	-	-	-	843,190
Other operating	14,641	18,836	5,703	45,342	84,522
Total Operating Revenues	1,726,905	1,803,762	3,075,162	79,302	6,685,131
OPERATING EXPENSES					
Salaries and related expenses	1,329,574	443,477	315,391	195,752	2,284,194
Cost of sales - fuel	-	-	2,188,228	-	2,188,228
Professional fees	24,293	3,963	15,880	4,370	48,506
Office	62,822	15,651	23,773	3,940	106,186
Insurance	30,309	22,495	22,001	2,877	77,682
Contracted services	-	1,004,205	-	-	1,004,205
Repairs and maintenance	510,398	72,882	98,459	45,725	727,464
Utilities	319,123	-	55,097	18,276	392,496
Supplies and equipment	270,753	-	241	21,901	292,895
Lessons and programs	123,848	-	-	2,855	126,703
Concessions	280,323	-	-	-	280,323
Depreciation	670,715	772,886	1,154,237	93,516	2,691,354
Other operating	49,922	375,172	5,745	8,153	438,992
Total Operating Expenses	3,672,080	2,710,731	3,879,052	397,365	10,659,228
Operating Income (Loss)	(1,945,175)	(906,969)	(803,890)	(318,063)	(3,974,097)
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	1,010,341	5,281,351	125,231	6,416,923
Expansion fund revenues	-	710,750	-	-	710,750
Gain (loss) on disposal of capital assets	-	(50,664)	2,160	-	(48,504)
Interest income	-	82,315	33,539	-	115,854
Interest expense	(153,441)	(149,447)	(210,028)	-	(512,916)
Total Non-Operating Revenues (Expenses)	(153,441)	1,603,295	5,107,022	125,231	6,682,107
Income (Loss) Before Capital Contributions and Transfers	(2,098,616)	696,326	4,303,132	(192,832)	2,708,010
Capital Contributions	-	126,529	3,300	12,000	141,829
Transfers In	7,197,346	-	-	152,776	7,350,122
Change in Net Assets	5,098,730	822,855	4,306,432	(28,056)	10,199,961
Net Assets, Beginning of Year	5,505,993	19,116,576	16,798,050	637,956	42,058,575
Net Assets, End of Year	\$ 10,604,723	\$ 19,939,431	\$ 21,104,482	\$ 609,900	\$ 52,258,536

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, 2008**

	Major Funds		
	Recreation <u>Facilities</u>	Sanitary <u>District</u>	Easton <u>Airport</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,683,386	\$ 1,040,699	\$ 3,030,864
Cash received from other revenues	14,641	18,836	5,703
Cash payments for salaries and related expenses	(1,330,527)	(429,911)	(318,025)
Cash payments to suppliers	(1,589,740)	(279,165)	(2,592,029)
Cash payments for contracted services	-	(1,004,205)	-
Other receipts (payments)	(1,472,524)	805,919	-
	<hr/>	<hr/>	<hr/>
Net cash provided (used) by operating activities	(2,694,764)	152,173	126,513
	<hr/>	<hr/>	<hr/>
Cash flows from noncapital financing activities:			
Transfers from other funds	7,197,346	-	-
	<hr/>	<hr/>	<hr/>
Cash flows from capital and related financing activities:			
Capital contributions	-	-	3,300
Grant revenues for construction of capital assets	-	1,139,047	5,277,581
Expansion fund revenues for construction of capital assets	-	710,750	-
Issuance of long-term debt	-	1,323,725	-
Proceeds from the sale of capital assets	-	-	2,160
Principal paid on long-term notes and bonds	(224,860)	(546,819)	(112,291)
Interest paid on long-term notes and bonds	(153,441)	(149,447)	(210,028)
Acquisition and construction of capital assets	(462,174)	(5,727,306)	(5,373,863)
	<hr/>	<hr/>	<hr/>
Net cash provided (used) by capital and related financing activities	(840,475)	(3,250,050)	(413,141)
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities:			
Interest income on investments	-	82,315	33,539
Repayment of advances from other funds	-	-	(1,551,954)
Purchases of certificates of deposits	(2,359,052)	-	-
Redemptions of certificates of deposit	-	1,792,364	1,080,057
	<hr/>	<hr/>	<hr/>
Net cash provided (used) by investing activities	(2,359,052)	1,874,679	(438,358)
	<hr/>	<hr/>	<hr/>
Increase (Decrease) in Cash and Cash Equivalents	1,303,055	(1,223,198)	(724,986)
Cash and Cash Equivalents at Beginning of Year	3,550	1,280,084	831,564
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents at End of Year	\$ 1,306,605	\$ 56,886	\$ 106,578
	<hr/>	<hr/>	<hr/>

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

<u>Nonmajor Fund</u>	
<u>Pool</u>	<u>Totals</u>
\$ 47,290	\$ 5,802,239
45,342	84,522
(197,539)	(2,276,002)
(103,924)	(4,564,858)
-	(1,004,205)
24,635	(641,970)
<hr/>	
(184,196)	(2,600,274)
<hr/>	
152,776	7,350,122
<hr/>	
12,000	15,300
125,231	6,541,859
-	710,750
-	1,323,725
-	2,160
-	(883,970)
-	(512,916)
(105,811)	(11,669,154)
<hr/>	
31,420	(4,472,246)
<hr/>	
-	115,854
-	(1,551,954)
-	(2,359,052)
-	2,872,421
<hr/>	
-	(922,731)
<hr/>	
-	(645,129)
<hr/>	
-	2,115,198
<hr/>	
\$ -	\$ 1,470,069
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**TALBOT COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2008 (continued)**

	Major Funds		
	<u>Recreation Facilities</u>	<u>Sanitary District</u>	<u>Easton Airport</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (1,945,175)	\$ (906,969)	\$ (803,890)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	670,715	772,886	1,154,237
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, customers	(33,708)	(49,978)	(60,052)
(Increase) decrease in inventories	6,450	-	(83,466)
Increase (decrease) in accounts payable	75,601	210,998	(99,139)
Increase (decrease) in compensated absences	(953)	13,566	(2,634)
Increase (decrease) in due to other funds	(1,472,524)	805,919	-
Increase (decrease) in unearned revenue	4,830	(694,249)	21,457
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,694,764)</u>	<u>\$ 152,173</u>	<u>\$ 126,513</u>

Noncash investing, capital, and financing activities:

During the year, the County acquired a portion of a wastewater treatment plant facility from a homeowner's association as a contribution totaling \$126,529.

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

<u>Nonmajor Fund</u>	
<u>Pool</u>	<u>Totals</u>
\$ (318,063)	\$ (3,974,097)
93,516	2,691,354
13,330	(130,408)
-	(77,016)
4,173	191,633
(1,787)	8,192
24,635	(641,970)
-	(667,962)
<u>\$ (184,196)</u>	<u>\$ (2,600,274)</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 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
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 (TCFL)* is a separately elected 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.

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.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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. There are three categories of funds: governmental, proprietary and fiduciary. The County does not maintain any fiduciary funds.

Governmental Fund Types

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

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

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.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

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.

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.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

E. Basis of Accounting (continued)

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.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as unearned revenue.

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) Prior to 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.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

F. Budgetary Process (continued)

- (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 fund 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 are as originally adopted and approved 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 Investments

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

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.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

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.

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.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves

The County reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Fund balance designations are established to identify tentative plans for restrictions on the future uses of financial resources.

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 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, 2008, the County Primary Government had deposits of \$74,932,953 including \$49,868,233 in certificates of deposit with maturities greater than 3 months, with local banks (carrying value \$77,524,024). Of those deposits, \$400,000 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, 2008, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$3,750 as of June 30, 2008.

Board of Education

At June 30, 2008, the Board of Education had deposits totaling \$1,638,169 (carrying value \$1,623,013). Of the bank balance, \$326,108 was insured by federal depository insurance. Additionally, petty cash totaled \$500 as of June 30, 2008.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (continued)

A. Deposits (continued)

Board of Education (continued)

The Board of Education does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$1,312,061 of the Board of Education's bank balance of \$1,638,169 was exposed to custodial credit risk because it was uninsured by FDIC and fully collateralized by securities held by the pledging financial institution's trust department or agent, but not in the Board of Education's name.

Library

At June 30, 2008, the Library had deposits totaling \$322,246 (carrying value \$322,246), which were either fully insured or collateralized with securities held in the name of the Library or its agent in their name.

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 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, 2008, the County had investments in MLGIP of \$3,000,000, which are recorded at cost, which approximates fair value.

The County's exposure to investment rate and credit risk is minimal, as all investments are in cash, MLGIP, or certificates of deposit and are thus precluded from having to sell below original cost. Custodial credit risk is also mitigated by having all investments fully collateralized by securities as mentioned previously.

Board of Education

At June 30, 2008, the Board of Education's investment balances by type and maturity were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		<u>Interest Rate at June 30</u>
		<u>Less than 1</u>	<u>1 - 5</u>	
Repurchase Agreements	\$5,753,401	-	\$5,753,401	1.72%

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, 2008, appropriate due from/to other funds have been established.

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

Note 4. Interfund Receivables and Payables (continued)

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, 2008 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	Transfers	\$ 1,267,910	\$ -
Enterprise Fund - Pool	Transfers	-	461,991
Enterprise Fund - Sanitary District	Transfers	-	805,919
		<u>\$ 1,267,910</u>	<u>\$ 1,267,910</u>

Advances to/from other funds balances as of June 30, 2008 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	Construction projects	\$ 912,575	\$ -
Enterprise Fund - Airport	Construction projects	-	912,575
		<u>\$ 912,575</u>	<u>\$ 912,575</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. Of those advances, approximately \$839,000 is not expected to be repaid within the current year. Thus, a portion of the fund balance in the general fund totaling \$839,348 has been reserved for this amount.

The Developmental Impact fund was set up by the County to collect fees on new development, construction, and expansion projects. Those fees will be used to support various infrastructure, transportation, education, and other capital projects required due to recent development. During the year, the County transferred \$1,022,000 from the Developmental Impact fund to the Capital Projects fund to finance various capital projects. Additionally, the County transferred \$120,000 from the Developmental Impact fund to the Recreation fund to finance improvements to the community center.

Note 5. Capital Assets

During the year, the County acquired a portion of a wastewater treatment plant facility from the Martingham Utilities Cooperative as a contribution. The facilities were recorded as a contribution in the Sanitary District Fund at their fair market value and are being depreciated over their remaining useful lives. The County is obligated under the acquisition agreement to collect fees relating to the Martingham District in order to service the debt relating to the wastewater treatment portion of the facility (see Note 6).

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

A summary of changes in capital assets for the fiscal year ended June 30, 2008 is as follows:

	Balance June 30, 2007	Additions	Transfers and Reductions	Balance June 30, 2008
Primary Government				
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$ 4,891,711	\$ 3,562,475	\$ -	\$ 8,454,186
Infrastructure	23,191,321	-	-	23,191,321
Construction in progress	3,044,095	1,771,464	(1,361,129)	3,454,430
Total Nondepreciable Capital Assets	31,127,127	5,333,939	(1,361,129)	35,099,937
Depreciable Capital Assets:				
Buildings and improvements	26,170,861	686,358	442,180	27,299,399
Infrastructure	6,257,645	1,532,526	(21,370)	7,768,801
Furniture and equipment	16,897,009	1,131,507	171,316	18,199,832
Total capital assets being depreciated	49,325,515	3,350,391	592,126	53,268,032
Less accumulated depreciation for:				
Buildings and improvements	7,311,087	779,642	-	8,090,729
Infrastructure	1,797,022	542,046	(444,406)	1,894,662
Furniture and equipment	7,518,672	1,648,629	(248,905)	8,918,396
Total accumulated depreciation	16,626,781	2,970,317	(693,311)	18,903,787
Total Depreciable Capital Assets, Net	32,698,734	380,074	1,285,437	34,364,245
Total Governmental Activities, Net	\$ 63,825,861	\$ 5,714,013	\$ (75,692)	\$ 69,464,182
	Balance June 30, 2007	Additions	Transfers and Reductions	Balance June 30, 2008
Business-Type Activities:				
Nondepreciable Capital Assets:				
Land	\$ 1,181,017	\$ 2,318,462	\$ -	\$ 3,499,479
Construction in progress	18,424,584	3,799,583	(18,196,038)	4,028,129
Total Nondepreciable Capital Assets	19,605,601	6,118,045	(18,196,038)	7,527,608
Depreciable Capital Assets:				
Buildings and improvements	59,050,571	5,437,440	18,040,996	82,529,007
Furniture and equipment	2,597,691	240,198	(10,175)	2,827,714
Total Depreciable Capital Assets	61,648,262	5,677,638	18,030,821	85,356,721
Less accumulated depreciation for:				
Buildings and improvements	23,103,212	2,500,242	(90,532)	25,512,922
Furniture and equipment	1,631,462	191,112	(24,021)	1,798,553
Total accumulated depreciation	24,734,674	2,691,354	(114,553)	27,311,475
Total Depreciable Capital Assets, Net	36,913,588	2,986,284	18,145,374	58,045,246
Total Business-Type Activities, Net	\$ 56,519,189	\$ 9,104,329	\$ (50,664)	\$ 65,572,854

