

TALBOT COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009

Report Prepared By:

Talbot County, Maryland Finance Office



TALBOT COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2009
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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF ELECTED AND APPOINTED OFFICIALS



TALBOT COUNTY, MARYLAND

COURT HOUSE

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EASTON, MARYLAND 21601

FINANCE OFFICE
PHONE: 410-770-8020

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

December 18, 2009

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, 2009 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 TGM Group 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, 2009, 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, 2009 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.

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

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 70 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 83.

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 reductions in state funding which costs may be passed on to local governments and the reductions 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 remains 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 2010, focusing instead on ongoing projects for which funds have already been secured, either through existing reserve balances or grants. In FY 2010, additional funding will be provided for the renovation, construction or furnishing of previously approved County facilities projects, and the renovation of Chesapeake College's Kent Humanities Building. 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. The County's Retiree Health Plan is more fully described in Note 8 that begins on page 63. In FY 2008 and FY 2009, the County chose to set aside a portion of its unreserved fund balance, \$7.96 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, 2008. 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 seven consecutive years. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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

Respectfully Submitted,



Angela Lane
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Talbot County
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

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.

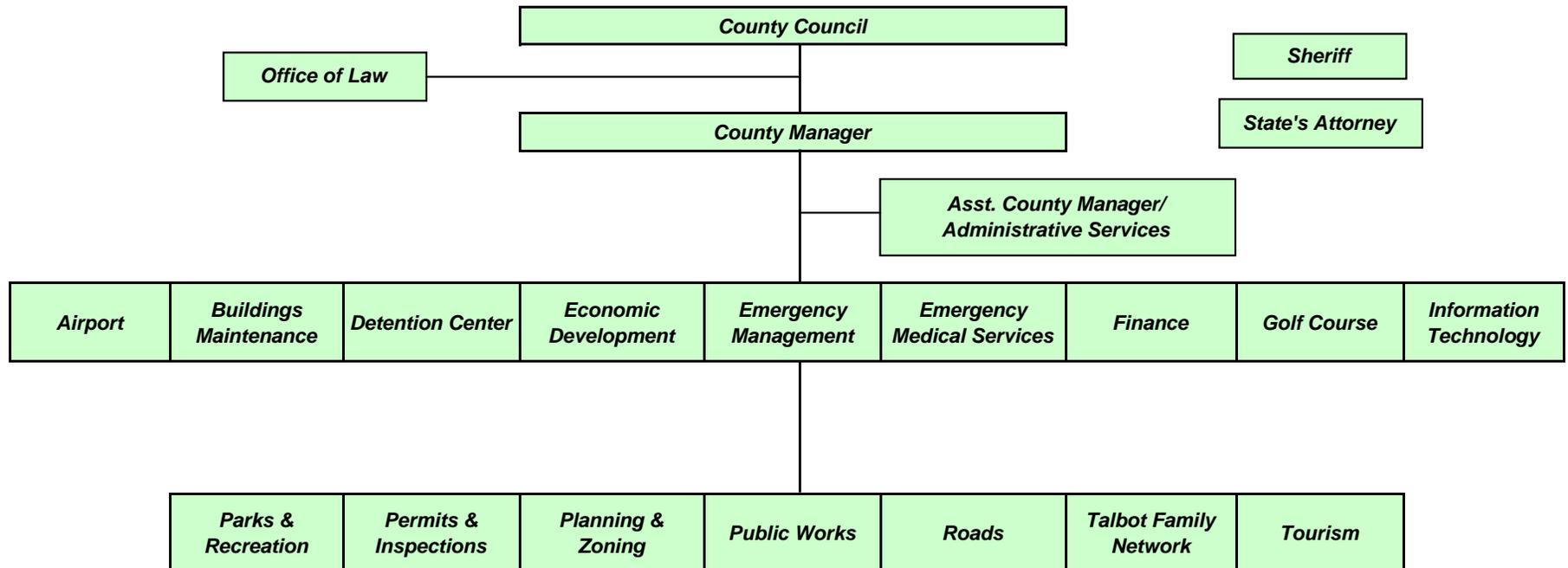


President

Executive Director



Talbot County Government Organization Chart



Talbot County, Maryland
List of Elected and Appointed Officials
June 30, 2009

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 Services Director	Clay Stamp
Facilities Manager	Brain Moore
Finance Director	John W. Lehner
Golf Course Manager	Mike Kaminskas
Information Technology Director	Parker Durham
Parks & Recreation Director	Rick Towle
Permits & Inspections Director	Dan Cowee
Planning Officer	Stacey Dahlstrom
Public Works/County Engineer	Ray Clarke
Roads Superintendent	Ricky Ball
Talbot Family Network Director	Donna Kegley-Hacker
Tourism Director	Debbi Dodson

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

County Council of
Talbot County, Maryland
Easton, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Talbot County, Maryland as of and for the year ended June 30, 2009, 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, 2009, 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 December 18, 2009, 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 on pages 13 through 23, budgetary comparison information on pages 70 through 79, and the schedule of funding progress – other post-employment benefits on page 80 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 budgetary comparison schedules on pages 83 through 94 and 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, 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.



Salisbury, Maryland
December 18, 2009

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, 2009. 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, 2009, the assets of Talbot County exceeded liabilities by \$151.2 million (net assets), a decrease of \$508 thousand, or 0.3 percent, from the prior year. Approximately 66.2 percent of net assets are attributable to the County's governmental activities. Of total net assets, \$38.0 million are available for use to meet the County's ongoing obligations to its citizens and creditors (unrestricted net assets).
- As of June 30, 2009, the County's governmental funds reported combined fund balances of \$66.5 million, a decrease of \$8.1 million, or 10.9 percent, from the prior year. Approximately 34.0 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 \$40.3 million or 50.9 percent of general fund expenditures and other financing uses at June 30, 2009. \$17.6 million, or 43.8 percent of the unreserved fund balance, has been designated for use in the fiscal year 2010 budget and advance funding toward the County's long-term obligation related to non-pension, or "other post-employment" benefits (OPEB).
- Talbot County Government's total debt, excluding compensated absences, decreased by net \$2.95 million during the year ended June 30, 2009. See Note 6 of this report for details of the additional debt incurred and existing debt paid.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

This report contains other required and non-required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Talbot County Government's finances, in a manner similar to that of a private sector business. The Statement of Net Assets and the Statement of Activities are prepared using the accrual basis of accounting.

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

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, public works, health, social services, education, recreation, and conservation of natural resources. The business-type activities of the County include recreation facilities, wastewater treatment services, and an airport facility.

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

The government-wide financial statements can be found on pages 25-28 of this report.

Fund Financial Statements

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

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as balances of

spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Talbot County, Maryland maintains three types of governmental funds: general, capital projects and special revenue. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances for all three types of governmental funds.

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

Proprietary Funds. Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. Proprietary funds include internal service funds and enterprise funds. An internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. Talbot County does not maintain any internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its wastewater treatment services, recreation facilities, and airport.

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

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

Notes to Financial Statements

The notes to the financial statements are part of the basic financial statements and provide additional information that is essential to creating a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 42-68 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information and disclosures that are not considered part of the basic financial statements. Required supplementary information includes a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. Other

supplementary information includes budgetary comparisons for the Capital Projects, Other Governmental, and Enterprise Funds, and combining statements for Other Governmental Funds. These reports are located immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In Talbot County, assets exceeded liabilities by \$151,169,724 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*. 74.9 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 (25.1 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, 2009			June 30, 2008		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 73,313,079	\$ (466,906)	\$ 72,846,173	\$ 82,496,923	\$ 2,719,237	\$ 85,216,160
Capital Assets	77,233,041	66,811,589	144,044,630	69,464,182	65,572,854	135,037,036
Total Assets	<u>150,546,120</u>	<u>66,344,683</u>	<u>216,890,803</u>	<u>151,961,105</u>	<u>68,292,091</u>	<u>220,253,196</u>
Non Current Liabilities	40,816,382	12,969,046	53,785,428	41,973,447	13,469,626	55,443,073
Other Liabilities	9,631,234	2,304,417	11,935,651	10,568,883	2,563,929	13,132,812
Total Liabilities	<u>50,447,616</u>	<u>15,273,463</u>	<u>65,721,079</u>	<u>52,542,330</u>	<u>16,033,555</u>	<u>68,575,885</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	60,070,294	53,100,037	113,170,331	50,706,906	51,317,665	102,024,571
Unrestricted	<u>40,028,210</u>	<u>(2,028,817)</u>	<u>37,999,393</u>	<u>48,711,869</u>	<u>940,871</u>	<u>49,652,740</u>
Total Net Assets	<u>\$ 100,098,504</u>	<u>\$ 51,071,220</u>	<u>\$151,169,724</u>	<u>\$ 99,418,775</u>	<u>\$ 52,258,536</u>	<u>\$151,677,311</u>

Talbot County's net assets decreased by \$508 thousand during fiscal year 2009, which can be largely attributed to decreases in Transfer and Recordation Taxes, investment earnings, and Capital Grant funding for business-type activities capital projects, partially offset by increased revenues from property taxes, and intergovernmental revenues for social services. These items are addressed in more detail below.

Governmental Activities. Governmental activities increased the County's net assets before transfers by \$1.9 million.

Talbot County Government's Changes in Net Assets

	June 30, 2009			June 30, 2008		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,372,404	\$ 6,551,853	\$ 9,924,257	\$ 3,678,919	\$ 6,685,131	\$ 10,364,050
Operating Grants and Contributions	9,192,985	-	9,192,985	10,108,796	-	10,108,796
Capital Grants and Contributions	-	2,297,603	2,297,603	-	7,269,502	7,269,502
General Revenues:						
Property Taxes	27,436,368	-	27,436,368	26,371,828	-	26,371,828
Local Income Tax	31,635,555	-	31,635,555	31,626,307	-	31,626,307
Other Local Taxes	7,097,837	-	7,097,837	9,949,967	-	9,949,967
Investment Income	2,470,720	98,421	2,569,141	3,405,782	115,854	3,521,636
Miscellaneous	739,625	-	739,625	456,406	2,160	458,566
Total Revenues	81,945,494	8,947,877	90,893,371	85,598,005	14,072,647	99,670,652
Expenses:						
General Government	10,151,451	-	10,151,451	8,476,977	-	8,476,977
Public Safety	13,731,318	-	13,731,318	12,911,154	-	12,911,154
Public Works	4,831,967	-	4,831,967	4,085,559	-	4,085,559
Health	2,338,752	-	2,338,752	1,964,816	-	1,964,816
Social Services	1,484,690	-	1,484,690	1,404,799	-	1,404,799
Education	46,271,163	-	46,271,163	45,950,955	-	45,950,955
Recreation	885,695	-	885,695	894,668	-	894,668
Conservation of Natural Resources	302,516	-	302,516	274,430	-	274,430
Interest Charges	71,418	-	71,418	86,132	-	86,132
Recreation Facilities	-	3,258,076	3,258,076	-	3,825,521	3,825,521
Sanitary District	-	3,396,151	3,396,151	-	2,910,842	2,910,842
Airport	-	4,280,559	4,280,559	-	4,089,080	4,089,080
Pools	-	397,202	397,202	-	397,365	397,365
Total Expenses	80,068,970	11,331,988	91,400,958	76,049,490	11,222,808	87,272,298
Increase in Net Assets before transfers	1,876,524	(2,384,111)	(507,587)	9,548,515	2,849,839	12,398,354
Transfers In (Out)	(1,196,795)	1,196,795	-	(7,350,122)	7,350,122	-
Increase (Decrease) in Net Assets	679,729	(1,187,316)	(507,587)	2,198,393	10,199,961	12,398,354
Net Assets – Beginning	99,418,775	52,258,536	151,677,311	97,220,382	42,058,575	139,278,957
Net Assets - Ending	\$ 100,098,504	\$ 51,071,220	\$151,169,724	\$ 99,418,775	\$ 52,258,536	\$151,677,311

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

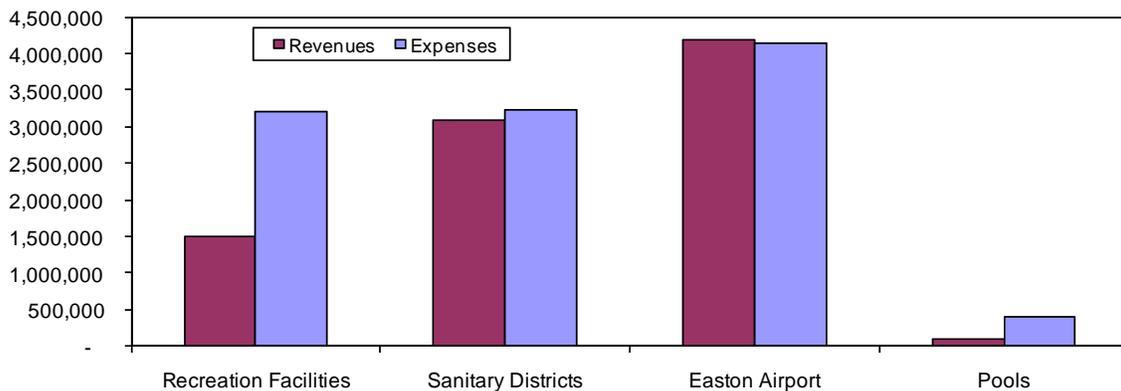
- Property tax revenues increased by 4.0 percent over the prior fiscal year and were \$571 thousand more than budgeted. Higher taxable assessments again accounted for the increase.
- Intergovernmental revenues decreased by \$916 thousand or 9.1 percent, primarily due to reduced distribution of Highway User revenues from the State of Maryland and non-recurring grants from Maryland’s “Program Open Space” and the Maryland Emergency Numbers System Board received in the prior fiscal year.
- Investment earnings decreased by \$935 thousand a 27.5 percent decrease from the prior year. This is due to a reduction in interest rates during FY 2009.
- Transfer and recordation taxes, affected by the soft housing market, decreased by 31.1 percent from the prior fiscal year, and missed budget projections by \$2.9 million. All other sources of governmental income yielded a net decrease of approximately \$165,000.

Governmental activities also included the transfer of nearly \$1.2 million to various business-type activities, primarily for the operations of recreation facilities.

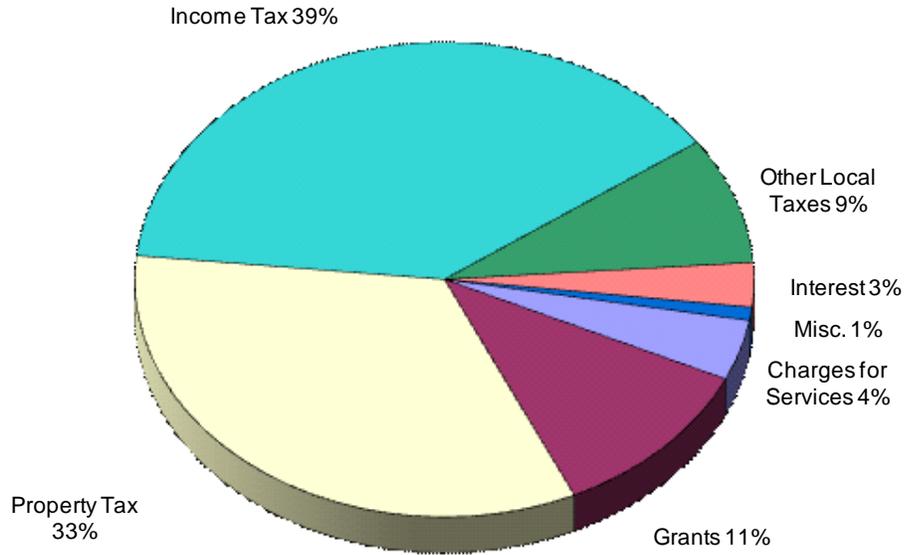
Business-type Activities. Business-type activities decreased Talbot County’s net assets before transfers by \$2.4 million. The decrease is primarily attributable to reduced funding for capital improvements at the Easton Airport and reduced funding for construction of a new wastewater treatment plant in St. Michaels.

Fiscal year 2009 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

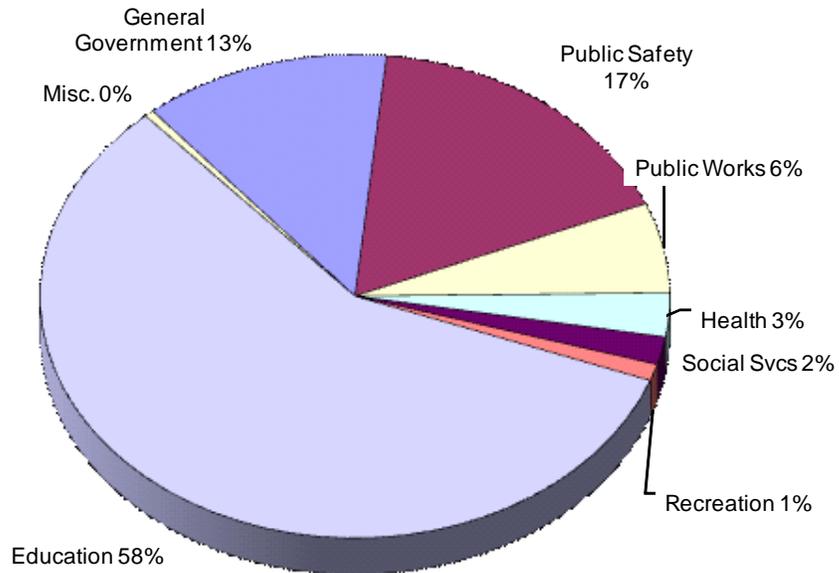
***Expenses and Program Revenues - Business-Type Activities
For the Year Ended June 30, 2009***



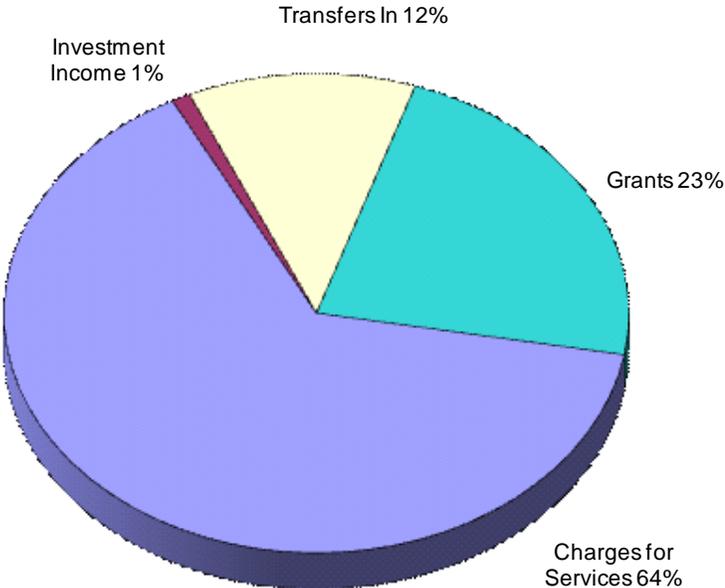
**Revenues by Source - Governmental Activities
For the Year Ended June 30, 2009**



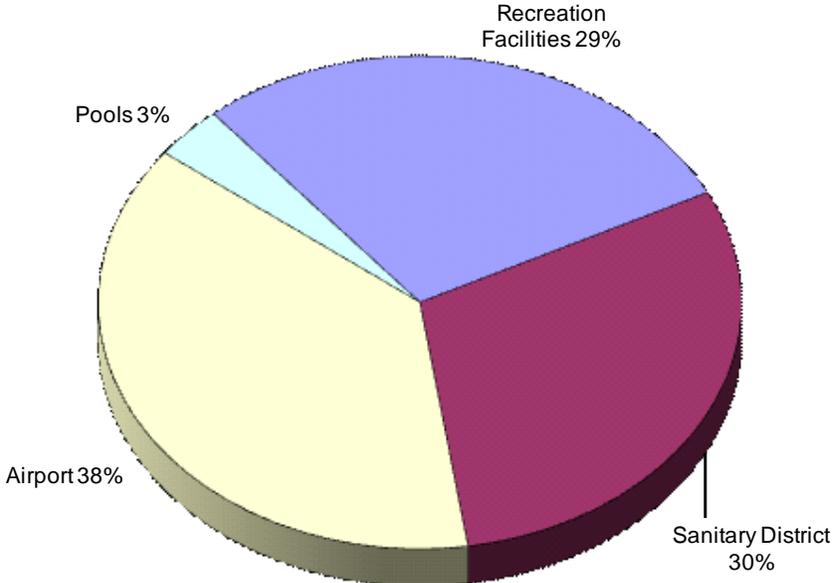
**Expenses - Governmental Activities
For the Year Ended June 30, 2009**



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



**Expenses - Business-Type Activities
For the Year Ended June 30, 2009**



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 \$66.5 million. Approximately 34.0 percent of this total (\$22.6 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 \$41.2 million, and the unreserved undesignated fund balance was \$22.6 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 28.6 percent of total general fund expenditures, while total fund balance represents 52.1 percent of total general fund expenditures.

The fund balance of Talbot County's General Fund decreased by \$472,145 during FY 2009, in part due to the transfer of nearly \$7.6 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 decreased by \$5.4 million during FY 2009. This decrease was due to expending funding provided in previous years through 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 \$51.1 million. There is a deficit of \$2.0 million in unrestricted net assets, primarily due to Sanitary District investment in capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final actual results, exclusive of inter-fund transfers and other financing sources/uses, for the County totaled \$6.9 million. Operating

revenues exceeded budgetary estimates by \$5.7 million, and operating expenditures were \$1.2 million under budgetary estimates. The major variances can be summarized as follows:

- Revenues.** The major differences between the budgeted revenues and the actual revenues received are:
 Income tax revenues received were \$6.97 million more than budgeted. Property tax revenues exceed budget by \$0.57 million, intergovernmental revenues were \$0.65 million more than budgeted and contributions and other revenues were \$0.61 million more than budgeted. Transfer and Recordation taxes were \$2.9 million less than budgeted.
- Expenditures.** The major differences between the budgeted amounts and the actual expenditures are:
 Reserve for Contingencies is budgeted in case funds are needed for specific problems or opportunities. For FY 2009 \$1.1 million was left in the Reserve for Contingencies line item. Employee Benefits actual expenditures were \$0.8 million less than budgeted. Recreation and Public Safety had expenditures in excess of budget of \$1.1 million for capital outlay purchases funded by additional grants received during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Talbot County’s investment in capital assets for its governmental and business-type activities as of June 30, 2009 totals \$144.0 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 6.7 percent, primarily due to the purchase of an office building.

Capital assets are summarized as follows:

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

	June 30, 2009			June 30, 2008		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 10,467,602	\$ 3,499,479	\$ 13,967,081	\$ 8,454,186	\$ 3,499,479	\$ 11,953,665
Construction in progress	5,039,125	3,736,825	8,775,950	3,454,430	4,028,129	7,482,559
Buildings and improvements	21,578,082	58,557,963	80,136,045	19,208,670	57,016,085	76,224,755
Non-deprec. infrastructure	23,191,321	-	23,191,321	23,191,321	-	23,191,321
Infrastructure	7,958,732	-	7,958,732	5,874,139	-	5,874,139
Furniture and equipment	8,998,179	1,017,322	10,015,501	9,281,436	1,029,161	10,310,597
Total	\$ 77,233,041	\$ 66,811,589	\$144,044,630	\$ 69,464,182	\$ 65,572,854	\$135,037,036

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 \$54,955,146, a net decrease of approximately \$2.9 million. The full faith and credit and unlimited taxing power of the County are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. Of this amount, \$13,582,399 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, 2009			June 30, 2008		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
	Activities	Activities		Activities	Activities	
General Bonded Debt	\$ 41,372,747	\$ 13,582,399	\$ 54,955,146	\$ 43,777,276	\$ 14,074,978	\$ 57,852,254

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 2009, Talbot County revenues related to housing activity continued to decline. Recordation and transfer taxes were down \$2.9 million or 31.1 percent from the prior year. Income tax revenues were level with the prior year but exceeded the budgeted amount by approximately \$6.97 million, more than offsetting the reduced revenues related to the housing market.

Looking forward, overall economic performance is not expected to improve significantly in FY 2010. The prospect that the sluggish economy could reduce the County's tax revenues drove many of the decisions to reduce spending when preparing the County's budget for FY 2010. Further steps to reduce operating expenditures have been taken to offset the State of Maryland's recent cuts in FY 2010 funding to the County and the FY 2010 shortfall in actual collections of income tax revenues.

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, 2009
COMPONENT UNITS AS OF JUNE 30, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and short-term investments	\$ 26,935,569	\$ 1,261,320	\$ 28,196,889
Certificates of deposit	36,247,884	1,452,116	37,700,000
Investments	-	-	-
Receivables:			
Taxes	7,615	-	7,615
Accounts receivable	1,783,543	217,897	2,001,440
Other	-	-	-
Intergovernmental:			
State	3,691,672	605,797	4,297,469
Federal	150,880	122,069	272,949
Prepaid items	154,451	2,576	157,027
Internal balances	3,456,489	(3,456,489)	-
Inventories	-	212,784	212,784
Advances to (from) other funds	884,976	(884,976)	-
Other assets	-	-	-
Nondepreciable capital assets	38,698,048	7,236,304	45,934,352
Depreciable capital assets, net	38,534,993	59,575,285	98,110,278
TOTAL ASSETS	150,546,120	66,344,683	216,890,803
LIABILITIES			
Accounts payable and accrued liabilities	4,526,112	1,334,968	5,861,080
Other payables	782,625	-	782,625
Due to State of Maryland	3,158	-	3,158
Unearned revenue	1,483,312	119,841	1,603,153
Long-term liabilities, due within one year			
Compensated absences	323,496	41,163	364,659
Bonds and notes payable	2,512,531	808,445	3,320,976
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year			
Compensated absences	364,433	65,939	430,372
Bonds and notes payable	39,144,311	12,903,107	52,047,418
Obligations under state retirement system	-	-	-
Other post-employment benefit obligation	1,307,638	-	1,307,638
TOTAL LIABILITIES	50,447,616	15,273,463	65,721,079
NET ASSETS			
Invested in capital assets, net of related debt	60,070,294	53,100,037	113,170,331
Restricted	-	-	-
Unrestricted (deficit)	40,028,210	(2,028,817)	37,999,393
TOTAL NET ASSETS	\$ 100,098,504	\$ 51,071,220	\$ 151,169,724

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

Component Units	
<u>Board of Education</u>	<u>Library</u>
\$ 6,004,055	\$ 199,688
-	-
-	1,215,561
-	-
939,393	12,886
154,959	-
83,535	-
290,742	-
-	1,794
-	-
31,777	-
-	-
-	40,980
377,446	49,921
72,139,789	540,957
<u>80,021,696</u>	<u>2,061,787</u>
4,279,441	43,652
53,764	40,980
-	-
1,859,792	-
-	-
343,749	-
26,603	-
146,697	-
855,961	-
440,749	-
2,418,152	152,000
<u>10,424,908</u>	<u>236,632</u>
71,317,525	590,878
311,521	1,066,269
(2,032,258)	168,008
<u>\$ 69,596,788</u>	<u>\$ 1,825,155</u>

TALBOT COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
GOVERNMENTAL ACTIVITIES				
Current:				
General government	\$ 10,151,451	\$ 2,239,048	\$ 530,983	\$ -
Public safety	13,731,318	487,375	1,705,657	-
Public works	4,831,967	233,621	5,458,345	-
Health and hospitals	2,338,752	89,123	-	-
Social services	1,484,690	-	1,283,813	-
Education	46,271,163	189,303	-	-
Recreation	885,695	133,934	197,995	-
Conservation of natural resources	302,516	-	16,192	-
Interest on long-term debt	71,418	-	-	-
Total Governmental Activities	80,068,970	3,372,404	9,192,985	-
BUSINESS-TYPE ACTIVITIES				
Recreation facilities	3,258,076	1,475,498	-	22,000
Sanitary district	3,396,151	2,100,885	-	986,381
Easton airport	4,280,559	2,898,388	-	1,277,992
Pool	397,202	77,082	-	11,230
Total Business-Type Activities	11,331,988	6,551,853	-	2,297,603
Total Primary Government	\$ 91,400,958	\$ 9,924,257	\$ 9,192,985	\$ 2,297,603
COMPONENT UNITS				
Board of Education	\$ 62,415,444	\$ 856,464	\$ 56,759,881	\$ 9,126,738
Talbot County Free Library	1,718,915	-	1,404,064	-
Total Component Units	\$ 64,134,359	\$ 856,464	\$ 58,163,945	\$ 9,126,738