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 552,541
Public Safety	1,050,948
Public Works	1,113,545
Health & Hospitals	7,744
Social Services	15,518
Recreation	<u>230,021</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 2,970,317</u>

A summary of changes in capital assets for the component units at June 30, 2008 is as follows:

<u>Component Units</u>	Balance June 30, 2007	Additions	Transfers and Reductions	Balance June 30, 2008
Board of Education				
Nondepreciable Capital Assets:				
Land	\$ 377,446	\$ -	\$ -	\$ 377,446
Construction in progress	11,881,694	11,806,650	-	23,688,344
Total Nondepreciable Capital Assets	<u>12,259,140</u>	<u>11,806,650</u>	<u>-</u>	<u>24,065,790</u>
Depreciable Capital Assets:				
Buildings and improvements	64,229,952	13,460	(1,500)	64,241,912
Furniture and equipment	15,034,807	1,836,506	(2,430,879)	14,440,434
Total capital assets being depreciated	<u>79,264,759</u>	<u>1,849,966</u>	<u>(2,432,379)</u>	<u>78,682,346</u>
Less accumulated Depreciation for:				
Buildings and improvements	25,289,279	1,437,720	(1,013)	26,725,986
Furniture and equipment	12,405,096	1,187,015	(2,361,743)	11,230,368
Total accumulated depreciation	<u>37,694,375</u>	<u>2,624,735</u>	<u>(2,362,756)</u>	<u>37,956,354</u>
Total Depreciable Capital Assets, Net	<u>\$ 41,570,384</u>	<u>\$ (774,769)</u>	<u>\$ (69,623)</u>	<u>\$ 40,725,992</u>
Library				
Nondepreciable Capital Assets:				
Land	\$ 49,921	\$ -	\$ -	\$ 49,921
Depreciable Capital Assets:				
Buildings and improvements	329,025	-	-	329,025
Furniture and equipment	1,120,149	143,217	-	1,263,366
Total capital assets being depreciated	<u>1,449,174</u>	<u>143,217</u>	<u>-</u>	<u>1,592,391</u>
Less accumulated depreciation	832,823	192,642	-	1,025,465
Total Depreciable Capital Assets, Net	<u>\$ 616,351</u>	<u>\$ (49,425)</u>	<u>\$ -</u>	<u>\$ 566,926</u>

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

The following is a summary of long-term debt at June 30, 2008:

	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Amount Due in One Year
Primary Government					
Governmental Activities:					
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%	\$ 8,160,000	\$ -	\$ 945,000	\$ 7,215,000	\$ 985,000
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%	-	25,020,000	-	25,020,000	810,000
Shore Erosion Construction Loan; original issue \$168,825, payable annually in principal payments of \$11,255 through July 1, 2011; interest-free	56,275	-	11,255	45,020	11,255
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%	152,801	-	6,485	146,316	6,750
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%	465,000	-	25,000	440,000	25,000
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%	2,225,000	-	90,000	2,135,000	100,000
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%	9,224,860	-	448,920	8,775,940	466,524
Compensated absences	20,283,936	25,020,000	1,526,660	43,777,276	2,404,529
	528,825	688,028	596,158	620,695	304,090
TOTAL GOVERNMENTAL ACTIVITIES	\$ 20,812,761	\$ 25,708,028	\$ 2,122,818	\$ 44,397,971	\$ 2,708,619

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Amount Due in One Year
Business-type Activities:					
<u>Recreation Facilities</u>					
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%	\$ 2,450,000	\$ -	\$ 90,000	\$ 2,360,000	\$ 90,000
Golf course equipment capital lease; original issue of \$319,792, payable monthly in principal and interest payments of approximately \$7,395 through November 2009; interest at 3.9%	203,461	-	81,671	121,790	85,207
Golf course equipment capital lease; original issue of \$79,478, payable monthly in principal and interest payments of approximately \$1,309 through October 2010; interest at 5.6%	70,489	-	12,070	58,419	12,763
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%	844,964	-	41,119	803,845	42,732
Total Recreation Facilities	<u>\$ 3,568,914</u>	<u>\$ -</u>	<u>\$ 224,860</u>	<u>\$ 3,344,054</u>	<u>\$ 230,702</u>

Sanitary District

Public Improvement and Refunding Bonds of 2006; original issue \$50,000, payable annually in principal payments ranging from \$15,000 to \$20,000 through February 1, 2009; interest payable semi-annually at 4%	\$ 35,000	\$ -	\$ 15,000	\$ 20,000	\$ 20,000
Public Improvement and Refunding Bonds of 2006; original issue \$340,000, 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%	320,000	-	20,000	300,000	20,000
Water Quality Bonds of 2006; Total authorized borrowing of \$10,212,981; \$8,822,745 borrowed to date, loan to be repaid in level principal and interest payments over 20 years beginning February 2008; interest at 0.4%	7,499,020	1,323,725	491,516	8,331,229	426,292

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Amount Due in One Year
Business-type Activities (continued):					
<u>Sanitary Districts (continued)</u>					
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%	\$ 413,911	\$ -	\$ 16,186	\$ 397,725	\$ 17,035
Farmers Home Administration Bond; Unionville/Tunis Mills/Copperville Wastewater System Bond of 2001; original issue \$186,000, payable quarterly in payments of \$2,833 through May 2030, including interest at 4.5%	162,007	-	4,117	157,890	4,305
Total Sanitary District	<u>\$ 8,429,938</u>	<u>\$ 1,323,725</u>	<u>\$ 546,819</u>	<u>\$ 9,206,844</u>	<u>\$ 487,632</u>
 <u>Easton Airport</u>					
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%	\$ 95,000	\$ -	\$ 5,000	\$ 90,000	\$ 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%	410,000	-	30,000	380,000	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%	205,000	-	25,000	180,000	25,000

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008	Amount Due in One Year
Business-type Activities (continued):					
<u>Easton Airport (continued)</u>					
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%	\$ 875,176	\$ -	\$ 39,961	\$ 835,215	\$ 40,744
Department of Natural Resources Hangar; 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	231,406	-	12,330	219,076	13,000
Total Easton Airport	1,816,582	-	112,291	1,704,291	113,744
	13,815,434	1,323,725	883,970	14,255,189	832,078
Compensated absences	79,307	86,906	78,714	87,499	40,984
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 13,894,741	\$ 1,410,631	\$ 962,684	\$ 14,342,688	\$ 873,062

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	\$ 399,445
Less: accumulated depreciation	<u>(131,305)</u>
Total	<u><u>\$ 268,140</u></u>

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

Business-Type Activities

<u>Year Ending June 30</u>	
2009	\$ 104,447
2010	52,684
2011	<u>32,728</u>
	189,859
Less amounts representing interest	<u>(9,650)</u>
Present value of future minimum lease payments	<u><u>\$ 180,209</u></u>

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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 \$108,900. 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.

	Balance at June 30, 2007	Additions	Reductions	Balance at June 30, 2008
<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	\$ -	\$ 496,521	\$ 106,980	\$ 389,541
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	318,794	-	69,994	248,800
Note payable to Queenstown Bank of Maryland; principal and interest payment of \$6,167, payable monthly through July 2008; interest is payable at 2.56% per annum; collateralized by equipment	79,008	-	72,821	6,187
TOTAL BOARD OF EDUCATION	\$ 397,802	\$ 496,521	\$ 249,795	\$ 644,528

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
Governmental Activities			
Fiscal year Ending June 30,			
2009	\$ 2,404,000	\$ 1,869,000	\$ 4,273,000
2010	2,513,000	1,765,000	4,278,000
2011	2,630,000	1,655,000	4,285,000
2012	2,112,000	1,540,000	3,652,000
2013	2,198,000	1,449,000	3,647,000
2014-2018	12,571,000	5,697,000	18,268,000
2019-2023	10,809,000	2,926,000	13,735,000
2024-2028	8,540,000	872,000	9,412,000
Total Governmental Activities	\$ 43,777,000	\$ 17,773,000	\$ 61,550,000
Enterprise Fund - Recreational Facilities			
Fiscal year Ending June 30,			
2009	133,000	139,000	\$ 272,000
2010	139,000	133,000	272,000
2011	146,000	127,000	273,000
2012	154,000	122,000	276,000
2013	156,000	115,000	271,000
2014-2018	887,000	465,000	1,352,000
2019-2023	1,024,000	248,000	1,272,000
2024-2028	525,000	46,000	571,000
Total Recreational Facilities	\$ 3,164,000	\$ 1,395,000	\$ 4,559,000
Enterprise Fund - Sanitary District			
Fiscal year Ending June 30,			
2009	\$ 488,000	\$ 74,000	\$ 562,000
2010	471,000	70,000	541,000
2011	474,000	66,000	540,000
2012	477,000	62,000	539,000
2013	480,000	57,000	537,000
2014-2018	2,471,000	225,000	2,696,000
2019-2023	2,446,000	115,000	2,561,000
2024-2028	1,878,000	30,000	1,908,000
2029-2033	22,000	1,000	23,000
Total Sanitary District	\$ 9,207,000	\$ 700,000	\$ 9,907,000

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

Primary Government (continued)

	Principal	Interest	Total
Enterprise Fund - Easton Airport			
Fiscal year Ending June 30,			
2009	\$ 114,000	\$ 83,000	\$ 197,000
2010	125,000	78,000	203,000
2011	127,000	72,000	199,000
2012	129,000	65,000	194,000
2013	140,000	59,000	199,000
2014-2018	664,000	199,000	863,000
2019-2023	405,000	47,000	452,000
Total Easton Airport	<u>\$ 1,704,000</u>	<u>\$ 603,000</u>	<u>\$ 2,307,000</u>

Component Units

Board of Education

Fiscal year Ending June 30,			
2009	\$ 171,000	\$ 24,000	\$ 195,000
2010	172,000	17,000	189,000
2011	179,000	11,000	190,000
2012	123,000	4,000	127,000
Total Board of Education	<u>\$ 645,000</u>	<u>\$ 56,000</u>	<u>\$ 701,000</u>

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

\$ 456,368

**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:

Fiscal Year Ending June 30,	
2009	\$ 25,337
2010	26,603
2011	27,933
2012	29,330
2013	30,797
2014-2018	178,680
2019-2023	228,046
2024-2028	291,050
2029-2033	371,463
2034-2036	270,479
Sub-Total	1,479,718
Less amounts representing interest	(1,023,350)
Liability as of June 30, 2008	\$ 456,368

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 Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201.

Participants in the Systems may retire with full benefits after thirty years of service regardless of age or at various ages with specified years of 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 2008 is established by annual actuarial valuations. The current rate is 11.6% of covered payroll for teachers and range from 8.8% to 13.8% 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, 2008 were \$2,774,097 and \$52,495 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, 2008, 2007, and 2006, payroll covered under the various state plans, and contributions paid are as follows:

	2008	2007	2006
Total payroll	\$ 42,957,688	\$ 40,842,959	\$ 38,570,253
Payroll covered under the plans	39,301,526	37,633,736	35,594,112
Contributions paid:			
County payments	876,371	762,772	604,364
Board of Education payments	566,123	470,731	652,868
State On-Behalf payments:			
Board of Education	2,774,097	2,241,430	2,150,165
Library	52,495	43,195	41,677

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 2008 payment was \$24,130. The payments reflect a pattern which increases by 5% per year for the next 28 years. (See also Note 6.)

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 8. Post-Employment Benefits

In addition to the pension benefits described in Note 7, the County provides post-retirement health care benefits 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. Presently, 36 retirees/family members meet these eligibility requirements. Current County guidelines state that if the employee has 16 or more years of service with the County, the County will pay 66.66% of the health insurance cost. If the employee has less than 16 years of employment, the County reduces the portion it subsidizes by 1/16 per year. The County finances these benefits on a pay-as-you-go basis. During the year ended June 30, 2008, expenditures of \$168,531 were recognized for post-retirement health care benefits.

The Board of Education provides post-retirement health care benefits, in accordance with Board policy, to all full time employees who are members of the Board's health care plan at the time of their retirement. Currently, 154 retirees meet those eligibility requirements. The Board pays 40% - 66% of the annual Blue Cross/Blue Shield health insurance premium and the retirees are responsible for the remaining portion. Expenditures for post-retirement health care benefits are recognized as they are paid. During the year ended June 30, 2008, expenditures of \$365,701 were recognized for post-retirement health care benefits.

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans*, which addresses the financial reporting for other post-employment benefit plans. The County and the Board were not required to implement this standard as of June 30, 2008, as there was no trust established at that time.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which requires employer governments to account for and report the annual cost of other post-employment benefits in the same manner as they do for pensions. This statement is effective for the County and Board's financial statements for fiscal year 2009.