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
\$ (7,381,420)	\$ -	\$ (7,381,420)	\$ -	\$ -
(11,538,286)	-	(11,538,286)	-	-
859,999	-	859,999	-	-
(2,249,629)	-	(2,249,629)	-	-
(200,877)	-	(200,877)	-	-
(46,081,860)	-	(46,081,860)	-	-
(553,766)	-	(553,766)	-	-
(286,324)	-	(286,324)	-	-
(71,418)	-	(71,418)	-	-
(67,503,581)	-	(67,503,581)	-	-
-	(1,760,578)	(1,760,578)	-	-
-	(308,885)	(308,885)	-	-
-	(104,179)	(104,179)	-	-
-	(308,890)	(308,890)	-	-
-	(2,482,532)	(2,482,532)	-	-
\$ (67,503,581)	\$ (2,482,532)	\$ (69,986,113)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ 4,327,639	\$ -
-	-	-	-	(314,851)
\$ -	\$ -	\$ -	\$ 4,327,639	\$ (314,851)
\$ 27,436,368	\$ -	\$ 27,436,368	\$ -	\$ -
31,635,555	-	31,635,555	-	-
51,251	-	51,251	-	-
3,016,205	-	3,016,205	-	-
2,958,214	-	2,958,214	-	-
1,006,978	-	1,006,978	-	-
65,189	-	65,189	-	-
2,470,720	98,421	2,569,141	25,443	-
739,625	-	739,625	115,471	-
69,380,105	98,421	69,478,526	140,914	-
(1,196,795)	1,196,795	-	-	-
68,183,310	1,295,216	69,478,526	140,914	-
679,729	(1,187,316)	(507,587)	4,468,553	(314,851)
99,418,775	52,258,536	151,677,311	65,128,235	2,140,006
\$ 100,098,504	\$ 51,071,220	\$ 151,169,724	\$ 69,596,788	\$ 1,825,155

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Fund Financial Statements

TALBOT COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	<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	\$ 14,947,856	\$ 10,850,727	\$ 1,136,986	\$ 26,935,569
Certificates of deposit	20,072,121	14,641,558	1,534,205	36,247,884
Receivables:				
Taxes	7,615	-	-	7,615
Accounts receivable	1,375,538	399,328	8,677	1,783,543
Intergovernmental:				
State	3,588,943	-	102,729	3,691,672
Federal	150,880	-	-	150,880
Prepaid items	154,451	-	-	154,451
Due from other funds	3,456,489	-	-	3,456,489
Advances to other funds	884,976	-	-	884,976
	<hr/>			
Total Assets	\$ 44,638,869	\$ 25,891,613	\$ 2,782,597	\$ 73,313,079
	<hr/> <hr/>			
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,539,062	\$ 1,943,754	\$ 43,296	\$ 4,526,112
Other payables	782,625	-	-	782,625
Due to State of Maryland	3,158	-	-	3,158
Unearned revenue	78,816	1,056,928	347,568	1,483,312
	<hr/>			
Total Liabilities	3,403,661	3,000,682	390,864	6,795,207
	<hr/>			
FUND BALANCES				
Reserved:				
Prepaid items	154,451	-	-	154,451
Noncurrent receivables	811,749	-	-	811,749
Unreserved, designated for subsequent years' expenditures:				
Capital projects	-	22,890,931	1,480,605	24,371,536
Social services	-	-	911,128	911,128
Future budget	17,643,743	-	-	17,643,743
Unreserved, reported in:				
General fund	22,625,265	-	-	22,625,265
	<hr/>			
Total Fund Balances	41,235,208	22,890,931	2,391,733	66,517,872
	<hr/>			
Total Liabilities and Fund Balances	\$ 44,638,869	\$ 25,891,613	\$ 2,782,597	\$ 73,313,079
	<hr/> <hr/>			

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

Total Governmental Funds Balances \$ 66,517,872

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds 77,233,041

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

Bonds, notes payable and bond premiums (41,656,842)

Other post-employment benefit obligation (1,307,638)

Compensated absences (687,929)

(43,652,409)

Net Assets of Governmental Activities

\$ 100,098,504

TALBOT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2009

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes	\$ 27,436,368	\$ -	\$ -	\$ 27,436,368
Local income taxes	31,635,555	-	-	31,635,555
Other local taxes	7,097,837	-	-	7,097,837
Licenses and permits	517,588	-	514,311	1,031,899
Intergovernmental:				
Federal	567,968	872,173	-	1,440,141
State	5,371,957	1,788,623	592,264	7,752,844
Service charges	2,336,814	-	-	2,336,814
Fines and forfeitures	3,691	-	-	3,691
Miscellaneous	731,855	7,770	-	739,625
Interest	1,581,917	730,164	158,639	2,470,720
Total Revenues	77,281,550	3,398,730	1,265,214	81,945,494
EXPENDITURES				
Current				
General government	5,711,234	7,286,957	-	\$ 12,998,191
Public safety	11,633,072	-	-	11,633,072
Public works	3,821,235	2,327,098	-	6,148,333
Health and hospitals	2,331,749	-	-	2,331,749
Social services	925,062	-	543,891	1,468,953
Education	40,425,988	7,839,131	-	48,265,119
Recreation	963,286	316,033	-	1,279,319
Conservation of natural resources	313,771	-	-	313,771
Employee benefits	2,926,325	-	-	2,926,325
Miscellaneous	122,362	-	-	122,362
Intergovernmental	750,180	-	-	750,180
Debt service interest	71,418	-	-	71,418
Debt service principal	345,390	-	-	345,390
Contingencies	228,661	-	-	228,661
Total Expenditures	70,569,733	17,769,219	543,891	88,882,843
Excess of Revenues Over (Under) Expenditures	6,711,817	(14,370,489)	721,323	(6,937,349)
OTHER FINANCING SOURCES (USES)				
Transfers in (out) to other funds:				
Developmental impact - capital	1,436,000	-	(1,436,000)	-
Pool - operating appropriation	(144,014)	-	-	(144,014)
Recreation - operating appropriation	(1,034,781)	-	-	(1,034,781)
Recreation - capital projects transfer	-	-	(18,000)	(18,000)
Capital projects - capital	-	1,526,970	(1,526,970)	-
Capital projects pay-as-you-go transfer	(7,441,167)	7,441,167	-	-
Total Other Financing (Uses) Sources	(7,183,962)	8,968,137	(2,980,970)	(1,196,795)
Net Change in Fund Balances	(472,145)	(5,402,352)	(2,259,647)	(8,134,144)
Fund Balances at Beginning of Year	41,707,353	28,293,283	4,651,380	74,652,016
Fund Balances at End of Year	\$ 41,235,208	\$ 22,890,931	\$ 2,391,733	\$ 66,517,872

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

Net change in fund balances - total Governmental Funds \$ (8,134,144)

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	11,186,721	
Current year depreciation	<u>(3,319,137)</u>	
Total		7,867,584

Loss on disposal of equipment (98,725)

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		2,404,529
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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.

Amortization of bond premium		15,357
Change in other post-employment benefits liability		(1,307,638)
Change in compensated absences		(67,234)

Change in net assets of Governmental Activities \$ 679,729

TALBOT COUNTY, MARYLAND
STATEMENT OF FUND NET ASSETS
BUSINESS-TYPE ACTIVITIES
June 30, 2009

	Major Funds			Nonmajor Fund	
	Recreation Facilities	Sanitary District	Easton Airport	Pool	Totals
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and short-term investments	\$ 982,003	\$ 97,698	\$ 181,619	\$ -	\$ 1,261,320
Certificates of deposit	1,320,287	131,829	-	-	1,452,116
Accounts receivable:					
Accounts receivable, customers	12,459	100,547	97,493	7,398	217,897
Intergovernmental:					
State	-	603,721	2,076	-	605,797
Federal	-	-	122,069	-	122,069
Prepaid items	2,576	-	-	-	2,576
Inventories	81,252	-	131,532	-	212,784
Total Current Assets	2,398,577	933,795	534,789	7,398	3,874,559
NONCURRENT ASSETS					
Land	450,000	2,463,801	585,678	-	3,499,479
Construction in progress	1,036,662	738,487	1,961,676	-	3,736,825
Buildings and improvements	14,253,908	39,004,652	32,030,901	1,660,648	86,950,109
Furniture and equipment	1,576,803	196,606	938,130	120,192	2,831,731
Less: accumulated depreciation	(6,262,962)	(10,935,200)	(12,218,979)	(789,414)	(30,206,555)
Total Noncurrent Assets	11,054,411	31,468,346	23,297,406	991,426	66,811,589
Total Assets	13,452,988	32,402,141	23,832,195	998,824	70,686,148
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts payable	336,146	756,157	235,074	7,591	1,334,968
Compensated absences	22,618	9,424	8,080	1,041	41,163
Due to other funds	-	2,852,360	58,961	545,168	3,456,489
Unearned revenues	7,648	79,384	32,809	-	119,841
Advances from other funds	-	-	73,227	-	73,227
Current maturities of long-term debt	198,227	484,986	125,232	-	808,445
Total Current Liabilities	564,639	4,182,311	533,383	553,800	5,834,133
NONCURRENT LIABILITIES					
Compensated absences	29,384	18,902	17,653	-	65,939
Advances from other funds	-	-	811,749	-	811,749
Long-term debt, less current maturities	2,962,039	8,476,345	1,464,723	-	12,903,107
Total Noncurrent Liabilities	2,991,423	8,495,247	2,294,125	-	13,780,795
Total Liabilities	3,556,062	12,677,558	2,827,508	553,800	19,614,928
<u>NET ASSETS</u>					
Net assets invested in capital assets, net of related debt	7,894,145	22,507,015	21,707,451	991,426	53,100,037
Unrestricted (deficit)	2,002,781	(2,782,432)	(702,764)	(546,402)	(2,028,817)
Total Net Assets	\$ 9,896,926	\$ 19,724,583	\$ 21,004,687	\$ 445,024	\$ 51,071,220

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, 2009

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
OPERATING REVENUES					
Airport - operations	\$ -	\$ -	\$ 252,330	\$ -	\$ 252,330
Airport - fuel facility	-	-	2,105,629	-	2,105,629
Airport - hangars	-	-	509,462	-	509,462
Sewer service charges	-	1,938,409	-	-	1,938,409
Sewer connection charges	-	92,928	-	-	92,928
Residential benefit charges	-	20,219	-	-	20,219
Admissions	136,790	-	-	39,177	175,967
Room rents	31,102	-	-	-	31,102
Ice revenue	223,221	-	-	-	223,221
Pro shop and concessions	351,348	-	-	-	351,348
Cart rentals	86,114	-	-	-	86,114
Greens fees	629,785	-	-	-	629,785
Other operating	17,138	49,329	30,967	37,905	135,339
Total Operating Revenues	1,475,498	2,100,885	2,898,388	77,082	6,551,853
OPERATING EXPENSES					
Salaries and related expenses	1,320,140	597,233	308,875	201,259	2,427,507
Cost of sales - fuel	-	-	1,995,702	-	1,995,702
Professional fees	21,775	6,202	115,664	3,344	146,985
Office	38,990	16,412	21,549	5,520	82,471
Insurance	23,801	18,161	20,720	2,410	65,092
Contracted services	-	1,353,722	-	-	1,353,722
Repairs and maintenance	315,468	100,751	171,381	37,086	624,686
Utilities	263,939	-	53,630	16,183	333,752
Supplies and equipment	118,625	-	913	19,589	139,127
Lessons and programs	149,483	-	-	667	150,150
Concessions	236,986	-	-	-	236,986
Depreciation	673,670	1,011,388	1,447,705	102,936	3,235,699
Other operating	43,873	123,296	10,979	6,975	185,123
Total Operating Expenses	3,206,750	3,227,165	4,147,118	395,969	10,977,002
Operating Income (Loss)	(1,731,252)	(1,126,280)	(1,248,730)	(318,887)	(4,425,149)
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	986,381	1,274,592	11,230	2,272,203
Loss on disposal of capital assets	(43)	-	(7,136)	(1,233)	(8,412)
Interest income	-	94,037	4,384	-	98,421
Interest expense	(51,283)	(168,986)	(126,305)	-	(346,574)
Total Non-Operating Revenues (Expenses)	(51,326)	911,432	1,145,535	9,997	2,015,638
Income (Loss) Before Capital Contributions and Transfers	(1,782,578)	(214,848)	(103,195)	(308,890)	(2,409,511)
Capital Contributions	22,000	-	3,400	-	25,400
Transfers In	1,052,781	-	-	144,014	1,196,795
Change in Net Assets	(707,797)	(214,848)	(99,795)	(164,876)	(1,187,316)
Net Assets, Beginning of Year	10,604,723	19,939,431	21,104,482	609,900	52,258,536
Net Assets, End of Year	\$ 9,896,926	\$ 19,724,583	\$ 21,004,687	\$ 445,024	\$ 51,071,220

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, 2009

	Major Funds		
	Recreation <u>Facilities</u>	Sanitary <u>District</u>	Easton <u>Airport</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,497,017	\$ 2,021,441	\$ 2,990,353
Cash received from other revenues	17,138	49,329	30,967
Cash payments for salaries and related expenses	(1,316,805)	(588,291)	(302,590)
Cash payments to suppliers	(1,150,119)	(320,929)	(2,546,636)
Cash payments for contracted services	-	(1,353,722)	-
Other receipts	-	2,046,441	58,961
	<hr/>		
Net cash (used) provided by operating activities	(952,769)	1,854,269	231,055
	<hr/>		
Cash flows from noncapital financing activities:			
Transfers from other funds	1,052,781	-	-
	<hr/>		
Cash flows from capital and related financing activities:			
Capital contributions	22,000	-	3,400
Grant revenues for construction of capital assets	-	382,660	1,364,222
Issuance of long-term debt	54,019	312,096	-
Principal paid on long-term notes and bonds	(237,807)	(557,608)	(114,336)
Interest paid on long-term notes and bonds	(51,283)	(168,986)	(126,305)
Acquisition and construction of capital assets	(1,250,308)	(1,846,814)	(1,380,090)
	<hr/>		
Net cash (used) provided by capital and related financing activities	(1,463,379)	(1,878,652)	(253,109)
	<hr/>		
Cash flows from investing activities:			
Interest income on investments	-	94,037	4,384
Repayment of advances from other funds	-	-	(27,599)
Purchases of certificates of deposits	-	(28,842)	-
Redemptions of certificates of deposit	1,038,765	-	120,310
	<hr/>		
Net cash provided by investing activities	1,038,765	65,195	97,095
	<hr/>		
(Decrease) Increase in Cash and Cash Equivalents	(324,602)	40,812	75,041
	<hr/>		
Cash and Cash Equivalents at Beginning of Year	1,306,605	56,886	106,578
	<hr/>		
Cash and Cash Equivalents at End of Year	\$ 982,003	\$ 97,698	\$ 181,619
	<hr/> <hr/>		

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

Nonmajor Fund	
<u>Pool</u>	<u>Totals</u>
\$ 34,294	\$ 6,543,105
37,905	135,339
(200,217)	(2,407,903)
(104,769)	(4,122,453)
-	(1,353,722)
83,177	2,188,579
<hr/>	
(149,610)	982,945
<hr/>	
144,014	1,196,795
<hr/>	
-	25,400
11,230	1,758,112
-	366,115
-	(909,751)
-	(346,574)
(5,634)	(4,482,846)
<hr/>	
5,596	(3,589,544)
<hr/>	
-	98,421
-	(27,599)
-	(28,842)
-	1,159,075
<hr/>	
-	1,201,055
<hr/>	
-	(208,749)
<hr/>	
-	1,470,069
<hr/>	
\$ -	\$ 1,261,320
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TALBOT COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2009 (continued)

	Major Funds		
	<u>Recreation</u> <u>Facilities</u>	<u>Sanitary</u> <u>District</u>	<u>Easton</u> <u>Airport</u>
Reconciliation of operating loss to net cash (used) provided by operating activities:			
Operating loss	\$ (1,731,252)	\$ (1,126,280)	\$ (1,248,730)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities			
Depreciation	673,670	1,011,388	1,447,705
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable, customers	39,884	(30,115)	120,442
Increase in prepaid items	(2,576)	-	-
(Increase) decrease in inventories	(15,851)	-	93,371
Increase (decrease) in accounts payable	78,672	(56,107)	(249,469)
Increase in compensated absences	3,335	8,942	6,285
Increase in due to other funds	-	2,046,441	58,961
Increase in unearned revenue	1,349	-	2,490
Net cash (used) provided by operating activities	<u>\$ (952,769)</u>	<u>\$ 1,854,269</u>	<u>\$ 231,055</u>

Noncash investing, capital, and financing activities:

In September 2008, the County acquired 15 golf carts under a capital lease agreement totaling approximately \$54,000 which were recorded in the Recreation Facilities fund.

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

<u>Nonmajor Fund</u>		
<u>Pool</u>		<u>Totals</u>
\$ (318,887)	\$	(4,425,149)
102,936		3,235,699
(4,883)		125,328
-		(2,576)
-		77,520
(12,995)		(239,899)
1,042		19,604
83,177		2,188,579
-		3,839
<u>\$ (149,610)</u>	<u>\$</u>	<u>982,945</u>

Notes to Financial Statements

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 1. Reporting Entity

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

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

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

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

Fund Financial Statements

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

C. Fund Accounting

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

Governmental Fund Types

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

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.

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 Short-Term 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, 2009, the County Primary Government had deposits of \$63,508,016 including \$37,700,000 in certificates of deposit with maturities greater than 3 months, with local banks (carrying value \$65,896,889). Of those deposits, \$1,000,000 was insured by federal depository insurance (FDIC). As required by law, a depository is required to pledge securities, in addition to FDIC insurance, at least equal to the amount on deposit at all times. At June 30, 2009, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$3,900 as of June 30, 2009.

Board of Education

At June 30, 2009, the Board of Education had deposits totaling \$8,515,565 (carrying value \$7,618,533, including fiduciary funds). All deposits were insured by federal depository insurance due to Temporary Liquidity Guarantee Program that became effective on November 21, 2008.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (continued)

A. Deposits (continued)

Library

At June 30, 2009, the Library had deposits totaling \$277,927 (carrying value \$308,918, of which \$109,230 is reported in the investment portfolio), which were either fully insured by federal depository insurance 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 portfolio is managed in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The MLGIP is rated AAAM by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. At June 30, 2009, the County had investments in MLGIP of \$3,000,000, which are recorded at cost, which approximates fair value.

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

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

At June 30, 2009, the County had the following investments, which excludes certificates of deposits with maturities of 3 months or less:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (months)</u>
Certificates of deposit	\$ 37,700,000	8.00
MLGIP	3,000,000	< 2

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Receivables and Payables

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

Interfund transactions are classified as follows:

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

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

<u>Primary Government</u>	<u>Purpose</u>	Due from Other Funds	Due to Other Funds
General Fund	Transfers	\$ 3,456,489	\$ -
Airport Fund	Transfers	-	58,961
Enterprise Fund - Pool	Transfers	-	545,168
Enterprise Fund - Sanitary District	Transfers	-	2,852,360
		<u>\$ 3,456,489</u>	<u>\$ 3,456,489</u>

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

<u>Primary Government</u>	<u>Purpose</u>	Advances to Other Funds	Advances from Other Funds
General Fund	Construction projects	\$ 884,976	\$ -
Enterprise Fund - Airport	Construction projects	-	884,976
		<u>\$ 884,976</u>	<u>\$ 884,976</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 \$811,000 is not expected to be repaid within the current year. Thus, a portion of the fund balance in the general fund totaling \$811,749 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 \$1,526,970 from the Developmental Impact fund to the Capital Projects fund to finance various capital projects. Additionally, the County transferred \$1,436,000 to the General Fund to finance educational construction projects.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets

A summary of changes in capital assets for the fiscal year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Additions	Transfers and Reductions	Balance June 30, 2009
Primary Government				
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$ 8,454,186	\$ 2,013,416	\$ -	\$ 10,467,602
Infrastructure	23,191,321	-	-	23,191,321
Construction in progress	3,454,430	3,536,749	(1,952,054)	5,039,125
Total Nondepreciable Capital Assets	35,099,937	5,550,165	(1,952,054)	38,698,048
Depreciable Capital Assets:				
Buildings and improvements	27,299,399	2,338,846	897,362	30,535,607
Infrastructure	7,768,801	2,241,768	488,871	10,499,440
Furniture and equipment	18,199,832	1,055,942	116,732	19,372,506
Total capital assets being depreciated	53,268,032	5,636,556	1,502,965	60,407,553
Less accumulated depreciation for:				
Buildings and improvements	8,090,729	866,796	-	8,957,525
Infrastructure	1,894,662	717,365	(71,319)	2,540,708
Furniture and equipment	8,918,396	1,734,976	(279,045)	10,374,327
Total accumulated depreciation	18,903,787	3,319,137	(350,364)	21,872,560
Total Depreciable Capital Assets, Net	34,364,245	2,317,419	1,853,329	38,534,993
Total Governmental Activities, Net	\$ 69,464,182	\$ 7,867,584	\$ (98,725)	\$ 77,233,041
	Balance June 30, 2008	Additions	Transfers and Reductions	Balance June 30, 2009
Business-Type Activities:				
Nondepreciable Capital Assets:				
Land	\$ 3,499,479	\$ -	\$ -	\$ 3,499,479
Construction in progress	4,028,129	2,459,414	(2,750,718)	3,736,825
Total Nondepreciable Capital Assets	7,527,608	2,459,414	(2,750,718)	7,236,304
Depreciable Capital Assets:				
Buildings and improvements	82,529,007	1,825,227	2,595,875	86,950,109
Furniture and equipment	2,827,714	198,205	(194,188)	2,831,731
Total Depreciable Capital Assets	85,356,721	2,023,432	2,401,687	89,781,840
Less accumulated depreciation for:				
Buildings and improvements	25,512,922	3,026,933	(147,709)	28,392,146
Furniture and equipment	1,798,553	208,766	(192,910)	1,814,409
Total accumulated depreciation	27,311,475	3,235,699	(340,619)	30,206,555
Total Depreciable Capital Assets, Net	58,045,246	(1,212,267)	2,742,306	59,575,285
Total Business-Type Activities, Net	\$ 65,572,854	\$ 1,247,147	\$ (8,412)	\$ 66,811,589

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 576,247
Public Safety	1,085,323
Public Works	1,320,627
Health & Hospitals	7,003
Social Services	15,737
Recreation	<u>314,200</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 3,319,137</u>

A summary of changes in capital assets for the component units at June 30, 2009 is as follows:

<u>Component Units</u>	Balance June 30, 2008	Additions	Transfers and Reductions	Balance June 30, 2009
<u>Board of Education</u>				
Nondepreciable Capital Assets:				
Land	\$ 377,446	\$ -	\$ -	\$ 377,446
Construction in progress	23,688,344	-	(23,688,344)	-
Total Nondepreciable Capital Assets	<u>24,065,790</u>	<u>-</u>	<u>(23,688,344)</u>	<u>377,446</u>
Depreciable Capital Assets:				
Buildings and improvements	64,241,912	31,518,940	(2,514)	95,758,338
Furniture and equipment	14,440,434	2,878,330	(1,859,852)	15,458,912
Total capital assets being depreciated	<u>78,682,346</u>	<u>34,397,270</u>	<u>(1,862,366)</u>	<u>111,217,250</u>
Less accumulated Depreciation for:				
Buildings and improvements	26,725,986	1,368,122	(94)	28,094,014
Furniture and equipment	11,230,368	1,565,993	(1,812,914)	10,983,447
Total accumulated depreciation	<u>37,956,354</u>	<u>2,934,115</u>	<u>(1,813,008)</u>	<u>39,077,461</u>
Total Depreciable Capital Assets, Net	<u>\$ 40,725,992</u>	<u>\$ 31,463,155</u>	<u>\$ (49,358)</u>	<u>\$ 72,139,789</u>
 <u>Library</u>				
Nondepreciable Capital Assets:				
Land	\$ 49,921	\$ -	\$ -	\$ 49,921
Depreciable Capital Assets:				
Buildings and improvements	329,025	-	-	329,025
Furniture and equipment	1,263,366	151,049	(147,483)	1,266,932
Total capital assets being depreciated	<u>1,592,391</u>	<u>151,049</u>	<u>(147,483)</u>	<u>1,595,957</u>
Less accumulated depreciation	<u>1,025,465</u>	<u>177,018</u>	<u>(147,483)</u>	<u>1,055,000</u>
Total Depreciable Capital Assets, Net	<u>\$ 566,926</u>	<u>\$ (25,969)</u>	<u>\$ -</u>	<u>\$ 540,957</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, 2009:

	Balance at June 30, 2008	Additions	Reductions	Balance at June 30, 2009	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%	\$ 7,215,000	\$ -	\$ 985,000	\$ 6,230,000	\$ 1,035,000
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	-	810,000	24,210,000	845,000
Shore Erosion Construction Loan; original issue \$168,825, payable annually in principal payments of \$11,255 through July 1, 2011; interest-free	45,020	-	11,255	33,765	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%	146,316	-	6,750	139,566	7,147
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%	440,000	-	25,000	415,000	30,000
Public Improvement and Refunding Bonds of 2006; original issue \$2,325,000, payable annually in principal payments ranging from \$90,000 to \$175,000 through February 1, 2024; interest payable semi-annually at rates from 4% to 4.3%	2,135,000	-	100,000	2,035,000	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%	8,775,940	-	466,524	8,309,416	484,129
	43,777,276	-	2,404,529	41,372,747	2,512,531
Unamortized bond premium	299,452	-	15,357	284,095	-
Other post-employment benefits liability	-	1,307,638	-	1,307,638	-
Compensated absences	620,695	677,887	610,653	687,929	323,496
TOTAL GOVERNMENTAL ACTIVITIES	\$ 44,697,423	\$ 1,985,525	\$ 3,030,539	\$ 43,652,409	\$ 2,836,027

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2008	Additions	Reductions	Balance at June 30, 2009	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%	\$ 2,360,000	\$ -	\$ 90,000	\$ 2,270,000	\$ 95,000
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%	121,790	-	85,207	36,583	36,583
Golf course equipment capital lease; original issue of \$79,478, payable monthly in principal and interest payments of approximately \$1,309 through August 2010, with a final payment of approximately \$28,800 due September 2010; interest at 5.6%	58,419	-	12,763	45,656	13,497
Golf course equipment capital lease; original issue of \$54,019, payable monthly in principal and interest payments of approximately \$859 through September 2012, with a final payment of approximately \$18,000 due October 2012; interest at 3.5%	-	54,019	7,105	46,914	8,803
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%	803,845	-	42,732	761,113	44,344
Total Recreation Facilities	\$ 3,344,054	\$ 54,019	\$ 237,807	\$ 3,160,266	\$ 198,227

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%	\$ 20,000	\$ -	\$ 20,000	\$ -	-
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TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2008	Additions	Reductions	Balance at June 30, 2009	Amount Due in One Year
Business-type Activities (continued):					
<u>Sanitary Districts (continued)</u>					
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%	\$ 300,000	\$ -	\$ 20,000	\$ 280,000	\$ 25,000
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%	8,331,229	312,095	493,482	8,149,842	437,554
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%	397,725	-	19,610	378,115	17,930
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%	157,890	-	4,516	153,374	4,502
Total Sanitary District	\$ 9,206,844	\$ 312,095	\$ 557,608	\$ 8,961,331	\$ 484,986

Easton Airport

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%	\$ 90,000	\$ -	\$ 5,000	\$ 85,000	\$ 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%	380,000	-	30,000	350,000	30,000

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2008	Additions	Reductions	Balance at June 30, 2009	Amount Due in One Year
Business-type Activities (continued):					
 <u>Easton Airport (continued)</u>					
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%	\$ 180,000	\$ -	\$ 25,000	\$ 155,000	\$ 30,000
Public Facilities Bonds of 2002; original issue \$1,055,000, payable annually in principal payments ranging from \$31,000 to \$77,000 through March 15, 2022; interest payable semi-annually at rates from 3.0% to 5.37%	835,215	-	40,744	794,471	46,526
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	219,076	-	13,592	205,484	13,706
Total Easton Airport	1,704,291	-	114,336	1,589,955	125,232
	14,255,189	366,114	909,751	13,711,552	808,445
Compensated absences	87,499	85,532	65,929	107,102	41,163
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 14,342,688	\$ 451,646	\$ 975,680	\$ 13,818,654	\$ 849,608

The bond's outstanding at June 30, 2009 for the primary government's governmental activities and business-type activities are general obligation bonds.