The County obtained an actuarial valuation of its post-employment health benefits obligations, calculated in accordance with GASB Statement No. 45 standards as of July 1, 2008. Based on the plan and the contribution level that the County offers, the actuarial accrued liability for a funded plan, assuming an interest rate of 7.5%, was estimated to be \$6.5 million, consisting of \$3.5 million for active participants and \$3 million for retirees. If the unfunded accrued actuarial liability was amortized over a 30-year period, the total annual required contribution would be approximately \$765,000, consisting of \$399,000 in normal cost and \$426,000 in amortization of the unfunded liability. If the County decides not to pre-fund its plan, the actuarial accrued liability, assuming an interest rate of 4%, was estimated to be \$11.5 million, consisting of \$7.2 million for active participants and \$4.3 million for retirees. If the unfunded accrued actuarial liability was amortized over a 30-year period, the total annual required contribution would be approximately \$1.2 million.

The Board of Education obtained an actuarial valuation of its post-employment health benefits obligations, calculated in accordance with GASB Statement No. 45 standards as of July 1, 2008. Based on the plan and the contribution level that the Board offers, the actuarial accrued liability for a funded plan, assuming an interest rate of 7.5%, was estimated to be \$26.7 million, consisting of \$14.9 million for active participants and \$11.8 million for retirees. If the unfunded accrued actuarial liability was amortized over a 30-year period, the total annual required contribution would be approximately \$2.6 million, consisting of \$1,100,000 in normal cost and \$1,500,000 in amortization of the unfunded liability. If the Board decides not to pre-fund its plan, the actuarial accrued liability, assuming an interest rate of 4%, was estimated to be \$46.8 million, consisting of \$29.7 million for active participants and \$17.1 million for retirees. If the unfunded accrued actuarial liability was amortized over a 30-year period, the total annual required contribution would be approximately \$4.1 million.

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, 2008. 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, 2008 consisted of the following:

Agricultural taxes collected	\$ 143,652
Federal and state grants	214,489
Other sources	<u>1,246,270</u>
	<u>\$ 1,604,411</u>

Note 11. Commitments and Contingencies

Primary Government

The County has a 27.93% financial interest in the Mid-Shore Regional Landfill (the "Landfill"), which is owned and operated by Maryland Environmental Service (MES). The Landfill is located in Talbot County 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 June 2007, a new cell was added to the landfill increasing its expected capacity. As of June 30, 2008, the landfill is approximately 76.4% filled. Closure of the Landfill is expected in 2010, and as of June 30, 2008, total closure and post closure care costs were estimated at approximately \$12.7 million, with approximately \$3.6 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, 2008, a portion of these costs, \$9.71 million, determined by the estimated useful life of the Landfill.

**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, 2007. MES expects to satisfy these requirements as of June 30, 2008 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, 2008, which are as follows:

	<u>Amounts Expended To Date</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
St. Michaels Wastewater Treatment Plant	\$ 11,325,401	\$ 504,305	December 2008
St. Michaels School Renovation	21,719,328	7,221,904	August 2009

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 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 Pool (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, 2008, MABE had total fund equity of approximately \$21 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 Maryland Local Government Investment Pool.

The pooling agreement allows for the pool, which is administered by 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, 2008, the Sanitary District Fund, the Easton Airport Fund, and the Pool fund had deficits in unrestricted net assets of \$1,486,646, \$563,383, and \$480,061, respectively. These deficits are expected to be eliminated through normal operations.

Note 14. Unrestricted Net Assets

In January 2008, the County issued \$25,020,000 in public improvement bonds for the renovation of schools within Talbot County, Maryland. The school renovations will be reported as capital assets of the Board of Education of Talbot County to the extent they meet the Board's capitalization criteria. 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, 2008, the outstanding balance of the public improvement bonds was \$25,020,000 and the effect of this non-capital debt has been reflected in the unrestricted net assets of the County.

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, 2008

<u>REVENUES</u>	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With</u>
TAXES - LOCAL	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Final Budget</u>
LOCAL PROPERTY TAXES				
Real property	\$ 25,460,000	\$ 25,460,000	\$ 25,775,727	\$ 315,727
Railroad and public utilities	550,000	550,000	597,214	47,214
Prior Years	-	-	2,939	2,939
Penalties and interest	115,000	115,000	167,535	52,535
Total property taxes	26,125,000	26,125,000	26,543,415	418,415
Less: Discounts allowed on taxes	-	-	(171,587)	(171,587)
Net property taxes	26,125,000	26,125,000	26,371,828	246,828
LOCAL INCOME TAXES	23,400,000	23,400,000	31,626,307	8,226,307
OTHER LOCAL TAXES				
Admissions and amusements	45,000	45,000	67,106	22,106
Recordation	5,000,000	5,000,000	4,476,013	(523,987)
Transfer	4,900,000	4,900,000	4,199,101	(700,899)
Public accommodations	1,000,000	1,000,000	1,143,703	143,703
Mobile manufactured home	63,000	63,000	64,044	1,044
Total other local taxes	11,008,000	11,008,000	9,949,967	(1,058,033)
Total local taxes	60,533,000	60,533,000	67,948,102	7,415,102
LICENSES AND PERMITS				
Beer, wine and liquor licenses	133,000	133,000	171,490	38,490
Traders licenses	35,000	35,000	40,918	5,918
Animal tags and fines	3,000	3,000	7,883	4,883
Stormwater permits	8,000	8,000	29,500	21,500
Flood plain permits	900	900	665	(235)
Health department fees	-	-	70	70
Boat ramp permits and violations	40,000	40,000	42,673	2,673
Marriage licenses	2,500	2,500	1,465	(1,035)
Plumbing permits	35,000	35,000	27,463	(7,537)
Plumbing licenses	7,500	7,500	9,760	2,260
HVAC inspections	12,000	12,000	752	(11,248)
Slot machine licenses	2,000	2,000	1,950	(50)
Electrical licenses	14,000	14,000	22,082	8,082
Building permits	425,000	425,000	308,742	(116,258)
Total licenses and permits	717,900	717,900	665,413	(52,487)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2008 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
INTERGOVERNMENTAL REVENUES				
FROM THE FEDERAL GOVERNMENT				
Highway safety - DOT	\$ 36,000	\$ 36,000	\$ 58,854	\$ 22,854
State's attorney - child support	81,295	81,295	107,034	25,739
Watershed restoration	-	-	3,493	3,493
Impervious surface tracking	-	-	14,422	14,422
Vest program	1,000	1,000	850	(150)
Byrne - corrections grant	8,000	8,000	8,373	373
HMEP grant	8,000	8,000	1,676	(6,324)
FEMA	37,751	37,751	10,401	(27,350)
Emergency management - DHS	150,000	150,000	226,293	76,293
Community emergency response team	8,000	8,000	6,956	(1,044)
Emergency shelter	17,000	17,000	13,870	(3,130)
Emergency food assistance	4,000	4,000	2,379	(1,621)
Total Federal revenues	351,046	351,046	454,601	103,555
FROM THE STATE OF MARYLAND				
Police protection	100,000	100,000	89,319	(10,681)
Sex offender grant	-	-	9,686	9,686
CSAFE	25,500	25,500	19,240	(6,260)
Fire and rescue	230,000	230,000	219,942	(10,058)
911 grants and numbers system board	365,000	365,000	1,108,342	743,342
Community right to know grant	8,000	8,000	9,173	1,173
Community service	20,000	20,000	23,000	3,000
Gang intelligence gathering	-	-	19,558	19,558
Circuit Court - Family Services	147,007	147,007	119,649	(27,358)
Court security	-	-	107,228	107,228
Substance abuse court grant	60,719	60,719	136,888	76,169
Critical areas	35,000	35,000	33,888	(1,112)
Emergency transitional housing	26,000	26,000	25,739	(261)
Homelessness prevention program	4,700	4,700	5,500	800
Housing special loan program	230,000	230,000	184,503	(45,497)
DNR Coastal Communities	15,400	15,400	15,419	19
Highway user revenues	3,477,324	3,477,324	3,124,731	(352,593)
Recordation	6,000	6,000	2,298	(3,702)
Program Open Space	-	-	1,563,232	1,563,232
Public landing grants	20,000	20,000	79,000	59,000
Weed control	6,500	6,500	7,200	700
Tourism	70,000	70,000	66,357	(3,643)
Maryland DBED grant	-	-	15,000	15,000
DSS-Legal fees	64,000	64,000	54,855	(9,145)
Security filing fees	500	500	4,148	3,648
Total state revenues	4,911,650	4,911,650	7,043,895	2,132,245
Total intergovernmental	5,262,696	5,262,696	7,498,496	2,235,800