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	\$ 453,464
Less: accumulated depreciation	<u>(192,227)</u>
Total	<u><u>\$ 261,237</u></u>

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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

Business-Type Activities

Year Ending June 30		
2010	\$	62,989
2011		43,033
2012		10,305
2013		19,718
		136,045
Less amounts representing interest		(6,890)
Present value of future minimum lease payments	\$	129,155

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 \$82,500. Currently, the obligation is being paid by Chesapeake College, and is not reported on the balance sheet of the County.

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2008	Additions	Reductions	Balance at June 30, 2009
<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	\$ 389,541	\$ -	\$ 91,913	\$ 297,628
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	248,800	-	72,984	175,816
Note payable to Branch Bank & Trust Co. principal and interest payments of \$197,962 are payable annually through August 2012; interest payable at 3.55% per annum; collateralized by school buses	-	924,228	197,962	726,266
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	6,187	-	6,187	-
TOTAL BOARD OF EDUCATION	\$ 644,528	\$ 924,228	\$ 369,046	\$ 1,199,710

**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,			
2010	\$ 2,512,531	\$ 1,765,369	\$ 4,277,900
2011	2,629,867	1,654,515	4,284,382
2012	2,112,271	1,539,783	3,652,054
2013	2,198,419	1,449,305	3,647,724
2014	2,295,822	1,353,996	3,649,818
2015-2019	12,437,838	5,126,641	17,564,479
2020-2024	10,355,999	2,453,509	12,809,508
2025-2029	6,830,000	561,000	7,391,000
Total Governmental Activities	\$ 41,372,747	\$ 15,904,118	\$ 57,276,865
Enterprise Fund - Recreational Facilities (excluding capital leases)			
Fiscal year Ending June 30,			
2010	\$ 139,344	\$ 133,488	\$ 272,832
2011	146,361	127,693	274,054
2012	153,377	121,607	274,984
2013	155,391	114,856	270,247
2014	162,407	108,006	270,413
2015-2019	926,139	424,942	1,351,081
2020-2024	993,094	202,271	1,195,365
2025-2029	355,000	23,406	378,406
Total Recreational Facilities	\$ 3,031,113	\$ 1,256,269	\$ 4,287,382
Enterprise Fund - Sanitary District			
Fiscal year Ending June 30,			
2010	\$ 484,986	\$ 70,490	\$ 555,476
2011	487,884	66,590	554,474
2012	490,851	62,625	553,476
2013	493,885	58,560	552,445
2014	496,991	54,422	551,413
2015-2019	2,564,318	205,216	2,769,534
2020-2024	2,483,796	101,346	2,585,142
2025-2029	1,447,602	18,194	1,465,796
2030-2034	11,018	312	11,330
Total Sanitary District	\$ 8,961,331	\$ 637,755	\$ 9,599,086

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,			
2010	\$ 125,232	\$ 77,700	\$ 202,932
2011	126,957	71,699	198,656
2012	128,719	65,613	194,332
2013	140,526	59,243	199,769
2014	152,377	52,703	205,080
2015-2019	655,712	166,985	822,697
2020-2024	260,432	26,222	286,654
Total Easton Airport	\$ 1,589,955	\$ 520,165	\$ 2,110,120

Component Units

Board of Education

Fiscal year Ending June 30,			
2010	\$ 343,749	\$ 43,211	\$ 386,960
2011	356,805	30,155	386,960
2012	307,980	17,467	325,447
2013	191,176	6,787	197,963
Total Board of Education	\$ 1,199,710	\$ 97,620	\$ 1,297,330

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

\$ 467,352

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

Obligations Under State Retirement System (continued)

Component Unit – Board of Education (continued)

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

<u>Fiscal Year Ending June 30,</u>	
2010	\$ 26,603
2011	27,933
2012	29,330
2013	30,797
2014	32,337
2015-2019	187,613
2020-2024	239,449
2025-2029	305,602
2030-2034	390,036
2035-2037	184,681
Sub-Total	<u>1,454,381</u>
Less amounts representing interest	(987,029)
Liability as of June 30, 2009	<u>\$ 467,352</u>

Note 7. Pension Plans

Plan Description

Generally, all regular employees of the County participate in the State of Maryland Employees Retirement and Pension Systems (Employees Systems). Teachers employed by the Board generally participate in the State of Maryland Teachers Retirement and Pensions Systems (Teachers Systems). Both the Employees System and the Teachers Systems (collectively the Systems) are cost-sharing multiple-employer public retirement systems sponsored by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly. The Maryland State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the systems. That report may be obtained by writing to the 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 2009 is established by annual actuarial valuations. The current rate is 11.7% of covered payroll for teachers and range from 8.84% to 14.81% 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, 2009 were \$2,887,089 and \$63,161 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, 2009, 2008, and 2007, payroll covered under the various state plans, and contributions paid are as follows:

	2009	2008	2007
Total payroll	\$ 45,646,987	\$ 42,957,688	\$ 40,842,959
Payroll covered under the plans	41,000,339	39,301,526	37,633,736
Actual % contributed of required contributions	100%	100%	100%
Contributions paid:			
County payments	768,879	876,371	762,772
Board of Education payments	481,796	566,123	470,731
State On-Behalf payments:			
Board of Education	2,887,089	2,774,097	2,241,430
Library	63,161	52,495	43,195

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 2009 payment was \$25,337. The payments reflect a pattern which increases by 5% per year for the next 27 years. (See also Note 6.)

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (OPEB)

Plan Description and Eligibility

The County provides post-retirement health care benefits under the Talbot County Retiree Health Plan (the "Plan"), a single-employer defined benefit healthcare plan administered by the County, to retirees who meet the Maryland State Retirement System qualifications for full retirement benefits. The retiree must be a full-time employee at the date of their retirement and must have completed at least five years of employment with the County. Presently, 31 retirees 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 90% of the health insurance cost for an individual and 85% of the health insurance cost for family coverage. If the employee has less than 16 years of employment, the County reduces the portion it subsidizes by 1/16 per year. The County has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report.

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

The Talbot County Free Library provides post-retirement health care benefits under an informal plan adopted by the Library's board of trustees. Under the Library's plan, the Library will pay for 66.67% of an eligible retiree's health care benefits upon retirement provided the employee completed 10 years of service and meets the requirements of the State Retirement and Pension System of Maryland. As of June 30, 2009, the Library was providing coverage for 1 eligible employee.

Funding Policy

The County pays for the cost of post-retirement health care benefits under the Plan for eligible retirees and their dependents/family members on a pay-as-you-go basis. Eligible retirees must pay for 10% of the cost for individual plans and 15% of the cost for family coverage. For the year ended June 30, 2009, the County paid for coverage of 49 eligible retirees, family members, and dependents at a total cost to the County of \$216,362 and eligible retirees contributed \$65,450. The County has the authority to establish and amend the funding policy of the Plan.

Premiums and other contributions for the Board of Education's share of the cost of group programs may be paid, as determined by the County, from the assets of the Board. Premium payments for some programs may require contributions by the participant as well as the Board. The frequency and amount of such contributions shall be established from time to time by the County. Plan members receiving benefits contribute a percentage of the monthly insurance premium. The Talbot County Public School Retiree Health Plan pays 66% of the individual premium for each insured retiree who has at least 8 years of service. Retirees with less than 8 years of service are allowed access, but must pay 100% of the published rates. Spouses and other dependents are eligible for coverage, but the employee is responsible for the entire cost of such coverage if they retired on or after January 1, 1998. If they retired prior to December 31, 1997, the Board pays 45% of the premiums.

The Library pays for 66.67% of the cost of eligible retiree healthcare premiums with the retiree paying the remaining portion of the cost. For fiscal year 2009, the Library contributed \$5,787 to the plan for 1 eligible retiree.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

Annual OPEB Cost and Net OPEB Obligation

The County and Board of Education had actuarial valuations performed for their plans as of July 1, 2008. The Library performed its own valuation using the alternative measurement method provided for in GASB 45. The valuations were done to determine the funded status of the plans as well as the annual required contribution (ARC) for the fiscal year ended June 30, 2009. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. As of June 30, 2009, the County's plan was zero percent funded. For fiscal year 2009, the County's employer contribution for retiree's benefits was \$216,362 for 31 eligible participants with 18 dependents/family members.

The County, Board of Education, and Library's annual OPEB cost, employer contributions, percentage of annual OPEB cost contributed to the plan, and net OPEB obligation for fiscal year 2009 were as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
<u>Talbot County</u>				
2009	\$ 1,524,000	\$ 216,362	14.20%	\$ 1,307,638
<u>Board of Education</u>				
2009	\$ 4,140,000	\$ 1,721,848	41.59%	\$ 2,418,152
<u>Library</u>				
2009	\$ 158,000	\$ 6,000	3.80%	\$ 152,000

In future years, three year trend information will be presented. Fiscal year 2009, was the year of implementation of GASB 45, and the County, Board of Education, and Library elected to implement prospectively; therefore, prior year comparative data is not available.

The net OPEB obligation as of June 30, 2009 was calculated as follows:

	County	Board of Education	Library
Determination ARC:			
Normal cost	\$ 953,000	\$ 2,517,000	\$ 114,000
Amortization of UAAL	<u>571,000</u>	<u>1,623,000</u>	<u>44,000</u>
Annual required contribution	<u>1,524,000</u>	<u>4,140,000</u>	<u>158,000</u>
Determination of net OPEB obligation (NOO):			
Annual required contribution	1,524,000	4,140,000	158,000
Amortization of NOO	-	-	-
Interest on NOO	<u>-</u>	<u>-</u>	<u>-</u>
Annual OPEB cost	1,524,000	4,140,000	158,000
Retiree benefit payments paid	<u>(216,362)</u>	<u>(1,721,848)</u>	<u>(6,000)</u>
Increase in net OPEB obligation	1,307,638	2,418,152	152,000
Net OPEB obligation, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB obligation, end of year	<u>\$ 1,307,638</u>	<u>\$ 2,418,152</u>	<u>\$ 152,000</u>

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

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

Funded Status and Funding Progress

	County	Board of Education	Library
Actuarial accrued liability (AAL)	\$ 13,455,000	\$ 46,822,000	\$ 940,000
Actuarial value of plan assets	-	1,482,000	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 13,455,000</u>	<u>\$ 45,340,000</u>	<u>\$ 940,000</u>
Funded ratio (actual value of plan assets/AAL)	0.00%	3.17%	0.00%
Covered payroll	\$ 10,560,961	\$ 29,794,343	\$ 645,035
UAAL as a percentage of covered payroll	127.40%	152.18%	145.73%

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

Actuarial Methods and Assumptions

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

In the County's July 1, 2008 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% interest rate on investments and an annual healthcare cost trend rate beginning at 8.5% for fiscal year 2009, and declining by 1% per year for 3 years, to an ultimate trend of 5.5% for fiscal year 2012 and beyond. The actuarial value of assets was not determined as the County has not advance-funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years on a closed basis. The remaining amortization period at June 30, 2009 was 29 years. It was assumed the County's payroll would increase 2.5% per year for the purpose of amortization.

In the Board of Education's July 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a projected salary increase of 4.0% per year, and an annual healthcare cost trend rate of 9.5% initially, reduced by decrements to an ultimate rate of 5.5%. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009 was 29 years.

In determining its actuarial valuation of OPEB costs and liabilities, the Library used the unit credit cost method using certain assumptions and default values provided for under the alternative measurement method in GASB 45. Additionally, other assumptions were used based on comparable plans to include: a discount rate of 7.5% and an annual healthcare cost trend of 5.5%. The UAAL is being amortized as a level dollar amount over a 30 year period. The remaining amortization period at June 30, 2009 was 29 years.

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

Note 9. Deferred Compensation

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

The County funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments underwritten by the Hartford Life Insurance Company.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the plan participants and are not subject to the claims of the County's general creditors.

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

Note 10. Unearned Revenues

Unearned revenue consists of federal and state grants, agricultural taxes collected, and other revenues that have been received by the County, but not expended by June 30, 2009. 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, 2009 consisted of the following:

Federal and state grants	\$	347,568
Other sources		1,255,585
		1,603,153
	\$	1,603,153

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, 2009, the landfill is approximately 87.2% filled. Closure of the Landfill is expected in 2011, and as of June 30, 2009, total closure and post closure care costs were estimated at approximately \$12.1 million, with approximately \$3.4 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, 2009, a portion of these costs, \$10.6 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, 2008. MES expects to satisfy these requirements as of June 30, 2009 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, 2009, which are as follows:

	<u>Amounts Expended To Date</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Talbot County Community Center Roof	\$ 785,780	\$ 150,530	October 2009
St. Michaels School Renovation	28,732,491	307,866	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 active employees with United Health Care providing third party administrative services.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 12. Risk Management (continued)

Board of Education

General Insurance

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Effective July 1, 1992, the Board joined the Maryland Association of Boards of Education Group Insurance 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, 2009, 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, 2009, the Sanitary District Fund, the Easton Airport Fund, and the Pool Fund had deficits in unrestricted net assets of \$2,782,432, \$702,764, and \$546,402, 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, 2009, the outstanding balance of the public improvement bonds was \$24,210,000, plus \$284,095 in unamortized bond premiums and the effect of this non-capital debt has been reflected in the unrestricted net assets of the County.

Note 15. Restricted Net Assets

The Board of Education has net assets restricted for food service operations totaling \$308,743 and capital projects totaling \$2,778. The Library has net assets restricted for various programs within the Library totaling \$1,066,269.

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, 2009**

<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>Final Budget</u>
LOCAL PROPERTY TAXES				
Real property	\$ 26,175,000	\$ 26,175,000	\$ 26,898,002	\$ 723,002
Railroad and public utilities	550,000	550,000	557,975	7,975
Prior Years	-	-	(21,255)	(21,255)
Penalties and interest	140,000	140,000	176,087	36,087
Total property taxes	26,865,000	26,865,000	27,610,809	745,809
Less: Discounts allowed on taxes	-	-	(174,441)	(174,441)
Net property taxes	26,865,000	26,865,000	27,436,368	571,368
LOCAL INCOME TAXES	24,663,600	24,663,600	31,635,555	6,971,955
OTHER LOCAL TAXES				
Admissions and amusements	45,000	45,000	51,251	6,251
Recordation	4,500,000	4,500,000	3,016,205	(1,483,795)
Transfer	4,410,000	4,410,000	2,958,214	(1,451,786)
Public accommodations	1,100,000	1,100,000	1,006,978	(93,022)
Mobile manufactured home	63,000	63,000	65,189	2,189
Total other local taxes	10,118,000	10,118,000	7,097,837	(3,020,163)
Total local taxes	61,646,600	61,646,600	66,169,760	4,523,160
LICENSES AND PERMITS				
Beer, wine and liquor licenses	177,660	177,660	176,373	(1,287)
Traders licenses	40,000	40,000	40,397	397
Animal tags and fines	3,500	3,500	6,009	2,509
Stormwater permits	6,000	6,000	12,000	6,000
Flood plain permits	900	900	385	(515)
Health department fees	-	-	915	915
Boat ramp permits and violations	101,500	101,500	81,412	(20,088)
Marriage licenses	2,500	2,500	4,315	1,815
Plumbing permits	30,000	30,000	19,082	(10,918)
Plumbing licenses	8,000	8,000	7,820	(180)
HVAC inspections	12,000	12,000	6,748	(5,252)
Slot machine licenses	2,000	2,000	1,600	(400)
Electrical licenses	18,000	18,000	24,161	6,161
Electrical inspections	35,000	35,000	-	(35,000)
Building permits	370,000	370,000	136,371	(233,629)
Total licenses and permits	807,060	807,060	517,588	(289,472)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2009 (Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
INTERGOVERNMENTAL REVENUES				
FROM THE FEDERAL GOVERNMENT				
Highway safety - DOT	\$ 36,000	\$ 36,000	\$ 58,867	\$ 22,867
State's attorney - child support	85,000	85,000	116,621	31,621
Impervious surface tracking	-	-	21,482	21,482
Vest program	1,000	1,000	884	(116)
Byrne - corrections grant	8,000	8,000	8,373	373
Byrne - BJAG grant	-	-	47,000	47,000
Emergency management	37,750	37,750	-	(37,750)
HMEP grant	6,167	6,167	6,273	106
FEMA	-	-	68,245	68,245
Emergency management - DHS	297,000	297,000	146,707	(150,293)
Community emergency response team	6,000	6,000	5,475	(525)
Health and human services grant	-	-	9,992	9,992
Tourism	-	-	11,870	11,870
Emergency shelter	12,750	12,750	63,920	51,170
Emergency food assistance	-	-	2,259	2,259
Total Federal revenues	489,667	489,667	567,968	78,301
FROM THE STATE OF MARYLAND				
Police protection	95,000	95,000	92,920	(2,080)
Sex offender grant	10,000	10,000	16,300	6,300
School bus safety grant	-	-	10,322	10,322
Fire and rescue	225,000	225,000	217,072	(7,928)
911 grants and numbers system board	355,000	355,000	967,877	612,877
Community right to know grant	8,900	8,900	8,900	-
Community service	23,000	23,000	23,000	-
Gang intelligence gathering	-	-	27,442	27,442
Circuit Court - Family Services	148,184	148,184	121,730	(26,454)
Substance abuse court grant	125,224	125,224	160,278	35,054
Critical areas	34,000	34,000	31,212	(2,788)
Emergency transitional housing	25,101	25,101	37,117	12,016
Homelessness prevention program	4,700	4,700	6,900	2,200
Housing special loan program	200,000	200,000	491,494	291,494
DNR Coastal Communities	15,000	15,000	-	(15,000)
Highway user revenues	3,383,292	3,383,292	2,759,442	(623,850)
Recordation	6,000	6,000	8,319	2,319
Program open space	-	-	3,065	3,065
Community parks and playground	-	-	194,930	194,930
Public landing grants	20,000	20,000	38,107	18,107
Weed control	6,500	6,500	6,200	(300)
Tourism	50,000	50,000	78,785	28,785
DSS-Legal fees	64,000	64,000	68,377	4,377
Security filing fees	500	500	2,168	1,668
Total state revenues	4,799,401	4,799,401	5,371,957	572,556
Total intergovernmental	5,289,068	5,289,068	5,939,925	650,857

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2009 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
SERVICE CHARGES				
GENERAL GOVERNMENT CHARGES				
Zoning fees and certificates	\$ 163,000	\$ 163,000	\$ 19,441	\$ (143,559)
Subdivision applications	42,000	42,000	92,467	50,467
Administrative variance	9,000	9,000	4,200	(4,800)
Board of appeals	15,000	15,000	5,600	(9,400)
Site plan reviews	10,000	10,000	1,717	(8,283)
Forest conservation fees	8,000	8,000	1,825	(6,175)
Critical area preservation	-	-	11,761	11,761
Bed & breakfast license/home occupation	1,300	1,300	1,050	(250)
Short term rental fees	10,000	10,000	13,250	3,250
Mobile home fees	750	750	-	(750)
Zoning ordinances/maps	500	500	15	(485)
BOCA publications	800	800	360	(440)
Roadside vendors and produce stand permits	1,100	1,100	1,750	650
Weed and litter enforcement	1,000	1,000	763	(237)
Weed control spraying	55,000	55,000	54,362	(638)
Economic development/tourism	183,000	183,000	212,645	29,645
Support collections	2,000	2,000	-	(2,000)
Election filing and voter lists	1,000	1,000	713	(287)
Sheriff's fees	40,000	40,000	44,440	4,440
Emergency medical services	1,006,808	1,006,808	1,157,258	150,450
MIEMSS-EMS communications	25,000	25,000	25,000	-
Other charges	2,000	2,000	1,600	(400)
Total general government	1,577,258	1,577,258	1,650,217	72,959
PUBLIC SAFETY CHARGES				
Boarding of state prisoners	70,000	70,000	230,449	160,449
Boarding of local prisoners	100,000	100,000	102,070	2,070
Weekenders fees	6,000	6,000	5,913	(87)
Live-in, work-out fees	23,000	23,000	8,545	(14,455)
Home detention program	1,500	1,500	100	(1,400)
Narcotics task force	-	-	6,259	6,259
Federal prisoner program	120,000	120,000	94,228	(25,772)
Phone commissions/TCPSC	30,000	30,000	34,851	4,851
Inmate sick call service	900	900	-	(900)
Community service fees	5,000	5,000	4,960	(40)
Total public safety charges	356,400	356,400	487,375	130,975
HEALTH				
Mosquito control fees	106,500	106,500	89,123	(17,377)
RECREATION CHARGES				
Boat slips	55,000	55,000	53,384	(1,616)
Program fees	20,000	20,000	36,329	16,329
School/summer fees	28,000	28,000	-	(28,000)
Other recreation grants	1,500	1,500	20,386	18,886
Total recreation	104,500	104,500	110,099	5,599
Total service charges	2,144,658	2,144,658	2,336,814	192,156

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2009 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
FINES AND FORFEITURES	\$ 11,000	\$ 11,000	\$ 3,691	\$ (7,309)
MISCELLANEOUS				
Rents	22,000	22,000	223,991	201,991
Other	100,000	100,000	507,864	407,864
Total miscellaneous	122,000	122,000	731,855	609,855
INTEREST	1,540,000	1,540,000	1,581,917	41,917
TOTAL REVENUES	71,560,386	71,560,386	77,281,550	5,721,164
OTHER FINANCING SOURCES				
Transfer from developmental impact	1,436,000	1,436,000	1,436,000	-
Reserved and unexpended funds	9,003,614	9,003,614	-	(9,003,614)
Total other financing sources	10,439,614	10,439,614	1,436,000	(9,003,614)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 82,000,000	\$ 82,000,000	\$ 78,717,550	\$ (3,282,450)
EXPENDITURES				
GENERAL GOVERNMENT				
LEGISLATIVE				
County Council:				
Salaries	\$ 73,000	\$ 73,000	\$ 73,000	\$ -
Other operating	48,500	48,500	53,227	(4,727)
Total legislative	121,500	121,500	126,227	(4,727)
JUDICIAL				
Circuit Court:				
Salaries	117,363	117,363	108,901	8,462
Other operating	33,000	33,000	27,758	5,242
Court Stenographer:				
Salaries	29,075	29,075	27,520	1,555
Other operating	750	750	39	711
Grand Jury	200	200	-	200
Petit Jury	12,250	12,250	9,318	2,932
Family Services:				
Salaries and fringe benefits	60,934	60,934	59,455	1,479
Other operating	87,250	87,250	62,275	24,975
Substance Abuse Court:				
Salaries and fringe benefits	62,862	62,862	64,549	(1,687)
Other operating	3,600	3,600	22,382	(18,782)
Capital outlay	-	-	-	-
Family Drug Court:				
Salaries and fringe benefits	57,018	57,018	48,093	8,925
Other operating	1,200	1,200	6,638	(5,438)
Teen Court:				
Salaries and fringe benefits	-	-	17,898	(17,898)
Other operating	-	-	456	(456)
Capital outlay	-	-	1,363	(1,363)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2009 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
GENERAL GOVERNMENT (continued)				
JUDICIAL (continued)				
Orphan's Court:				
Salaries	\$ 17,000	\$ 17,000	\$ 17,530.00	\$ (530)
Other operating	1,150	1,150	924	226
State's Attorney:				
Salaries	443,950	443,950	445,017	(1,067)
Other operating	38,150	38,150	31,741	6,409
Capital outlay	5,030	5,030	4,947	83
Child Support:				
Salaries and fringe benefits	175,187	175,187	176,055	(868)
Other operating	10,920	10,920	9,765	1,155
Victim Witness Program:				
Salaries	100,740	100,740	101,352	(612)
Other operating	6,325	6,325	3,080	3,245
Law Library:				
Salaries	2,713	2,713	2,713	-
Other operating	250	250	192	58
Total judicial	1,266,917	1,266,917	1,249,961	16,956
EXECUTIVE				
County Manager:				
Salaries	271,371	271,371	277,803	(6,432)
Other operating	26,325	26,325	26,416	(91)
Administrative Services:				
Salaries	153,263	153,263	144,219	9,044
Other operating	8,550	8,550	5,497	3,053
Capital outlay	40,000	40,000	31,224	8,776
Total executive	499,509	499,509	485,159	14,350
ELECTIONS				
Board of Supervisors of Elections:				
Salaries and fringe benefits	187,265	187,265	148,548	38,717
Other operating	116,900	116,900	70,652	46,248
Capital outlay	3,210	3,210	3,101	109
Registration and elections	42,700	42,700	54,373	(11,673)
Total elections	350,075	350,075	276,674	73,401
FINANCIAL ADMINISTRATION				
Finance Office:				
Salaries	459,581	459,581	460,777	(1,196)
Other operating	73,800	73,800	66,106	7,694
Contractual services	48,000	48,000	42,806	5,194
Capital outlay	7,710	7,710	6,703	1,007
Liquor License Commissioners:				
Salaries	45,069	45,069	31,513	13,556
Other operating	7,350	7,350	6,191	1,159
Contractual services	11,500	11,500	9,220	2,280
Total financial administration	653,010	653,010	623,316	29,694

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2009 (Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
GENERAL GOVERNMENT (continued)				
LAW				
County Attorney:				
Salaries	\$ 191,888	\$ 191,888	\$ 201,190	\$ (9,302)
Other operating	65,030	65,030	26,806	38,224
Total law	256,918	256,918	227,996	28,922
PLANNING AND ZONING				
Planning Office:				
Salaries	454,079	454,079	411,854	42,225
Other operating	48,050	48,050	40,050	8,000
Contractual services	45,000	45,000	35,444	9,556
Capital outlay	18,340	18,340	20,301	(1,961)
Board of Appeals:				
Salaries	73,143	73,143	67,373	5,770
Other operating	19,870	19,870	16,070	3,800
Total planning and zoning	658,482	658,482	591,092	67,390
GENERAL SERVICES				
County Buildings:				
Salaries	198,531	198,531	192,168	6,363
Other operating	462,975	462,975	526,133	(63,158)
Capital outlay	-	-	19,460	(19,460)
Library Maintenance	102,200	102,200	110,264	(8,064)
Information Technology:				
Salaries	223,197	223,197	223,932	(735)
Other operating	180,795	180,795	92,696	88,099
Capital outlay	109,706	109,706	91,210	18,496
Insurance	122,320	122,320	113,048	9,272
Total general services	1,399,724	1,399,724	1,368,911	30,813
ECONOMIC DEVELOPMENT				
Office of Economic Development:				
Salaries and fringe benefits	119,502	119,502	119,514	(12)
Other operating	47,200	47,200	44,598	2,602
Capital outlay	2,140	2,140	2,067	73
Arts Council	12,000	12,000	12,000	-
Tourism:				
Salaries and fringe benefits	131,236	131,236	131,320	(84)
Other operating	309,400	309,400	431,138	(121,738)
Capital outlay	1,070	1,070	1,034	36
Mid-Shore Regional Council	10,000	10,000	10,000	-
M.U.S.T.	5,000	5,000	5,000	-
Historic Preservation Commission	6,395	6,395	227	6,168
Talbot Partnership	5,000	5,000	5,000	-
Total economic development	648,943	648,943	761,898	(112,955)
Total general government	5,855,078	5,855,078	5,711,234	143,844