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2008 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
SERVICE CHARGES				
GENERAL GOVERNMENT CHARGES				
Zoning fees and certificates	\$ 56,000	\$ 56,000	\$ 76,132	\$ 20,132
Subdivision applications	45,000	45,000	72,738	27,738
Administrative variance	9,000	9,000	8,700	(300)
Board of appeals	15,000	15,000	15,000	-
Site plan reviews	10,000	10,000	5,467	(4,533)
Forest conservation fees	8,000	8,000	3,285	(4,715)
Bed & breakfast license/home occupation	800	800	975	175
Short term rental fees	2,000	2,000	10,425	8,425
Mobile home fees	500	500	-	(500)
Agricultural release fees	-	-	10,000	10,000
Zoning ordinances/maps	500	500	-	(500)
BOCA publications	700	700	360	(340)
Roadside vendors and produce stand permits	1,100	1,100	850	(250)
Weed and litter enforcement	1,000	1,000	1,363	363
Weed control spraying	55,000	55,000	51,041	(3,959)
Gypsy moth	-	-	4,437	4,437
Economic development/tourism	140,000	140,000	157,838	17,838
Support collections	2,000	2,000	-	(2,000)
Election filing and voter lists	1,000	1,000	525	(475)
Sheriff's fees	40,000	40,000	39,822	(178)
Emergency medical services	1,131,808	1,131,808	1,016,767	(115,041)
MIEMSS-EMS communications	25,000	25,000	25,000	-
Other charges	2,000	2,000	8,189	6,189
Total general government	1,546,408	1,546,408	1,508,914	(37,494)
PUBLIC SAFETY CHARGES				
Boarding of state prisoners	60,000	60,000	138,641	78,641
Boarding of local prisoners	90,000	90,000	154,462	64,462
Weekenders fees	4,000	4,000	7,224	3,224
Live-in, work-out fees	21,000	21,000	13,445	(7,555)
Home detention program	2,000	2,000	500	(1,500)
Narcotics task force	-	-	65,824	65,824
Federal prisoner program	365,000	365,000	167,837	(197,163)
Phone commissions/TCPSC	50,000	50,000	13,342	(36,658)
Inmate sick call service	500	500	-	(500)
Community service fees	6,000	6,000	4,140	(1,860)
Total public safety charges	598,500	598,500	565,415	(33,085)
HEALTH				
Mosquito control fees	93,000	93,000	75,854	(17,146)
RECREATION CHARGES				
Boat slips	30,000	30,000	32,712	2,712
Program fees	17,000	17,000	29,749	12,749
School/summer fees	22,000	22,000	-	(22,000)
Other recreation grants	1,500	1,500	8,295	6,795
Total recreation	70,500	70,500	70,756	256
Total service charges	2,308,408	2,308,408	2,220,939	(87,469)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2008 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
FINES AND FORFEITURES	\$ 79,500	\$ 79,500	\$ 6,755	\$ (72,745)
MISCELLANEOUS				
Rents	-	-	37,856	37,856
Other	20,000	20,000	408,550	388,550
Total miscellaneous	20,000	20,000	446,406	426,406
INTEREST	1,500,000	1,500,000	2,492,608	992,608
TOTAL REVENUES	70,421,504	70,421,504	81,278,719	10,857,215
OTHER FINANCING SOURCES				
Bond premium	-	-	307,130	307,130
Reserved and unexpended funds	15,812,496	15,812,496	-	(15,812,496)
Total other financing sources	15,812,496	15,812,496	307,130	(15,505,366)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 86,234,000	\$ 86,234,000	\$ 81,585,849	\$ (4,648,151)
EXPENDITURES				
GENERAL GOVERNMENT				
LEGISLATIVE				
County Council:				
Salaries	\$ 73,000	\$ 73,000	\$ 69,800	\$ 3,200
Other operating	45,900	45,900	61,649	(15,749)
Total legislative	118,900	118,900	131,449	(12,549)
JUDICIAL				
Circuit Court:				
Salaries	112,112	112,112	108,314	3,798
Other operating	33,800	33,800	29,250	4,550
Capital outlay	-	-	32,232	(32,232)
Court Stenographer:				
Salaries	27,675	27,675	25,275	2,400
Other operating	1,500	1,500	208	1,292
Grand Jury	200	200	15	185
Petit Jury	12,250	12,250	5,155	7,095
Family Services:				
Salaries and fringe benefits	59,448	59,448	59,318	130
Other operating	87,250	87,250	60,339	26,911
Substance Abuse Court:				
Salaries and fringe benefits	56,419	56,419	63,037	(6,618)
Other operating	3,600	3,600	26,719	(23,119)
Capital outlay	700	700	432	268
Family Drug Court:				
Salaries and fringe benefits	-	-	42,185	(42,185)
Other operating	-	-	7,776	(7,776)
Orphan's Court:				
Salaries	17,000	17,000	17,198	(198)
Other operating	1,100	1,100	1,626	(526)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2008 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
GENERAL GOVERNMENT (continued)				
JUDICIAL (continued)				
State's Attorney:				
Salaries	\$ 427,129	\$ 427,129	\$ 424,967	\$ 2,162
Other operating	23,950	23,950	53,677	(29,727)
Capital outlay	6,600	6,600	6,584	16
Child Support:				
Salaries and fringe benefits	159,299	159,299	162,657	(3,358)
Other operating	10,050	10,050	7,372	2,678
Victim Witness Program:				
Salaries	96,185	96,185	96,810	(625)
Other operating	5,564	5,564	2,662	2,902
Law Library:				
Salaries	2,615	2,615	2,615	-
Other operating	250	250	298	(48)
Total judicial	1,144,696	1,144,696	1,236,721	(92,025)
EXECUTIVE				
County Manager:				
Salaries	260,867	260,867	263,792	(2,925)
Other operating	19,325	19,325	28,478	(9,153)
Administrative Services:				
Salaries	135,989	135,989	137,087	(1,098)
Other operating	7,950	7,950	4,333	3,617
Capital outlay	40,000	40,000	13,994	26,006
Total executive	464,131	464,131	447,684	16,447
ELECTIONS				
Board of Supervisors of Elections:				
Salaries and fringe benefits	182,016	182,016	159,311	22,705
Other operating	112,100	112,100	146,030	(33,930)
Registration and elections	42,700	42,700	38,133	4,567
Total elections	336,816	336,816	343,474	(6,658)
FINANCIAL ADMINISTRATION				
Finance Office:				
Salaries	452,126	452,126	443,951	8,175
Other operating	71,550	71,550	61,618	9,932
Contractual services	48,000	48,000	42,564	5,436
Capital outlay	5,350	5,350	7,186	(1,836)
Liquor License Commissioners:				
Salaries	22,902	22,902	23,318	(416)
Other operating	7,350	7,350	3,752	3,598
Contractual services	11,500	11,500	5,450	6,050
Total financial administration	618,778	618,778	587,839	30,939
LAW				
County Attorney:				
Salaries	177,265	177,265	177,359	(94)
Other operating	61,830	61,830	75,685	(13,855)
Total law	239,095	239,095	253,044	(13,949)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2008 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
GENERAL GOVERNMENT (continued)				
PLANNING AND ZONING				
Planning Office:				
Salaries	\$ 432,614	\$ 432,614	\$ 409,794	\$ 22,820
Other operating	45,250	45,250	44,351	899
Contractual services	-	-	31,194	(31,194)
Capital outlay	22,020	22,020	28,816	(6,796)
Board of Appeals:				
Salaries	71,640	71,640	65,834	5,806
Other operating	20,370	20,370	12,705	7,665
Total planning and zoning	591,894	591,894	592,694	(800)
GENERAL SERVICES				
County Buildings:				
Salaries	189,209	189,209	188,919	290
Other operating	465,837	465,837	457,612	8,225
Capital outlay	19,340	19,340	31,985	(12,645)
Library Maintenance	102,200	102,200	111,407	(9,207)
Information Technology:				
Salaries	240,344	240,344	219,233	21,111
Other operating	130,795	130,795	85,974	44,821
Capital outlay	95,395	95,395	91,186	4,209
Insurance	111,200	111,200	105,299	5,901
Total general services	1,354,320	1,354,320	1,291,615	62,705
ECONOMIC DEVELOPMENT				
Office of Economic Development:				
Salaries and fringe benefits	97,712	97,712	98,191	(479)
Other operating	40,100	40,100	34,222	5,878
Arts Council	12,000	12,000	12,000	-
Tourism:				
Salaries and fringe benefits	126,661	126,661	124,097	2,564
Other operating	308,580	308,580	370,681	(62,101)
Capital outlay	1,800	1,800	1,446	354
Mid-Shore Regional Council	10,000	10,000	10,000	-
M.U.S.T.	5,000	5,000	5,000	-
Heritage Partnership	13,500	13,500	-	13,500
Historic Preservation Commission	6,395	6,395	389	6,006
Talbot Partnership	5,000	5,000	5,000	-
Total economic development	626,748	626,748	661,026	(34,278)
Total general government	5,495,378	5,495,378	5,545,546	(50,168)
PUBLIC SAFETY				
SHERIFF				
Salaries	1,315,150	1,315,150	1,256,551	58,599
Other operating	221,490	221,490	301,906	(80,416)
Capital outlay	59,100	59,100	63,815	(4,715)
Total sheriff	1,595,740	1,595,740	1,622,272	(26,532)
NARCOTICS TASK FORCE				
Other operating	-	-	17,762	(17,762)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2008 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
PUBLIC SAFETY (continued)				
MUNICIPAL INSTITUTIONS				
Detention Center:				
Salaries	\$ 1,500,173	\$ 1,500,173	\$ 1,496,089	\$ 4,084
Other operating	1,031,750	1,031,750	1,147,793	(116,043)
Capital outlay	21,700	21,700	10,176	11,524
Total municipal institutions	2,553,623	2,553,623	2,654,058	(100,435)
OTHER PUBLIC SAFETY				
School Crossing Guards	54,942	54,942	54,942	-
Animal Control Program:				
Other operating	1,700	1,700	1,237	463
Contractual services	342,615	342,615	342,615	-
Capital outlay	4,000	4,000	3,996	4
Emergency Management:				
Salaries	517,529	517,529	523,959	(6,430)
Other operating	351,565	351,565	351,869	(304)
Capital outlay	116,300	116,300	1,058,762	(942,462)
Volunteer Fire Companies	1,163,720	1,163,720	1,149,401	14,319
Highway Safety Program:				
Salaries and fringe benefits	35,560	35,560	34,277	1,283
Other operating	440	440	18,550	(18,110)
CSAFE	25,500	25,500	20,197	5,303
Emergency Medical Services:				
Salaries and fringe benefits	2,061,391	2,061,391	2,311,322	(249,931)
Other operating	341,291	341,291	433,211	(91,920)
Capital outlay	208,757	208,757	214,405	(5,648)
Safety Committee	250	250	-	250
Hazardous Materials:				
Salaries and fringe benefits	43,215	43,215	27,623	15,592
Other operating	13,500	13,500	15,950	(2,450)
Total other public safety	5,282,275	5,282,275	6,562,316	(1,280,041)
PROTECTIVE INSPECTION				
Electrical Inspection:				
Salaries	-	-	5,475	(5,475)
Other operating	6,295	6,295	1,333	4,962
Building and Plumbing Inspection:				
Salaries	341,334	341,334	331,136	10,198
Other operating	37,200	37,200	33,413	3,787
Capital outlay	19,200	19,200	19,195	5
Total protective inspection	404,029	404,029	390,552	13,477
Total public safety	9,835,667	9,835,667	11,246,960	(1,411,293)
PUBLIC WORKS				
PUBLIC WORKS - GENERAL				
Salaries	555,472	555,472	522,946	32,526
Other operating	47,900	47,900	34,388	13,512
Capital outlay	6,000	6,000	66,646	(60,646)
Total public works - general	609,372	609,372	623,980	(14,608)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2008 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
PUBLIC WORKS (continued)				
PUBLIC LANDINGS AND WHARVES				
Salaries	\$ 127,176	\$ 127,176	\$ 121,332	\$ 5,844
Other operating	53,475	53,475	54,526	(1,051)
Capital outlay	24,000	24,000	77,962	(53,962)
Total public landings and wharves	204,651	204,651	253,820	(49,169)
SOLID WASTE DISPOSAL				
Recycling:				
Salaries and fringe benefits	37,068	37,068	37,239	(171)
Other operating	2,940	2,940	184	2,756
Contractual services	1,000	1,000	504	496
Total solid waste disposal	41,008	41,008	37,927	3,081
HIGHWAYS AND STREETS				
Salaries and fringe benefits	1,382,886	1,382,886	1,355,734	27,152
Other operating	1,550,817	1,550,817	1,524,892	25,925
Capital outlay	280,000	280,000	244,105	35,895
Total highways and streets	3,213,703	3,213,703	3,124,731	88,972
Total public works	4,068,734	4,068,734	4,040,458	28,276
HEALTH AND HOSPITALS				
Health department	1,207,735	1,207,735	1,211,094	(3,359)
School health	588,751	588,751	588,751	-
Addictions counseling	80,000	80,000	80,000	-
Mosquito control	103,000	103,000	77,227	25,773
Total health and hospitals	1,979,486	1,979,486	1,957,072	22,414
SOCIAL SERVICES				
Social services legal	104,000	104,000	54,855	49,145
Neighborhood Service Center	67,844	67,844	67,844	-
Choptank Community Health	15,000	15,000	15,000	-
Delmarva Community Services	70,199	70,199	70,199	-
Upper Shore Aging	147,566	147,566	147,566	-
Social Services	15,200	15,200	15,200	-
St. Martin's Ministries	6,000	6,000	6,000	-
Emergency Transitional Housing	26,000	26,000	25,739	261
Homelessness Prevention Program	4,700	4,700	5,500	(800)
Emergency Shelter	17,000	17,000	13,870	3,130
Emergency Food Assistance	4,000	4,000	2,379	1,621
Housing Special Loan Program	200,000	200,000	343,816	(143,816)
Housing:				
Salaries and fringe benefits	79,193	79,193	79,624	(431)
Other operating	5,000	5,000	3,114	1,886
Capital outlay	1,300	1,300	1,309	(9)
Total social services	763,002	763,002	852,015	(89,013)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2008 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
EDUCATION				
Board of Education:				
Operating appropriation	\$ 31,728,712	\$ 31,728,712	\$ 31,728,712	\$ -
Debt Service	2,666,977	2,666,977	2,435,223	231,754
Library - operating appropriation	960,145	960,145	959,145	1,000
Community College:				
Operating appropriation	1,379,466	1,379,466	1,379,466	-
Capital outlay	49,500	49,500	49,500	-
Debt Service	62,061	62,061	61,460	601
Chesapeake Developmental Center	45,005	45,005	45,005	-
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	30,126	30,126	38,640	(8,514)
Other operating	7,720	7,720	8,644	(924)
Total education	36,929,712	36,929,712	36,705,795	223,917
RECREATION				
Parks and Recreation:				
Salaries	160,652	160,652	165,923	(5,271)
Other operating	187,000	187,000	245,213	(58,213)
Capital outlay	29,100	29,100	1,593,353	(1,564,253)
Total recreation	376,752	376,752	2,004,489	(1,627,737)
CONSERVATION OF NATURAL RESOURCES				
AGRICULTURAL EXTENSION SERVICE				
Salaries	128,151	128,151	128,151	-
Other operating	41,225	41,225	40,532	693
Total agricultural extension service	169,376	169,376	168,683	693
OTHER CONSERVATION				
Agricultural Preservation	47,500	47,500	1,079	46,421
Waterways testing/study	21,019	21,019	20,071	948
MES - resource conservation & development	350	350	350	-
Weed Control:				
Salaries and fringe benefits	53,517	53,517	53,204	313
Other operating	32,310	32,310	25,903	6,407
Gypsy Moth	7,500	7,500	5,140	2,360
Total other conservation	162,196	162,196	105,747	56,449
Total conservation of natural resources	331,572	331,572	274,430	57,142
INTERGOVERNMENTAL				
Payments to Municipalities:				
Fire, rescue and ambulance fund	22,500	22,500	15,818	6,682
Public accommodations tax	700,000	700,000	844,624	(144,624)
Total intergovernmental	722,500	722,500	860,442	(137,942)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2008 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
EMPLOYEE BENEFITS				
Retirement and pension contributions:				
Employees retirement	\$ 665,000	\$ 665,000	\$ 520,563	\$ 144,437
Social security tax	570,000	570,000	534,524	35,476
Health insurance	1,690,000	1,690,000	1,306,755	383,245
Health insurance waiver	58,000	58,000	68,334	(10,334)
Unemployment insurance	15,000	15,000	9,289	5,711
Pension direct	2,500	2,500	2,500	-
Group life insurance	35,000	35,000	32,219	2,781
Disability insurance	25,000	25,000	20,503	4,497
Substance abuse testing	5,000	5,000	6,963	(1,963)
Workers' compensation	210,000	210,000	106,115	103,885
Employee training	35,000	35,000	30,512	4,488
Other operating	4,000	4,000	5,936	(1,936)
Total employee benefits	3,314,500	3,314,500	2,644,213	670,287
MISCELLANEOUS	103,500	103,500	233,696	(130,196)
DEBT SERVICE				
Principal on long-term debt	333,097	333,097	333,097	-
Interest on long-term debt	88,767	88,767	86,132	2,635
Total debt service	421,864	421,864	419,229	2,635
RESERVE FOR CONTINGENCIES	1,187,852	1,187,852	157,807	1,030,045
TOTAL EXPENDITURES	65,530,519	65,530,519	66,942,152	(1,411,633)
OTHER FINANCING USES				
Transfers:				
Pool - Operating appropriation	152,776	152,776	152,776	-
Recreation	7,077,346	7,077,346	7,077,346	-
Designated fund balance	6,350,000	6,350,000	-	6,350,000
Capital Projects:				
Pay-as-you-go transfer	7,123,359	7,123,359	7,123,359	-
Total other financing uses	20,703,481	20,703,481	14,353,481	6,350,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 86,234,000	\$ 86,234,000	\$ 81,295,633	\$ 4,938,367
Net change in fund balances	\$ -	\$ -	\$ 290,216	\$ 290,216

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. The budgetary information is prepared and adopted on a basis that is consistent with generally accepted accounting principles.

Note 2. Excess of Expenditures Over Appropriations

The following fund had an excess of expenditures over appropriations for the year ended June 30, 2008:

Fund	Budgeted Expenditures	Actual Expenditures	Excess of Actual Over Budgeted Expenditures
General	\$ 65,530,519	\$ 66,942,152	\$ (1,411,633)

Funds to provide for the excess of expenditures were made available from unbudgeted restricted grant revenue within the fund.

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, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - federal	\$ 600,000	\$ 600,000	\$ 531,712	\$ (68,288)
Intergovernmental - state	2,446,500	2,446,500	1,963,633	(482,867)
Miscellaneous	-	-	10,000	10,000
Interest	-	-	658,303	658,303
Total revenues	3,046,500	3,046,500	3,163,648	117,148
EXPENDITURES				
General government	4,172,000	2,972,000	413,220	2,558,780
Public safety	165,000	165,000	-	165,000
Public works	5,391,000	5,391,000	2,330,542	3,060,458
Health and hospitals	800,000	2,000,000	2,006,861	(6,861)
Education	10,688,859	10,688,859	10,406,401	282,458
Recreation	960,000	960,000	492,528	467,472
Total expenditures	22,176,859	22,176,859	15,649,552	6,527,307
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	10,000,000	10,000,000	25,020,000	15,020,000
Transfers from developmental impact fund	2,007,000	2,007,000	1,022,000	(985,000)
Transfers from general fund	7,123,359	7,123,359	7,123,359	-
Total other financing sources	19,130,359	19,130,359	33,165,359	14,035,000
Net Change in Fund Balance	\$ -	\$ -	\$ 20,679,455	\$ 20,679,455

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
DEVELOPMENTAL IMPACT FUND
For the Year Ended June 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Licenses and permits:				
Impact fees:				
General government	\$ 175,000	\$ 175,000	\$ 117,592	\$ (57,408)
Public works	953,000	953,000	321,330	(631,670)
Education				
Public schools	260,000	260,000	237,388	(22,612)
Library	50,000	50,000	45,886	(4,114)
Community College	12,000	12,000	9,682	(2,318)
Recreation	50,000	50,000	53,934	3,934
Interest	-	-	192,294	192,294
Total revenues	1,500,000	1,500,000	978,106	(521,894)
OTHER FINANCING USES				
Transfers to capital fund	1,107,000	1,107,000	1,022,000	85,000
Transfers to recreation fund	120,000	120,000	120,000	-
Designated fund balance	273,000	273,000	-	273,000
Total other financing uses	1,500,000	1,500,000	1,142,000	358,000
Net Change in Fund Balance	\$ -	\$ -	\$ (163,894)	\$ (163,894)

TALBOT COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
TALBOT FAMILY NETWORK
For the Year Ended June 30, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental:				
Federal	\$ 32,000	\$ 32,000	\$ -	\$ (32,000)
State	551,221	551,221	114,955	(436,266)
Interest	-	-	62,577	62,577
Total revenues	583,221	583,221	177,532	(405,689)
EXPENDITURES				
Social services	583,221	583,221	538,575	44,646
Excess of expenditures over revenues	\$ -	\$ -	\$ (361,043)	\$ (361,043)

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TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - RECREATION FACILITIES
For the Year Ended June 30, 2008**

	Hog Neck Golf Course		
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OPERATING REVENUES			
Program fees and admissions	\$ -	\$ -	\$ -
Room rents	-	-	-
Ice revenues	-	-	-
Pro shop and concessions	368,000	370,229	2,229
Cart rentals	141,075	108,048	(33,027)
Green fees	905,000	843,190	(61,810)
Other operating	5,000	14,291	9,291
Total operating revenues	1,419,075	1,335,758	(83,317)
OPERATING EXPENSES			
Salaries and related expenses	835,460	862,175	(26,715)
Professional fees	9,000	11,749	(2,749)
Office	35,000	36,987	(1,987)
Insurance	8,000	6,904	1,096
Repairs and maintenance	188,300	186,132	2,168
Utilities	54,200	67,096	(12,896)
Supplies and equipment	162,000	265,753	(103,753)
Lessons and programs	4,000	5,364	(1,364)
Pro shop and concessions	216,000	237,472	(21,472)
Other operating	31,750	27,505	4,245
Total operating expenses	1,543,710	1,707,137	(163,427)
Operating loss before depreciation	(124,635)	(371,379)	(246,744)
Depreciation	-	181,604	(181,604)
Net operating loss	(124,635)	(552,983)	(428,348)
NON-OPERATING REVENUES (EXPENSES)			
Transfers from General Fund for:			
Operating appropriations	379,618	379,618	-
Capital projects	-	-	-
Transfer from Developmental Impact Fund	-	-	-
Interest expense	(187,483)	(52,010)	135,473
Net non-operating revenues	192,135	327,608	135,473
Net income (loss)	\$ 67,500	\$ (225,375)	\$ (292,875)
OTHER BUDGETED EXPENDITURES			
Capital outlay	(67,500)		
Total other budgeted expenditures	(67,500)		
Budgeted net income (loss)	\$ -		

Talbot Community Center			Combined Totals		
<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
\$ 60,000	\$ 137,044	\$ 77,044	\$ 60,000	\$ 137,044	\$ 77,044
15,000	23,041	8,041	15,000	23,041	8,041
170,000	183,233	13,233	170,000	183,233	13,233
51,900	47,479	(4,421)	419,900	417,708	(2,192)
-	-	-	141,075	108,048	(33,027)
-	-	-	905,000	843,190	(61,810)
2,500	350	(2,150)	7,500	14,641	7,141
<u>299,400</u>	<u>391,147</u>	<u>91,747</u>	<u>1,718,475</u>	<u>1,726,905</u>	<u>8,430</u>
403,713	467,399	(63,686)	1,239,173	1,329,574	(90,401)
5,000	12,544	(7,544)	14,000	24,293	(10,293)
20,375	25,835	(5,460)	55,375	62,822	(7,447)
11,000	23,405	(12,405)	19,000	30,309	(11,309)
56,000	324,266	(268,266)	244,300	510,398	(266,098)
181,500	252,027	(70,527)	235,700	319,123	(83,423)
3,500	5,000	(1,500)	165,500	270,753	(105,253)
72,000	118,484	(46,484)	76,000	123,848	(47,848)
30,000	42,851	(12,851)	246,000	280,323	(34,323)
10,200	22,417	(12,217)	41,950	49,922	(7,972)
<u>793,288</u>	<u>1,294,228</u>	<u>(500,940)</u>	<u>2,336,998</u>	<u>3,001,365</u>	<u>(664,367)</u>
(493,888)	(903,081)	(409,193)	(618,523)	(1,274,460)	(655,937)
-	489,111	(489,111)	-	670,715	(670,715)
<u>(493,888)</u>	<u>(1,392,192)</u>	<u>(898,304)</u>	<u>(618,523)</u>	<u>(1,945,175)</u>	<u>(1,326,652)</u>
695,335	695,335	-	1,074,953	1,074,953	-
6,002,393	6,002,393	-	6,002,393	6,002,393	-
120,000	120,000	-	120,000	120,000	-
(192,647)	(101,431)	91,216	(380,130)	(153,441)	226,689
<u>6,625,081</u>	<u>6,716,297</u>	<u>91,216</u>	<u>6,817,216</u>	<u>7,043,905</u>	<u>226,689</u>
\$ 6,131,193	\$ 5,324,105	\$ (807,088)	\$ 6,198,693	\$ 5,098,730	\$ (1,099,963)
<u>(6,131,193)</u>			<u>(6,198,693)</u>		
<u>(6,131,193)</u>			<u>(6,198,693)</u>		
\$ -			\$ -		

TALBOT COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - SANITARY DISTRICT
For the Year Ended June 30, 2008

	<u>St. Michaels District</u>			<u>Royal Oak District</u>		
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES						
Sewer service charges	\$ 827,140	\$ 940,848	\$ 113,708	\$ 173,830	\$ 229,195	\$ 55,365
Sewer connection charges	50,000	29,501	(20,499)	50,000	12,000	(38,000)
Residential benefit charges	105,060	15	(105,045)	55,600	95	(55,505)
Pump installation charges	-	-	-	-	-	-
Miscellaneous	196,812	5,456	(191,356)	37,800	72	(37,728)
Total operating revenues	1,179,012	975,820	(203,192)	317,230	241,362	(75,868)
OPERATING EXPENSES						
Salaries and related expenses	182,286	164,615	17,671	65,623	56,608	9,015
Professional fees	400	1,225	(825)	150	95	55
Office	5,950	8,553	(2,603)	1,500	1,639	(139)
Insurance	10,250	7,867	2,383	4,150	2,039	2,111
Contracted services	504,850	456,713	48,137	138,000	167,523	(29,523)
Repairs and maintenance	24,200	36,666	(12,466)	10,100	9,720	380
Other operating	-	2,873	(2,873)	-	-	-
Total operating expenses	727,936	678,512	49,424	219,523	237,624	(18,101)
Operating income before depreciation	451,076	297,308	(153,768)	97,707	3,738	(93,969)
Depreciation	5,281	336,992	(331,711)	7,088	117,153	(110,065)
Net operating income (loss)	445,795	(39,684)	(485,479)	90,619	(113,415)	(204,034)
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	641,574	641,574	-	-	-
Expansion fund revenues	-	710,750	710,750	-	-	-
Loss on disposal of assets	-	(50,664)	(50,664)	-	-	-
Issuance of long-term debt	-	-	-	-	-	-
Interest income	50,000	37,728	(12,272)	14,000	14,436	436
Interest expense	(52,751)	(29,559)	23,192	(29,451)	(23,527)	5,924
Net non-operating revenues (expenses)	(2,751)	1,309,829	1,312,580	(15,451)	(9,091)	6,360
Net income (loss) before capital contributions	443,044	1,270,145	827,101	75,168	(122,506)	(197,674)
Capital Contributions	-	-	-	-	-	-
Net income (loss)	\$ 443,044	\$ 1,270,145	\$ 827,101	\$ 75,168	\$ (122,506)	\$ (197,674)
OTHER BUDGETED EXPENDITURES						
Capital outlay	\$ (40,000)			\$ -		
Debt service	(403,044)			(75,168)		
Total other budgeted expenditures	(443,044)			(75,168)		
Budgeted net income (loss)	\$ -			\$ -		

Tilghman District			Unionville District		
<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
\$ 211,750	\$ 212,282	\$ 532	\$ 78,520	\$ 101,451	\$ 22,931
15,000	17,570	2,570	-	24,000	24,000
7,300	21,153	13,853	23,370	73	(23,297)
25,000	11,766	(13,234)	-	-	-
46,460	129	(46,331)	2,552	52	(2,500)
<u>305,510</u>	<u>262,900</u>	<u>(42,610)</u>	<u>104,442</u>	<u>125,576</u>	<u>21,134</u>
91,143	79,120	12,023	19,990	22,154	(2,164)
300	130	170	100	40	60
2,550	2,352	198	975	969	6
6,200	2,265	3,935	1,600	789	811
115,550	95,057	20,493	35,400	66,691	(31,291)
10,350	5,538	4,812	3,050	9,639	(6,589)
-	338	(338)	-	-	-
<u>226,093</u>	<u>184,800</u>	<u>41,293</u>	<u>61,115</u>	<u>100,282</u>	<u>(39,167)</u>
79,417	78,100	(1,317)	43,327	25,294	(18,033)
19,903	152,949	(133,046)	2,646	139,587	(136,941)
<u>59,514</u>	<u>(74,849)</u>	<u>(134,363)</u>	<u>40,681</u>	<u>(114,293)</u>	<u>(154,974)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
15,000	21,007	6,007	9,000	9,144	144
<u>(14,514)</u>	<u>(13,971)</u>	<u>543</u>	<u>(11,073)</u>	<u>(8,117)</u>	<u>2,956</u>
486	7,036	6,550	(2,073)	1,027	3,100
<u>60,000</u>	<u>(67,813)</u>	<u>(127,813)</u>	<u>38,608</u>	<u>(113,266)</u>	<u>(151,874)</u>
-	-	-	-	-	-
<u>\$ 60,000</u>	<u>\$ (67,813)</u>	<u>\$ (127,813)</u>	<u>\$ 38,608</u>	<u>\$ (113,266)</u>	<u>\$ (151,874)</u>
\$ (25,000)			\$ (5,000)		
<u>(35,000)</u>			<u>(33,608)</u>		
<u>(60,000)</u>			<u>(38,608)</u>		
<u>\$ -</u>			<u>\$ -</u>		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - SANITARY DISTRICT
For the Year Ended June 30, 2008 (Continued)**