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2009 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
PUBLIC SAFETY				
SHERIFF				
Salaries	\$ 1,520,004	\$ 1,520,004	\$ 1,443,583	\$ 76,421
Other operating	277,800	277,800	288,922	(11,122)
Capital outlay	79,500	79,500	126,500	(47,000)
Total sheriff	1,877,304	1,877,304	1,859,005	18,299
NARCOTICS TASK FORCE				
Other operating	-	-	18,296	(18,296)
MUNICIPAL INSTITUTIONS				
Detention Center:				
Salaries	1,610,602	1,610,602	1,606,872	3,730
Other operating	1,045,950	1,045,950	1,128,102	(82,152)
Capital outlay	20,770	20,770	22,280	(1,510)
Total municipal institutions	2,677,322	2,677,322	2,757,254	(79,932)
OTHER PUBLIC SAFETY				
School Crossing Guards	54,942	54,942	54,942	-
Animal Control Program:				
Other operating	1,700	1,700	1,102	598
Contractual services	369,615	369,615	369,615	-
Capital outlay	8,400	8,400	7,993	407
Emergency Management:				
Salaries	603,129	603,129	641,238	(38,109)
Other operating	359,440	359,440	342,566	16,874
Capital outlay	100,000	100,000	792,468	(692,468)
Volunteer Fire Companies	1,288,532	1,288,532	1,308,484	(19,952)
Highway Safety Program:				
Salaries and fringe benefits	35,560	35,560	42,103	(6,543)
Other operating	440	440	14,238	(13,798)
CSAFE	-	-	1,359	(1,359)
Emergency Medical Services:				
Salaries and fringe benefits	2,645,612	2,645,612	2,578,509	67,103
Other operating	362,779	362,779	394,875	(32,096)
Capital outlay	55,950	55,950	57,778	(1,828)
Safety Committee	250	250	-	250
Hazardous Materials:				
Salaries and fringe benefits	52,250	52,250	23,281	28,969
Other operating	28,500	28,500	18,327	10,173
Total other public safety	5,967,099	5,967,099	6,648,878	(681,779)
PROTECTIVE INSPECTION				
Electrical Inspection:				
Salaries	6,500	6,500	5,700	800
Other operating	2,085	2,085	1,929	156
Building and Plumbing Inspection:				
Salaries	379,995	379,995	319,864	60,131
Other operating	36,900	36,900	22,146	14,754
Total protective inspection	425,480	425,480	349,639	75,841
Total public safety	10,947,205	10,947,205	11,633,072	(685,867)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2009 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
PUBLIC WORKS				
PUBLIC WORKS - GENERAL				
Salaries	\$ 576,944	\$ 576,944	\$ 537,537	\$ 39,407
Other operating	49,150	49,150	(2,168)	51,318
Capital outlay	6,000	6,000	126,054	(120,054)
Total public works - general	632,094	632,094	661,423	(29,329)
PUBLIC LANDINGS AND WHARVES				
Salaries	149,755	149,755	153,142	(3,387)
Other operating	58,650	58,650	54,159	4,491
Capital outlay	30,000	30,000	38,195	(8,195)
Total public landings and wharves	238,405	238,405	245,496	(7,091)
SOLID WASTE DISPOSAL				
Recycling:				
Salaries and fringe benefits	38,810	38,810	38,080	730
Other operating	3,140	3,140	1,084	2,056
Contractual services	1,000	1,000	1,020	(20)
Total solid waste disposal	42,950	42,950	40,184	2,766
HIGHWAYS AND STREETS				
Salaries and fringe benefits	1,482,102	1,482,102	1,446,690	35,412
Other operating	1,471,085	1,471,085	1,329,734	141,351
Capital outlay	120,000	120,000	97,708	22,292
Total highways and streets	3,073,187	3,073,187	2,874,132	199,055
Total public works	3,986,636	3,986,636	3,821,235	165,401
HEALTH AND HOSPITALS				
Health department	1,535,936	1,535,936	1,538,757	(2,821)
School health	621,211	621,211	621,211	-
Addictions counseling	80,000	80,000	80,000	-
Mosquito control	117,500	117,500	91,781	25,719
Total health and hospitals	2,354,647	2,354,647	2,331,749	22,898
SOCIAL SERVICES				
Social services legal	104,000	104,000	76,597	27,403
Neighborhood Service Center	70,034	70,034	70,034	-
Choptank Community Health	15,000	15,000	15,000	-
Delmarva Community Services	101,062	101,062	101,062	-
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	25,101	25,101	21,133	3,968
Homelessness Prevention Program	4,700	4,700	6,900	(2,200)
Emergency Shelter	12,750	12,750	63,920	(51,170)
Emergency Food Assistance	-	-	1,700	(1,700)
Housing Special Loan Program	200,000	200,000	330,571	(130,571)
Housing:				
Salaries and fringe benefits	66,574	66,574	66,594	(20)
Other operating	5,000	5,000	2,785	2,215
Total social services	772,987	772,987	925,062	(152,075)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2009 (Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
EDUCATION				
Board of Education:				
Operating appropriation	\$ 34,053,966	\$ 34,053,966	\$ 34,053,966	\$ -
Debt Service	3,793,298	3,793,298	3,779,316	13,982
Library				
Operating appropriation	998,406	998,406	997,406	1,000
Capital outlay	11,000	11,000	11,000	-
Community College:				
Operating appropriation	1,359,571	1,359,571	1,359,571	-
Capital outlay	77,000	77,000	77,000	-
Debt Service	60,847	60,847	60,059	788
Chesapeake Developmental Center	45,005	45,005	45,005	-
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	34,005	34,005	33,937	68
Other operating	8,570	8,570	8,728	(158)
Total education	40,441,668	40,441,668	40,425,988	15,680
RECREATION				
Parks and Recreation:				
Salaries	185,231	185,231	201,323	(16,092)
Other operating	248,800	248,800	269,059	(20,259)
Capital outlay	75,000	75,000	492,904	(417,904)
Total recreation	509,031	509,031	963,286	(454,255)
CONSERVATION OF NATURAL RESOURCES				
AGRICULTURAL EXTENSION SERVICE				
Salaries	130,429	130,429	130,429	-
Other operating	52,867	52,867	54,171	(1,304)
Total agricultural extension service	183,296	183,296	184,600	(1,304)
OTHER CONSERVATION				
Agricultural Preservation	47,500	47,500	1,224	46,276
Waterways testing/study	22,219	22,219	20,470	1,749
MES - resource conservation & development	350	350	350	-
Weed Control:				
Salaries and fringe benefits	56,946	56,946	55,369	1,577
Other operating	46,483	46,483	42,820	3,663
Gypsy Moth	7,500	7,500	8,938	(1,438)
Total other conservation	180,998	180,998	129,171	51,827
Total conservation of natural resources	364,294	364,294	313,771	50,523
INTERGOVERNMENTAL				
Payments to Municipalities:				
Fire, rescue and ambulance fund	20,000	20,000	24,930	(4,930)
Public accommodations tax	850,000	850,000	725,250	124,750
Total intergovernmental	870,000	870,000	750,180	119,820

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2009 (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	\$ 620,000	\$ 620,000	\$ 433,921	\$ 186,079
Social security tax	600,000	600,000	578,195	21,805
Health insurance	2,107,000	2,107,000	1,587,116	519,884
Health insurance waiver	80,000	80,000	73,500	6,500
Unemployment insurance	17,000	17,000	17,732	(732)
Pension direct	2,500	2,500	659	1,841
Group life insurance	36,000	36,000	40,323	(4,323)
Disability insurance	30,000	30,000	22,497	7,503
Substance abuse testing	6,000	6,000	5,606	394
Workers' compensation	220,000	220,000	129,234	90,766
Employee training	35,000	35,000	35,176	(176)
Other operating	4,000	4,000	2,366	1,634
Total employee benefits	3,757,500	3,757,500	2,926,325	831,175
MISCELLANEOUS	140,500	140,500	122,362	18,138
DEBT SERVICE				
Principal on long-term debt	345,391	345,391	345,390	1
Interest on long-term debt	74,135	74,135	71,418	2,717
Total debt service	419,526	419,526	416,808	2,718
RESERVE FOR CONTINGENCIES	1,349,966	1,349,966	228,661	1,121,305
TOTAL EXPENDITURES	71,769,038	71,769,038	70,569,733	1,199,305
OTHER FINANCING USES				
Transfers:				
Pool - Operating appropriation	144,014	144,014	144,014	-
Recreation	1,034,781	1,034,781	1,034,781	-
Designated fund balance	1,611,000	1,611,000	-	1,611,000
Capital Projects:				
Pay-as-you-go transfer	7,441,167	7,441,167	7,441,167	-
Total other financing uses	10,230,962	10,230,962	8,619,962	1,611,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 82,000,000	\$ 82,000,000	\$ 79,189,695	\$ 2,810,305
Net change in fund balances	\$ -	\$ -	\$ (472,145)	\$ (472,145)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF FUNDING PROGRESS - OTHER
POST-EMPLOYMENT BENEFITS
JUNE 30, 2009**

Talbot County, Maryland

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2008	\$ -	\$ 13,455,000	0.00%	\$ 13,455,000	\$ 10,560,961	127.40%

Board of Education

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2008	\$ 1,482,000	\$ 46,822,000	3.17%	\$ 45,340,000	\$ 29,794,343	152.18%

Library

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2008	\$ -	\$ 940,000	0.00%	\$ 940,000	\$ 645,035	145.73%

TALBOT COUNTY, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Basis

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

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

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

The information in this schedule is intended to help users assess the County's OPEB Plan's status on a going-concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers. Multi-year trend information is not available as this is the first valuation under GASB 45. In future years, information from the three most recent valuations will be presented.

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, 2009**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - Federal	\$ -	\$ 860,000	\$ 872,173	\$ 12,173
Intergovernmental - State	3,227,500	2,367,500	1,788,623	(578,877)
Miscellaneous	-	-	7,770	7,770
Interest	-	-	730,164	730,164
Total revenues	3,227,500	3,227,500	3,398,730	171,230
EXPENDITURES				
General government	3,481,970	3,481,970	7,286,957	(3,804,987)
Public works	4,956,075	4,956,075	2,327,098	2,628,977
Education	1,902,000	1,902,000	7,839,131	(5,937,131)
Recreation	2,050,667	2,050,667	316,033	1,734,634
Total expenditures	12,390,712	12,390,712	17,769,219	(5,378,507)
OTHER FINANCING SOURCES				
Issuance of long-term debt	195,075	195,075	-	(195,075)
Transfers from developmental impact fund	1,526,970	1,526,970	1,526,970	-
Transfers from general fund	7,441,167	7,441,167	7,441,167	-
Total other financing sources	9,163,212	9,163,212	8,968,137	(195,075)
Net Change in Fund Balance	\$ -	\$ -	\$ (5,402,352)	\$ (5,402,352)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
DEVELOPMENTAL IMPACT FUND
For the Year Ended June 30, 2009**

	<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	\$ 140,000	\$ 140,000	\$ 67,552	\$ (72,448)
Public works	101,000	101,000	233,621	132,621
Education				
Public schools	350,000	350,000	153,013	(196,987)
Library	65,000	65,000	29,577	(35,423)
Community College	14,000	14,000	6,713	(7,287)
Recreation	130,000	130,000	23,835	(106,165)
Interest	30,000	30,000	121,483	91,483
Total revenues	830,000	830,000	635,794	(194,206)
OTHER FINANCING SOURCES (USES)				
Designated fund balance	2,150,970	2,150,970	-	2,150,970
Transfers to capital fund	(1,526,970)	(1,526,970)	(1,526,970)	-
Transfers to recreation fund	(18,000)	(18,000)	(18,000)	-
Transfers to general fund	(1,436,000)	(1,436,000)	(1,436,000)	-
Total other financing uses	(830,000)	(830,000)	(2,980,970)	2,150,970
Net Change in Fund Balance	\$ -	\$ -	\$ (2,345,176)	\$ (2,345,176)

TALBOT COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
TALBOT FAMILY NETWORK
For the Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental:				
State	\$ 536,078	\$ 536,078	\$ 592,264	\$ 56,186
Interest	-	-	37,156	37,156
Total revenues	536,078	536,078	629,420	93,342
EXPENDITURES				
Social services	536,078	536,078	543,891	(7,813)
Net Change in Fund Balance	\$ -	\$ -	\$ 85,529	\$ 85,529

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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, 2009**