	<u>Bio-solids Utilization Facility</u>			<u>Onsite Sewage Disposal</u>		
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES						
Sewer service charges	\$ 360,000	\$ 149,362	\$ (210,638)	\$ -	\$ -	\$ -
Sewer connection charges	-	-	-	-	-	-
Residential benefit charges	-	-	-	-	-	-
Pump installation charges	-	-	-	-	-	-
Miscellaneous	30,000	-	(30,000)	-	-	-
Total operating revenues	390,000	149,362	(240,638)	-	-	-
OPERATING EXPENSES						
Salaries and related expenses	-	120,980	(120,980)	-	-	-
Professional fees	300	2,413	(2,113)	150	55	95
Office	1,100	2,005	(905)	550	3	547
Insurance	5,000	9,535	(4,535)	-	-	-
Contracted services	174,550	48,827	125,723	92,621	133,046	(40,425)
Repairs and maintenance	2,250	9,808	(7,558)	125	14	111
Other operating	-	1,256	(1,256)	486,082	370,621	115,461
Total operating expenses	183,200	194,824	(11,624)	579,528	503,739	75,789
Operating income before depreciation	206,800	(45,462)	(252,262)	(579,528)	(503,739)	75,789
Depreciation	9,800	19,314	(9,514)	-	651	(651)
Net operating income (loss)	197,000	(64,776)	(261,776)	(579,528)	(504,390)	75,138
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	1,500,000	-	(1,500,000)	579,528	368,767	(210,761)
Expansion fund revenues	-	-	-	-	-	-
Loss on disposal of assets	-	-	-	-	-	-
Issuance of long-term debt	2,750,000	-	(2,750,000)	-	-	-
Interest income	-	-	-	-	-	-
Interest expense	(125,000)	(70,981)	54,019	-	-	-
Net non-operating revenues (expenses)	4,125,000	(70,981)	(4,195,981)	579,528	368,767	(210,761)
Net income (loss) before capital contributions	4,322,000	(135,757)	(4,457,757)	-	(135,623)	(135,623)
Capital Contributions	-	-	-	-	-	-
Net income (loss)	\$ 4,322,000	\$ (135,757)	\$ (4,457,757)	\$ -	\$ (135,623)	\$ (135,623)
OTHER BUDGETED EXPENDITURES						
Capital outlay	\$ (4,250,000)			\$ -		
Debt service	(72,000)			-		
Total other budgeted expenditures	(4,322,000)			-		
Budgeted net income (loss)	\$ -			\$ -		

<u>Martingham District</u>			<u>Combined Totals</u>		
<u>Original and</u>		<u>Variance With</u>	<u>Original and</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>
\$ -	\$ 47,381	\$ 47,381	\$ 1,651,240	\$ 1,680,519	\$ 29,279
-	-	-	115,000	83,071	(31,929)
-	-	-	191,330	21,336	(169,994)
-	-	-	25,000	11,766	(13,234)
-	1,361	1,361	313,624	7,070	(306,554)
-	48,742	48,742	2,296,194	1,803,762	(492,432)
-	-	-	359,042	443,477	(84,435)
-	5	(5)	1,400	3,963	(2,563)
-	130	(130)	12,625	15,651	(3,026)
-	-	-	27,200	22,495	4,705
-	36,348	(36,348)	1,060,971	1,004,205	56,766
-	1,497	(1,497)	50,075	72,882	(22,807)
-	84	(84)	486,082	375,172	110,910
-	38,064	(38,064)	1,997,395	1,937,845	59,550
-	10,678	10,678	298,799	(134,083)	(432,882)
-	6,240	(6,240)	44,718	772,886	(728,168)
-	4,438	4,438	254,081	(906,969)	(1,161,050)
-	-	-	2,079,528	1,010,341	(1,069,187)
-	-	-	-	710,750	710,750
-	-	-	-	(50,664)	(50,664)
-	-	-	2,750,000	-	(2,750,000)
-	-	-	88,000	82,315	(5,685)
-	(3,292)	(3,292)	(232,789)	(149,447)	83,342
-	(3,292)	(3,292)	4,684,739	1,603,295	(3,081,444)
-	1,146	1,146	4,938,820	696,326	(4,242,494)
-	126,529	126,529	-	126,529	126,529
\$ -	\$ 127,675	\$ 127,675	\$ 4,938,820	\$ 822,855	\$ (4,115,965)
\$ -	-	-	\$ (4,320,000)	-	-
-	-	-	(618,820)	-	-
-	-	-	(4,938,820)	-	-
\$ -	-	-	\$ -	-	-

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL**

ENTERPRISE FUND - EASTON AIRPORT

For the Year Ended June 30, 2008

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
OPERATING REVENUES			
Charges - operations	\$ 183,420	\$ 213,953	\$ 30,533
Charges - fuel facility	1,846,550	2,385,600	539,050
Charges - hangars	472,360	469,906	(2,454)
Other operating	3,500	5,703	2,203
Total operating revenues	2,505,830	3,075,162	569,332
OPERATING EXPENSES			
Salaries and related expenses	317,032	315,391	1,641
Cost of sales - fuel	1,690,250	2,188,228	(497,978)
Professional fees	1,500	15,880	(14,380)
Office	16,154	23,773	(7,619)
Insurance	23,000	22,001	999
Repairs and maintenance	104,300	98,459	5,841
Utilities	52,500	55,097	(2,597)
Supplies and equipment	1,000	241	759
Other operating	8,600	5,745	2,855
Total operating expenses	2,214,336	2,724,815	(510,479)
Operating income before depreciation	291,494	350,347	58,853
Depreciation	49,232	1,154,237	(1,105,005)
Net operating income (loss)	242,262	(803,890)	(1,046,152)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	-	5,281,351	5,281,351
Contributions	-	3,300	3,300
Interest income	25,000	33,539	8,539
Interest expense	(88,462)	(210,028)	(121,566)
Gain on disposal of assets	-	2,160	2,160
Net non-operating revenues (expenses)	(63,462)	5,110,322	5,173,784
Net income	\$ 178,800	\$ 4,306,432	\$ 4,127,632
OTHER BUDGETED EXPENDITURES			
Debt service	\$ (112,300)		
Capital outlay	(66,500)		
Total other budgeted expenditures	(178,800)		
Budgeted net income (loss)	\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - POOL
For the Year Ended June 30, 2008**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES			
Admissions	\$ 37,000	\$ 33,960	\$ (3,040)
Other operating	46,100	45,342	(758)
Total operating revenues	83,100	79,302	(3,798)
OPERATING EXPENSES			
Salaries and related expenses	153,456	195,752	(42,296)
Professional fees	2,530	4,370	(1,840)
Office	5,325	3,940	1,385
Insurance	3,865	2,877	988
Repairs and maintenance	27,700	45,725	(18,025)
Utilities	10,800	18,276	(7,476)
Supplies and equipment	13,050	21,901	(8,851)
Lessons and programs	5,100	2,855	2,245
Other operating	9,050	8,153	897
Total operating expenses	230,876	303,849	(72,973)
Operating income (loss) before depreciation	(147,776)	(224,547)	(76,771)
Depreciation	-	93,516	(93,516)
Net operating income (loss)	(147,776)	(318,063)	(170,287)
NON-OPERATING REVENUES			
Intergovernmental revenues	12,000	125,231	113,231
Contributions	-	12,000	12,000
Transfer from General Fund	152,776	152,776	-
Total non-perating expenses	164,776	290,007	125,231
Net income (loss)	\$ 17,000	\$ (28,056)	\$ (45,056)
OTHER BUDGETED EXPENDITURES			
Capital outlay	\$ (17,000)		
Total other budgeted expenditures	(17,000)		
Budgeted net income (loss)	\$ -		

TALBOT COUNTY, MARYLAND
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue Funds		
	Developmental Impact	Talbot Family Network	Total Other Governmental Funds
ASSETS			
Cash and short-term investments	\$ 1,361,293	\$ 476,654	\$ 1,837,947
Certificate of deposit	2,464,487	862,935	3,327,422
Receivables:			
Accounts receivable	-	771	771
Intergovernmental:			
State	-	171,078	171,078
Total Assets	<u>\$ 3,825,780</u>	<u>\$ 1,511,438</u>	<u>\$ 5,337,218</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 560,412	\$ 560,412
Unearned revenue	-	125,426	125,426
Total Liabilities	<u>-</u>	<u>685,838</u>	<u>685,838</u>
FUND BALANCES			
Unreserved:			
Designated for social services	-	24,295	24,295
Designated for capital projects	3,825,780	-	3,825,780
Undesignated	-	801,305	801,305
Total Fund Balances	<u>3,825,780</u>	<u>825,600</u>	<u>4,651,380</u>
Total Liabilities and Fund Balances	<u>\$ 3,825,780</u>	<u>\$ 1,511,438</u>	<u>\$ 5,337,218</u>

TALBOT COUNTY, MARYLAND

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2008**

	Special Revenue Funds		
	Developmental <u>Impact</u>	Talbot Family <u>Network</u>	Total Other Governmental <u>Funds</u>
REVENUES			
Intergovernmental:			
State	\$ -	\$ 114,955	\$ 114,955
Licenses and permits	785,812	-	785,812
Interest	192,294	62,577	254,871
Total revenues	978,106	177,532	1,155,638
EXPENDITURES			
Social services	-	538,575	538,575
Excess (deficiency) of revenues over expenditures	978,106	(361,043)	617,063
OTHER FINANCING SOURCES (USES)			
Transfers in (out) to other funds:			
Recreation	(120,000)	-	(120,000)
Capital projects - capital	(1,022,000)	-	(1,022,000)
Total other financing sources (uses)	(1,142,000)	-	(1,142,000)
Net change in fund balances	(163,894)	(361,043)	(524,937)
Fund balances at beginning of year	3,989,674	1,186,643	5,176,317
Fund balances at end of year	\$ 3,825,780	\$ 825,600	\$ 4,651,380

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

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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 Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities						
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
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>
Total governmental activities net assets	\$ 47,450,614	\$ 54,836,443	\$ 67,332,018	\$ 81,894,117	\$ 97,220,382	\$ 99,418,775
Business-type activities						
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
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>
Total business-type activities net assets	\$ 30,993,026	\$ 30,906,908	\$ 31,317,737	\$ 36,859,412	\$ 42,058,575	\$ 52,258,536
Primary government						
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
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>
Total primary government net assets	<u>\$ 78,443,640</u>	<u>\$ 85,743,351</u>	<u>\$ 98,649,755</u>	<u>\$ 118,753,529</u>	<u>\$ 139,278,957</u>	<u>\$ 151,677,311</u>

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 Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses						
Governmental activities:						
General government	\$ 4,386,312	\$ 4,995,333	\$ 4,980,170	\$ 5,615,463	\$ 5,447,411	\$ 8,476,977
Public safety	7,004,515	8,579,829	10,277,842	10,921,003	11,161,287	12,911,154
Public works	2,496,544	2,925,889	4,642,392	4,981,242	4,637,883	4,085,559
Health and hospitals	1,379,364	1,355,972	1,449,359	1,531,391	1,880,034	1,964,816
Social services	2,953,069	1,609,871	1,696,493	1,814,939	1,402,948	1,404,799
Education	33,340,191	29,268,117	30,704,758	31,966,292	39,858,261	45,950,955
Recreation	296,404	345,504	542,531	1,275,345	2,577,757	894,668
Conservation of natural resources	209,727	231,996	210,248	244,923	295,659	274,430
Miscellaneous	1,409,577	1,522,465	-	-	-	-
Interest on long-term debt	155,585	157,743	124,966	113,108	100,461	86,132
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>
Business-type activities:						
Recreation facilities	2,137,153	2,147,153	2,140,155	2,494,818	3,217,842	3,825,521
Sanitary district	1,337,094	1,414,081	1,468,246	1,485,046	1,649,537	2,910,842
Airport	2,204,071	2,434,808	2,832,127	3,438,045	3,468,909	4,089,080
Pool	282,896	276,819	314,780	350,962	343,182	397,365
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>
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>
Program Revenues						
Governmental activities:						
Charges for services						
General government	\$ 766,926	\$ 1,717,820	\$ 1,876,461	\$ 2,252,476	\$ 2,294,954	\$ 2,298,674
Public safety	492,915	700,872	767,105	586,274	568,421	565,415
Public works	-	-	181,792	408,874	1,089,966	321,330
Health and hospitals	42,531	69,496	68,644	57,058	63,159	75,854
Education	-	-	391,810	631,900	532,531	292,956
Recreation	35,320	65,631	114,412	150,279	135,440	124,690
Operating grants and contributions	7,245,332	6,332,123	7,790,739	8,397,525	10,045,423	10,108,796
Capital grants and contributions	-	-	-	-	-	-
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>
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
Sanitary district	1,072,726	1,015,001	1,110,847	1,061,865	1,151,340	1,803,762
Easton airport	1,807,185	1,856,821	2,330,429	2,904,517	2,824,353	3,075,162
Pool	276,852	86,424	80,220	93,161	87,769	79,302
Operating grants and contributions	-	-	-	-	-	-
Capital grants and contributions	-	1,647,042	833,848	4,895,190	6,416,909	7,269,502
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>
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>
Net (Expense)/Revenue						
Governmental activities	\$ (45,048,264)	\$ (42,106,777)	\$ (43,437,796)	\$ (45,979,320)	\$ (52,631,807)	\$ (62,261,775)
Business-type activities	(1,812,096)	(348,236)	(956,238)	2,433,331	3,498,988	2,731,825
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>

	Fiscal Year					
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Property taxes	\$ 20,285,162	\$ 21,230,753	\$ 22,509,555	\$ 23,824,569	\$ 25,051,218	\$ 26,371,828
Local income tax	13,115,496	15,429,138	19,492,772	23,825,934	28,794,974	31,626,307
Other local taxes	6,577,034	9,909,957	13,681,174	13,647,096	12,002,501	9,949,967
Interest	588,344	299,144	795,404	1,870,166	3,049,507	3,405,782
Miscellaneous	3,855,478	2,840,639	718,241	324,881	622,980	456,406
Transfers in (out)	(793,990)	(217,025)	(1,263,775)	(2,951,227)	(1,563,108)	(7,350,122)
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>
Business-type activities:						
Interest	87,770	45,093	103,292	145,109	139,807	115,854
Miscellaneous	-	-	-	12,008	(2,740)	2,160
Transfers in (out)	793,990	217,025	1,263,775	2,951,227	1,563,108	7,350,122
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>
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>
Change in Net Assets						
Governmental activities	\$ (1,420,740)	\$ 7,385,829	\$ 12,495,575	\$ 14,562,099	\$ 15,326,265	\$ 2,198,393
Business-type activities	(930,336)	(86,118)	410,829	5,541,675	5,199,163	10,199,961
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>

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)

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,051	\$ 7,681	\$ 42,293	\$ 2,509,615	\$ 913,869
Unreserved										
Designated	4,152,200	4,553,000	5,248,000	4,201,000	4,200,000	5,200,000	9,922,800	7,285,867	15,812,496	15,353,614
Undesignated	<u>7,233,440</u>	<u>8,195,376</u>	<u>9,932,537</u>	<u>10,505,119</u>	<u>9,588,567</u>	<u>14,118,491</u>	<u>17,993,526</u>	<u>25,387,252</u>	<u>23,095,026</u>	<u>25,439,870</u>
Total General Fund	<u>\$ 11,385,640</u>	<u>\$ 12,748,376</u>	<u>\$ 15,180,537</u>	<u>\$ 14,706,119</u>	<u>\$ 13,788,567</u>	<u>\$ 19,340,542</u>	<u>\$ 27,924,007</u>	<u>\$ 32,715,412</u>	<u>\$ 41,417,137</u>	<u>\$ 41,707,353</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	6,928,788	6,407,016	5,290,622	13,424,726	7,771,608	4,933,233	3,863,961	8,428,417	7,613,828	32,119,063
Designated - Special Revenue Funds	402,847	365,441	695,660	721,981	720,150	594,188	1,707,767	2,859,426	4,839,284	24,295
Undesignated - Special Revenue Funds	<u>-</u>	<u>-</u>	<u>4,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,711</u>	<u>337,033</u>	<u>801,305</u>
Total all other governmental funds	<u>\$ 7,331,635</u>	<u>\$ 6,772,457</u>	<u>\$ 5,990,886</u>	<u>\$ 14,146,707</u>	<u>\$ 8,491,758</u>	<u>\$ 5,527,421</u>	<u>\$ 5,571,728</u>	<u>\$ 11,351,554</u>	<u>\$ 12,790,145</u>	<u>\$ 32,944,663</u>
Total Governmental Funds	\$ 18,717,275	\$ 19,520,833	\$ 21,171,423	\$ 28,852,826	\$ 22,280,325	\$ 24,867,963	\$ 33,495,735	\$ 44,066,966	\$ 54,207,282	\$ 74,652,016

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Property tax	\$ 16,687,762	\$ 17,817,082	\$ 18,669,717	\$ 19,517,609	\$ 20,285,162	\$ 21,230,753	\$ 22,509,555	\$ 23,824,569	\$ 25,051,218	\$ 26,371,828
Income tax	11,376,282	12,166,186	15,779,471	15,004,893	13,115,496	15,429,138	19,492,772	23,825,934	28,794,974	31,626,307
Other local taxes	5,740,043	6,652,020	6,436,648	7,445,196	9,234,107	12,063,661	13,681,174	13,647,096	12,002,501	9,949,967
Licenses and permits	542,540	555,027	527,143	634,650	559,035	657,060	1,434,242	2,163,301	2,634,811	1,451,225
Intergovernmental:										
Federal	401,652	435,917	361,314	598,959	1,005,838	1,017,047	2,161,763	897,727	1,166,795	986,313
State	3,846,079	4,107,359	5,709,355	5,742,874	6,239,496	5,315,076	5,628,976	7,499,800	8,878,628	9,122,483
Service charges	997,932	1,269,816	1,345,313	1,291,900	1,337,694	1,874,539	1,965,982	1,918,108	2,035,151	2,220,939
Fines and forfeitures	7,587	19,830	18,131	17,499	21,830	22,220	11,241	5,452	14,509	6,755
Miscellaneous	287,170	76,946	341,200	520,350	617,536	742,247	707,000	324,881	622,980	456,406
Interest Income	1,192,289	1,586,395	1,765,084	786,748	588,344	299,143	795,404	1,870,166	3,049,507	3,405,782
Total revenues	41,079,336	44,686,578	50,953,376	51,560,678	53,004,538	58,650,884	68,388,109	75,977,034	84,251,074	85,598,005
Expenditures										
General Government	2,496,252	3,337,813	5,093,901	4,264,382	5,803,654	7,225,024	5,603,724	5,584,396	5,191,173	5,958,766
Public Safety	4,000,180	7,390,869	7,670,175	5,842,322	6,940,735	7,757,238	9,135,164	9,157,464	9,994,797	11,246,960
Public Works	2,982,273	3,366,543	3,210,685	3,902,358	4,361,390	3,209,637	4,492,762	6,126,343	5,528,800	6,371,000
Health and hospitals	1,048,390	1,190,112	1,203,189	1,379,633	1,375,601	1,352,209	1,445,596	1,526,270	1,872,922	3,963,933
Social services	879,853	882,269	1,608,066	2,104,868	2,937,003	1,594,320	1,681,193	1,778,837	1,401,182	1,390,590
Education	23,881,821	23,921,312	26,350,832	31,955,041	31,627,468	28,777,258	29,644,623	31,029,594	38,998,222	44,676,973
Debt service interest - Educ	693,452	673,942	679,689	664,574	1,128,080	1,095,167	1,060,135	901,243	891,193	1,273,144
Debt service principal - Educ	325,422	362,757	407,871	571,051	953,302	1,002,888	1,044,951	988,345	1,124,548	1,162,079
Recreation	177,204	411,362	334,753	491,690	492,123	518,026	491,528	1,104,324	2,992,661	2,497,017
Conservation of natural resources	145,412	165,992	173,938	164,901	206,433	231,996	210,248	244,923	295,659	274,430
Employee Benefits	840,270	1,060,095	1,180,514	1,476,801	1,409,577	1,522,465	2,303,921	2,579,628	2,748,331	2,644,213
Miscellaneous	33,308	47,394	157,887	87,856	45,590	125,035	58,960	209,365	94,132	233,696
Intergovernmental	471,154	492,913	481,343	446,811	451,785	492,908	544,538	701,132	860,102	860,442
Debt service interest	175,599	164,231	149,516	135,342	155,585	157,743	124,966	113,108	100,461	86,132
Debt service principal	255,307	269,177	283,077	292,947	330,842	341,299	291,241	306,022	318,022	333,097
Contingencies	-	146,239	317,350	973,848	563,881	623,008	363,013	66,850	135,445	157,807
Total expenditures	38,405,897	43,883,020	49,302,786	54,754,425	58,783,049	56,026,221	58,496,562	62,417,844	72,547,650	83,130,279
Excess of revenues over (under) expenditures	2,673,439	803,558	1,650,590	(3,193,747)	(5,778,511)	2,624,663	9,891,547	13,559,190	11,703,424	2,467,726
Other Financing Sources (Uses)										
Proceeds from long-term debt	-	-	-	11,245,000	-	180,000	-	2,325,000	-	25,020,000
Payment to refunded debt escrow agent	-	-	-	-	-	-	-	(2,361,732)	-	-
Bond premium	-	-	-	-	-	-	-	-	-	307,130
Transfers in (out)										
Pools	-	-	-	(33,800)	(119,100)	(139,720)	(125,275)	(119,526)	(148,960)	(152,776)
Recreation	-	-	-	(336,050)	(674,890)	(77,305)	(1,138,500)	(2,831,701)	(1,414,148)	(7,197,346)
Total other financing sources (uses)	-	-	-	10,875,150	(793,990)	(37,025)	(1,263,775)	(2,987,959)	(1,563,108)	17,977,008
Net change in fund balances	\$ 2,673,439	\$ 803,558	\$ 1,650,590	\$ 7,681,403	\$ (6,572,501)	\$ 2,587,638	\$ 8,627,772	\$ 10,571,231	\$ 10,140,316	\$ 20,444,734
Debt service as a percentage of noncapital expenditures	3.80%	3.38%	3.10%	3.57%	4.66%	4.96%	4.50%	3.84%	3.54%	3.69%

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

Fiscal Year	Real Property ^a				Public Utility Personal ^b	Total			Real Property Tax Rate ^c
	Assessed Value	Estimated Actual Value	Exempt Value	Taxable Assessed Value	Assessed Value	Assessed Value	Estimated Actual Value	Taxable Assessed Value	
2008	\$ 7,849,685,172	\$ 7,849,685,172	\$ 395,586,540	\$ 7,454,098,632	\$ 54,664,610	\$ 7,904,349,782	\$ 7,904,349,782	\$ 7,508,763,242	\$ 0.475
2007	6,664,737,183	6,664,737,183	367,157,050	6,297,580,133	55,889,230	6,720,626,413	6,720,626,413	6,353,469,363	0.500
2006	5,802,305,273	5,802,305,273	352,765,830	5,449,539,443	50,485,530	5,852,790,803	5,852,790,803	5,500,024,973	0.520
2005	4,668,045,168	4,668,045,168	327,189,150	4,340,856,018	51,646,400	4,719,691,568	4,719,691,568	4,392,502,418	0.540
2004	4,225,258,553	4,225,258,553	299,699,730	3,925,558,823	54,126,210	4,279,384,763	4,279,384,763	3,979,685,033	0.553
2003	3,838,437,925	3,838,437,925	285,160,971	3,553,276,954	58,610,730	3,897,048,655	3,897,048,655	3,611,887,684	0.553
2002	3,657,847,336	3,657,847,336	278,724,228	3,379,123,108	62,042,860	3,719,890,196	3,719,890,196	3,441,165,968	0.556
2001	1,395,818,899	3,489,547,248	109,222,275	1,286,596,624	62,387,330	1,458,206,229	3,551,934,578	1,348,983,954	1.390
2000	1,339,884,960	3,349,712,400	106,887,120	1,232,997,840	60,209,369	1,400,094,329	3,409,921,769	1,293,207,209	1.390
1999	1,289,300,597	3,223,251,493	103,202,650	1,186,097,947	59,480,863	1,348,781,460	3,282,732,356	1,245,578,810	1.390

Source: State of Maryland, Department of Assessments and Taxation

Notes:

^a For fiscal years ending June 30, 2002 and later, real property is assessed at full cash value; prior to fiscal year 2002, real property was assessed at 40% of cash value.

^b For all years, Public Utility Personal Property is assessed at full cash value.

^c 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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
County Direct Rates										
General	\$ 1.39	\$ 1.39	\$ 1.39	\$ 0.556	\$ 0.553	\$ 0.553	\$ 0.540	\$ 0.520	\$ 0.500	\$ 0.475
Town Rates										
Easton	1.00	1.00	1.00	0.44	0.44	0.453	0.440	0.430	0.480	0.520
Oxford	0.55	0.53	0.55	0.25	0.26	0.280	0.300	0.300	0.290	0.280
Queen Anne	0.50	0.45	0.45	0.18	0.18	0.180	0.180	0.180	0.180	0.180
St. Michaels	0.90	0.90	1.20	0.58	0.58	0.640	0.640	0.640	0.640	0.640
Trappe	0.54	0.54	0.54	0.22	0.30	0.300	0.300	0.300	0.300	0.300

Notes:

For fiscal years ending June 30, 2002 and later, real property is assessed at full cash value; prior to fiscal year 2002, real property was assessed at 40% of 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 2008</u>			<u>Fiscal Year 1999</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>
Retirement Comm. of Easton, Inc.	\$ 19,285,933	1	0.26%			
Perry Cabin Acquisitions Corp.	17,188,000	2	0.23%	2,435,560	6	0.12%
Easton Shoppes Business Trust	13,427,800	3	0.18%	4,966,240	1	0.24%
Eastern Shore Retirement Assoc.	12,705,700	4	0.17%	3,959,500	2	0.19%
Hampden Investment Properties LLC	9,885,500	5	0.13%	2,460,200	5	0.12%
Individual	9,542,833	6	0.13%			
Wal Mart Stores, Inc. #1715	8,445,200	7	0.11%	2,334,640	8	0.11%
Cal-Mar Associates	7,716,200	8	0.10%	2,737,360	3	0.13%
Easton Marketplace LLC	7,351,566	9	0.10%			
Individual	7,154,212	10	0.10%			
T.I. Properties LLC				2,152,600	10	0.10%
Black & Decker, Inc.				2,681,040	4	0.13%
Individual				2,421,040	7	0.12%
Marlboro Road Shopping Center				2,267,820	9	0.11%
Total	\$ 112,702,944		1.50%	\$ 28,416,000		1.35%

Note: Oldest available records are from FY 1999.

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 in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2001	17,787,367	17,762,792	99.86%	36,187	17,798,979	100.07%
2000	17,024,418	16,958,568	99.61%	(59,447)	16,899,121	99.26%
1999	16,405,961	16,376,441	99.82%	23,207	16,399,648	99.96%

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 Rate					
Tax Year	1st \$1,000 of Net Taxable Income	2nd \$1,000 of Net Taxable Income	3rd \$1,000 of Net Taxable Income	In excess of \$3,000 Net Taxable Income	Talbot County Income Tax Direct Rate
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%
2000	2.00%	3.00%	4.00%	4.85%	1.75%
1999	2.00%	3.00%	4.00%	4.85%	1.76%
1998	2.00%	3.00%	4.00%	4.88%	35.00%
1997	2.00%	3.00%	4.00%	5.00%	40.00%

Notes:

For tax year 1999 and later, income tax rates reflect a percentage of Maryland taxable income; prior to tax year 1999, rates reflect a percentage of Maryland income tax.

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

Schedule 10
Talbot County, Maryland
Income Tax Filers Summary Information,
Last Nine 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
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%
1999	13,309	876,025,027	706,628,699	31,824,426	12,265,887	44,090,313	1.76%
1998	12,953	749,901,515	594,137,067	26,916,286	10,199,758	37,116,044	35.00%

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

Notes:

See Schedule 11 for detailed breakout of adjusted gross income.

For tax year 1999 and later, income tax rates reflect a percentage of Maryland taxable income; prior to tax year 1999, rates reflect a percentage of Maryland income tax.

Oldest available records are from tax year 1998.

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

	Tax Year 2006					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$500,000 and higher	316	2.1%	\$ 494,646,879	41.3%	\$ 11,129,556	41.7%
\$200,000 - 499,999	715	4.8%	181,625,050	15.2%	4,086,564	15.3%
\$100,000 - 199,999	1,787	12.0%	190,955,305	15.9%	4,296,642	16.1%
\$50,000 - 99,999	3,600	24.1%	189,044,051	15.8%	4,253,450	15.9%
\$25,000 - 49,999	4,197	28.1%	101,753,228	8.5%	2,216,947	8.3%
\$5,000 - 24,999	4,187	28.1%	40,070,914	3.3%	718,993	2.7%
Under \$5,000	110	0.7%	147,033	0.0%	2,822	0.0%
Totals	14,912	100.0%	\$ 1,198,242,460	100.0%	\$ 26,704,974	100.0%

	Tax Year 1998					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$200,000 and higher	462	3.6%	\$ 206,090,369	34.7%	\$ 3,607,670	35.4%
\$100,000 - 199,999	895	6.9%	100,337,582	16.9%	1,758,930	17.2%
\$50,000 - 99,999	2,590	20.0%	139,546,158	23.5%	2,451,423	24.0%
\$25,000 - 49,999	3,712	28.7%	96,572,604	16.3%	2,334,067	22.9%
\$5,000 - 24,999	5,163	39.9%	51,360,310	8.6%	45,373	0.4%
Under \$5,000	131	1.0%	230,044	0.0%	2,295	0.0%
Totals	12,953	100.0%	\$ 594,137,067	100.0%	\$ 10,199,758	100.0%

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

Note: Oldest available records are from tax year 1998.

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			
2008	\$ 43,777,276	\$ 14,074,978	\$ 180,211	\$ 58,032,465	2.99%	\$1,603.42
2007	20,283,936	13,541,483	273,950	34,099,369	1.76%	942.15
2006	21,757,660	8,262,807	281,747	30,302,214	1.56%	839.93
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
2001	16,940,572	3,231,374	-	20,171,946	1.42%	591.51
2000	17,324,570	2,669,030	-	19,993,600	1.55%	589.92
1999	18,260,674	2,598,872	-	20,859,546	1.75%	619.79

Notes:

2007 and 2008 percentages calculated using 2006 personal income data, which is the most recent available.

2008 debt per capita is calculated using 2007 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

Fiscal Year	General Obligation Bonds	Total Taxable Assessable Base	Percentage of Total Taxable Assessable Base	Population	Debt Per Capita
2008	\$ 57,852,254	\$ 7,508,763,242	0.77%	*	\$ 1,598.44
2007	33,825,419	6,353,469,363	0.53%	36,193	934.58
2006	30,020,467	5,500,024,973	0.55%	36,077	832.12
2005	27,091,944	4,392,502,418	0.62%	35,639	760.18
2004	28,660,523	3,979,685,033	0.72%	35,191	814.44
2003	30,204,805	3,611,887,684	0.84%	34,561	873.95
2002	31,928,709	3,441,165,968	0.93%	34,360	929.24
2001	20,171,946	1,348,983,954	1.50%	34,103	591.51
2000	19,993,600	1,293,207,209	1.55%	33,892	589.92
1999	20,859,546	1,245,578,810	1.67%	33,656	619.79

* Information not yet available; 2008 debt per capita is calculated using 2007 census data.

Schedule 14
Talbot County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2008

<u>Governmental Unit</u>	<u>Total Assessed Valuation of Real Property</u>	<u>% of Assessed Valuation to County Total</u>	<u>Pro Rata Share of County General Obligation Bonded Debt</u>	<u>Municipal Debt Outstanding^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Easton	1,740,607,479	22.17%	9,707,275	\$ 1,485,000	\$ 11,192,275
Oxford	336,919,059	4.29%	1,878,980	-	1,878,980
Queen Anne	5,982,270	0.08%	33,363	-	33,363
St. Michaels	263,108,510	3.35%	1,467,342	5,179,767	6,647,109
Trappe	90,711,346	1.16%	505,892	209,649	715,541
Unincorporated	5,412,356,508	68.95%	30,184,424		30,184,424
Total	7,849,685,172	100.00%	43,777,276	\$ 6,874,416	\$ 50,651,692

Source:

^a Municipal Town Clerks

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

	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Taxable Assessable Base	\$ 3,113,947	\$ 3,233,018	\$ 3,372,460	\$ 3,441,166	\$ 3,611,888	\$ 3,979,685	\$ 4,392,502	\$ 5,500,025	\$ 6,353,469	\$ 7,508,763
Debt Limit, 15% of Assessable Base	467,092	484,953	505,869	516,175	541,783	596,953	658,875	825,004	953,020	1,126,314
Amount of Debt Applicable to Limit										
General Obligation Bonds	18,261	17,325	16,941	27,157	25,711	24,389	23,053	30,020	20,284	43,777
Legal Debt Margin	<u>\$ 448,831</u>	<u>\$ 467,628</u>	<u>\$ 488,928</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	3.91%	3.57%	3.35%	5.26%	4.75%	4.09%	3.50%	3.64%	2.13%	3.89%

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

Year	Population^a	Personal Income^b (thousands of dollars)	Per Capita Personal Income^b	Public School Enrollment^c	Unemployment Rate^d
2008	*	*	*	4,396	*
2007	36,193	*	*	4,398	3.4%
2006	36,077	1,937,689	53,710	4,482	3.6%
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%
2001	34,103	1,421,670	41,688	4,521	3.0%
2000	33,892	1,287,110	37,977	4,502	3.1%
1999	33,656	1,193,846	35,472	4,590	2.8%

Sources:

^a U.S. Census Bureau.

^b Bureau of Economic Analysis, U.S. Department of Commerce.

^c Maryland State Department of Education.

^d 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 2007</u>			<u>CY 1998</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	1,200	1	6.17%	1,000	2	6.43%
Allen Family Foods	640	2	3.29%	700	3	4.50%
Wal-Mart	300	3	1.54%			
William Hill Manor	300	4	1.54%	185	7	1.19%
Cadmus Prof. Communications	250	5	1.28%	340	4	2.18%
Delmarva Foundation	250	6	1.28%			
Lowe's Home Center	215	7	1.10%			
Wildlife International	200	8	1.03%	165	8	1.06%
Chesapeake Building Components	187	9	0.96%			
Meridian/The Pines	186	10	0.96%	186	6	1.20%
Black & Decker, Inc.				1,200	1	7.71%
Celeste Industries				200	5	1.29%
First Services, Inc.				105	9	0.67%
Standard Jackson Fuse Co.				52	10	0.33%
	<u>3,728</u>		<u>19.16%</u>	<u>4,133</u>		<u>26.55%</u>

Source: Maryland Department of Business and Economic Development

Note: Oldest available records are from CY 1998.

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>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government	*	*	*	*	49.6	50.1	57.8	60.9	65.8	66.7
Public Safety	*	*	*	*	103.1	112.8	117.3	123.3	128.7	139.6
Public Works	*	*	*	*	35.2	33.0	34.4	36.5	39.9	44.7
Social Services	*	*	*	*	10.8	5.6	5.3	5.0	4.0	4.8
Recreation	*	*	*	*	45.2	47.1	46.9	47.8	51.1	52.4
Airport	*	*	*	*	5.0	5.1	5.0	5.1	5.0	5.0
Total	<u>207.0</u>	<u>212.0</u>	<u>244.0</u>	<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>

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**

Function/Program	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government										
Building Permits issued	985	918	921	920	656	909	999	1,034	626	529
Value of new construction (000's)	56,348	63,239	61,128	83,618	64,013	70,601	130,073	62,002	76,505	58,812
Public Safety										
Detention Center										
Avg. daily population	90	100	107	91	102	98	106	101	106	106
Bookings	724	790	838	821	876	782	833	850	764	989
9-1-1 Calls Answered										
Fire	1,388	1,241	1,288	1,286	1,388	1,339	1,370	1,409	1,462	1,557
Emergency Medical Services	1,164	1,439	1,082	1,267	3,144	3,861	4,568	4,525	4,767	4,330
Sheriff	1,043	1,103	1,385	4,335	5,592	6,230	10,983	15,053	10,939	12,592
Other Police	*	*	*	4,772	5,000	4,323	4,778	6,682	6,578	7,289
Education										
Students	4,590	4,502	4,521	4,516	4,498	4,459	4,505	4,482	4,398	4,396
Teachers	311	314	317	324	330	329	320	319	319	333
Recreation Facilities										
Boat ramp permits	3,152	3,230	2,651	2,934	3,992	3,705	4,357	4,482	3,635	6,673
Golf rounds	46,715	44,155	38,863	44,654	23,507	37,217	39,142	40,080	43,110	30,140
Public Works										
Centerline miles of road maintained	367	367	367	367	369	369	369	370	371	371
Wastewater treated (mgd)	*	*	*	0.423	0.423	0.540	0.550	0.490	0.561	0.450
Airport										
Based aircraft	135	135	148	145	148	148	158	158	170	185
Gallons of fuel sold	747,655	904,667	864,267	757,000	730,500	715,161	760,910	817,497	809,242	690,904

Note:

* Information not available.

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

Function/Program	Fiscal Year									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public Safety										
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	3	3	3	10	10	11	11	11
Education										
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
Recreation Facilities										
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	11	11	11	13	13
Park acreage	190	190	190	190	190	190	190	190	632	632
Public Landings & Wharves	28	28	28	28	28	28	29	29	29	29
Boat Slips	88	102	102	102	102	102	102	113	113	113
Public Pools	1	1	1	1	2	2	2	2	2	2
Public Works										
Centerline miles of county roads	367	367	367	367	369	369	369	370	372	372
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	2	2	2	2	2	2	2	2	2	3
Miles of mains	33	33	33	33	33	33	33	33	33	38
Pump stations	12	12	12	12	12	12	12	12	12	12
Airport										
Number of Runways	2	2	2	2	2	2	2	2	2	2

Sources: Talbot County Finance Office and applicable County Departments.