	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	410,000	300,696	(109,304)
Cart rentals	140,000	86,114	(53,886)
Green fees	1,000,000	629,785	(370,215)
Other operating	15,200	15,580	380
Total operating revenues	1,565,200	1,032,175	(533,025)
OPERATING EXPENSES			
Salaries and related expenses	856,403	868,162	(11,759)
Professional fees	9,000	9,706	(706)
Office	35,000	29,775	5,225
Insurance	8,000	4,110	3,890
Repairs and maintenance	195,500	153,542	41,958
Utilities	60,200	62,706	(2,506)
Supplies and equipment	165,000	115,266	49,734
Lessons and programs	4,000	6,319	(2,319)
Pro shop and concessions	212,000	183,211	28,789
Other operating	35,250	27,732	7,518
Total operating expenses	1,580,353	1,460,529	119,824
Operating loss before depreciation	(15,153)	(428,354)	(413,201)
Depreciation	-	181,195	(181,195)
Net operating loss	(15,153)	(609,549)	(594,396)
NON-OPERATING REVENUES (EXPENSES)			
Contributions	-	-	-
Loss on disposal of capital assets	-	-	-
Transfers from General Fund for:			
Operating appropriations	212,891	212,891	-
Transfer from Developmental Impact Fund	-	-	-
Interest expense, net	(187,038)	(47,278)	139,760
Net non-operating revenues	25,853	165,613	139,760
Net income (loss)	\$ 10,700	\$ (443,936)	\$ (454,636)
OTHER BUDGETED EXPENSES			
Capital outlay	(10,700)		
Total other budgeted expenses	(10,700)		
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>
\$ 120,000	\$ 136,790	\$ 16,790	\$ 120,000	\$ 136,790	\$ 16,790
35,000	31,102	(3,898)	35,000	31,102	(3,898)
292,500	223,221	(69,279)	292,500	223,221	(69,279)
56,500	50,652	(5,848)	466,500	351,348	(115,152)
-	-	-	140,000	86,114	(53,886)
-	-	-	1,000,000	629,785	(370,215)
2,500	1,558	(942)	17,700	17,138	(562)
<u>506,500</u>	<u>443,323</u>	<u>(63,177)</u>	<u>2,071,700</u>	<u>1,475,498</u>	<u>(596,202)</u>
423,098	451,978	(28,880)	1,279,501	1,320,140	(40,639)
15,000	12,069	2,931	24,000	21,775	2,225
22,875	9,215	13,660	57,875	38,990	18,885
25,000	19,691	5,309	33,000	23,801	9,199
215,500	161,926	53,574	411,000	315,468	95,532
197,500	201,233	(3,733)	257,700	263,939	(6,239)
3,500	3,359	141	168,500	118,625	49,875
160,000	143,164	16,836	164,000	149,483	14,517
45,000	53,775	(8,775)	257,000	236,986	20,014
18,450	16,141	2,309	53,700	43,873	9,827
<u>1,125,923</u>	<u>1,072,551</u>	<u>53,372</u>	<u>2,706,276</u>	<u>2,533,080</u>	<u>173,196</u>
(619,423)	(629,228)	(9,805)	(634,576)	(1,057,582)	(423,006)
-	492,475	(492,475)	-	673,670	(673,670)
<u>(619,423)</u>	<u>(1,121,703)</u>	<u>(502,280)</u>	<u>(634,576)</u>	<u>(1,731,252)</u>	<u>(1,096,676)</u>
-	22,000	22,000	-	22,000	22,000
-	(43)	(43)	-	(43)	(43)
821,890	821,890	-	1,034,781	1,034,781	-
18,000	18,000	-	18,000	18,000	-
<u>(189,047)</u>	<u>(4,005)</u>	<u>185,042</u>	<u>(376,085)</u>	<u>(51,283)</u>	<u>324,802</u>
<u>650,843</u>	<u>857,842</u>	<u>206,999</u>	<u>676,696</u>	<u>1,023,455</u>	<u>346,759</u>
\$ 31,420	\$ (263,861)	\$ (295,281)	\$ 42,120	\$ (707,797)	\$ (749,917)
<u>(31,420)</u>			<u>(42,120)</u>		
<u>(31,420)</u>			<u>(42,120)</u>		
\$ -			\$ -		

TALBOT COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - SANITARY DISTRICT
For the Year Ended June 30, 2009

	<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	\$ 945,240	\$ 944,569	\$ (671)	\$ 233,500	\$ 229,539	\$ (3,961)
Sewer connection charges	204,000	72,000	(132,000)	72,000	-	(72,000)
Residential benefit charges	360	-	(360)	-	-	-
Pump installation charges	-	-	-	-	-	-
Miscellaneous	-	270	270	16,573	94	(16,479)
Total operating revenues	1,149,600	1,016,839	(132,761)	322,073	229,633	(92,440)
OPERATING EXPENSES						
Salaries and related expenses	225,501	222,859	2,642	81,180	74,904	6,276
Professional fees	400	2,929	(2,529)	150	220	(70)
Office	6,450	6,184	266	1,500	2,194	(694)
Insurance	13,000	7,521	5,479	4,150	2,302	1,848
Contracted services	424,049	429,638	(5,589)	124,500	80,922	43,578
Repairs and maintenance	24,700	17,893	6,807	10,100	6,404	3,696
Other operating	-	51,426	(51,426)	-	658	(658)
Total operating expenses	694,100	738,450	(44,350)	221,580	167,604	53,976
Operating income before depreciation	455,500	278,389	(177,111)	100,493	62,029	(38,464)
Depreciation	54,500	545,467	(490,967)	-	117,723	(117,723)
Net operating income (loss)	401,000	(267,078)	(668,078)	100,493	(55,694)	(156,187)
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	446,214	446,214	-	-	-
Interest income	45,000	46,575	1,575	7,024	14,409	7,385
Interest expense	(32,000)	(24,397)	7,603	(25,481)	(24,023)	1,458
Net non-operating revenues (expenses)	13,000	468,392	455,392	(18,457)	(9,614)	8,843
Net income (loss)	\$ 414,000	\$ 201,314	\$ (212,686)	\$ 82,036	\$ (65,308)	\$ (147,344)
OTHER BUDGETED EXPENSES						
Capital outlay	\$ (9,000)			\$ (5,000)		
Debt service	(405,000)			(77,036)		
Total other budgeted expenses	(414,000)			(82,036)		
Budgeted net income (loss)	\$ -			\$ -		

<u>Tilghman District</u>			<u>Unionville 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>
\$ 227,000	\$ 215,952	\$ (11,048)	\$ 105,800	\$ 103,037	\$ (2,763)
45,000	8,928	(36,072)	-	12,000	12,000
-	20,219	20,219	-	-	-
-	6,036	6,036	-	-	-
6,315	40,292	33,977	18,900	59	(18,841)
<u>278,315</u>	<u>291,427</u>	<u>13,112</u>	<u>124,700</u>	<u>115,096</u>	<u>(9,604)</u>
112,751	107,064	5,687	33,048	29,504	3,544
150	215	(65)	100	170	(70)
2,900	3,017	(117)	975	1,608	(633)
6,300	2,912	3,388	1,600	942	658
94,700	70,081	24,619	40,950	50,823	(9,873)
8,400	19,493	(11,093)	3,050	25,372	(22,322)
-	51	(51)	-	51	(51)
<u>225,201</u>	<u>202,833</u>	<u>22,368</u>	<u>79,723</u>	<u>108,470</u>	<u>(28,747)</u>
53,114	88,594	35,480	44,977	6,626	(38,351)
-	154,034	(154,034)	-	140,020	(140,020)
<u>53,114</u>	<u>(65,440)</u>	<u>(118,554)</u>	<u>44,977</u>	<u>(133,394)</u>	<u>(178,371)</u>
-	-	-	-	-	-
5,000	21,534	16,534	3,653	9,176	5,523
(13,114)	(12,415)	699	(9,325)	(9,679)	(354)
<u>(8,114)</u>	<u>9,119</u>	<u>17,233</u>	<u>(5,672)</u>	<u>(503)</u>	<u>5,169</u>
\$ 45,000	\$ (56,321)	\$ (101,321)	\$ 39,305	\$ (133,897)	\$ (173,202)
\$ (5,000)			\$ (5,000)		
<u>(40,000)</u>			<u>(34,305)</u>		
<u>(45,000)</u>			<u>(39,305)</u>		
\$ -			\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - SANITARY DISTRICT
For the Year Ended June 30, 2009 (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	\$ 200,000	\$ 245,133	\$ 45,133	\$ -	\$ -	\$ -
Sewer connection charges	-	-	-	-	-	-
Residential benefit charges	-	-	-	-	-	-
Pump installation charges	-	-	-	-	-	-
Miscellaneous	55,405	1,320	(54,085)	-	-	-
Total operating revenues	255,405	246,453	(8,952)	-	-	-
OPERATING EXPENSES						
Salaries and related expenses	157,098	157,626	(528)	-	1,565	(1,565)
Professional fees	300	2,413	(2,113)	-	155	(155)
Office	2,150	1,383	767	975	-	975
Insurance	6,200	4,435	1,765	-	-	-
Contracted services	22,750	94,179	(71,429)	258,306	505,716	(247,410)
Repairs and maintenance	2,750	6,731	(3,981)	-	-	-
Other operating	-	3,850	(3,850)	975,000	36,639	938,361
Total operating expenses	191,248	270,617	(79,369)	1,234,281	544,075	690,206
Operating income before depreciation	64,157	(24,164)	(88,321)	(1,234,281)	(544,075)	690,206
Depreciation	-	38,628	(38,628)	285,000	3,279	281,721
Net operating income (loss)	64,157	(62,792)	(126,949)	(1,519,281)	(547,354)	971,927
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	-	-	1,519,281	540,167	(979,114)
Interest income	-	75	75	-	-	-
Interest expense	(4,157)	(87,624)	(83,467)	-	-	-
Net non-operating revenues (expenses)	(4,157)	(87,549)	(83,392)	1,519,281	540,167	(979,114)
Net income (loss)	\$ 60,000	\$ (150,341)	\$ (210,341)	\$ -	\$ (7,187)	\$ (7,187)
OTHER BUDGETED EXPENSES						
Capital outlay	\$ -			\$ -		
Debt service	(60,000)			-		
Total other budgeted expenses	(60,000)			-		
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>
\$ -	\$ 200,179	\$ 200,179	\$ 1,711,540	\$ 1,938,409	\$ 226,869
-	-	-	321,000	92,928	(228,072)
-	-	-	360	20,219	19,859
-	-	-	-	6,036	6,036
-	1,258	1,258	97,193	43,293	(53,900)
-	201,437	201,437	2,130,093	2,100,885	(29,208)
-	3,711	(3,711)	609,578	597,233	12,345
-	100	(100)	1,100	6,202	(5,102)
-	2,026	(2,026)	14,950	16,412	(1,462)
-	49	(49)	31,250	18,161	13,089
-	122,363	(122,363)	965,255	1,353,722	(388,467)
-	24,858	(24,858)	49,000	100,751	(51,751)
-	30,621	(30,621)	975,000	123,296	851,704
-	183,728	(183,728)	2,646,133	2,215,777	430,356
-	17,709	17,709	(516,040)	(114,892)	401,148
-	12,237	(12,237)	339,500	1,011,388	(671,888)
-	5,472	5,472	(855,540)	(1,126,280)	(270,740)
-	-	-	1,519,281	986,381	(532,900)
-	2,268	2,268	60,677	94,037	33,360
-	(10,848)	(10,848)	(84,077)	(168,986)	(84,909)
-	(8,580)	(8,580)	1,495,881	911,432	(584,449)
\$ -	\$ (3,108)	\$ (3,108)	\$ 640,341	\$ (214,848)	\$ (855,189)
\$ -	-	-	\$ (24,000)	-	-
-	-	-	(616,341)	-	-
-	-	-	(640,341)	-	-
\$ -	-	-	\$ -	-	-

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - EASTON AIRPORT
For the Year Ended June 30, 2009**

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
OPERATING REVENUES			
Charges - operations	\$ 233,104	\$ 252,330	\$ 19,226
Charges - fuel facility	2,540,500	2,105,629	(434,871)
Charges - hangars	500,900	509,462	8,562
Other operating	378,500	30,967	(347,533)
Total operating revenues	3,653,004	2,898,388	(754,616)
OPERATING EXPENSES			
Salaries and related expenses	335,195	308,875	26,320
Cost of sales - fuel	2,398,500	1,995,702	402,798
Professional fees	1,500	115,664	(114,164)
Office	17,750	21,549	(3,799)
Insurance	23,000	20,720	2,280
Repairs and maintenance	136,700	171,381	(34,681)
Utilities	53,000	53,630	(630)
Supplies and equipment	1,000	913	87
Other operating	8,600	10,979	(2,379)
Total operating expenses	2,975,245	2,699,413	275,832
Operating income before depreciation	677,759	198,975	(478,784)
Depreciation	3,801	1,447,705	(1,443,904)
Net operating income (loss)	673,958	(1,248,730)	(1,922,688)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	159,000	1,274,592	1,115,592
Contributions	-	3,400	3,400
Interest income	25,157	4,384	(20,773)
Interest expense	(202,539)	(126,305)	76,234
Loss on disposal of assets	-	(7,136)	(7,136)
Net non-operating revenues (expenses)	(18,382)	1,148,935	1,167,317
Net income (loss)	\$ 655,576	\$ (99,795)	\$ (755,371)
OTHER BUDGETED EXPENSES			
Debt service	\$ (192,006)		
Capital outlay	(463,570)		
Total other budgeted expenses	(655,576)		
Budgeted net income (loss)	\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - POOL
For the Year Ended June 30, 2009**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES			
Admissions	\$ 37,000	\$ 39,177	\$ 2,177
Other operating	78,300	37,905	(40,395)
<hr/>			
Total operating revenues	115,300	77,082	(38,218)
<hr/>			
OPERATING EXPENSES			
Salaries and related expenses	154,644	201,259	(46,615)
Professional fees	2,530	3,344	(814)
Office	7,675	5,520	2,155
Insurance	3,865	2,410	1,455
Repairs and maintenance	30,600	37,086	(6,486)
Utilities	13,500	16,183	(2,683)
Supplies and equipment	18,950	19,589	(639)
Lessons and programs	5,100	667	4,433
Other operating	12,450	6,975	5,475
<hr/>			
Total operating expenses	249,314	293,033	(43,719)
<hr/>			
Operating income (loss) before depreciation	(134,014)	(215,951)	(81,937)
<hr/>			
Depreciation	-	102,936	(102,936)
<hr/>			
Net operating income (loss)	(134,014)	(318,887)	(184,873)
<hr/>			
NON-OPERATING REVENUES			
Intergovernmental revenues	-	11,230	11,230
Transfer from general fund	144,014	144,014	-
Loss on disposal of asset	-	(1,233)	(1,233)
<hr/>			
Total non-perating expenses	144,014	154,011	9,997
<hr/>			
Net income (loss)	\$ 10,000	\$ (164,876)	\$ (174,876)
<hr/>			
OTHER BUDGETED EXPENSES			
Capital outlay	\$ (10,000)		
Total other budgeted expenses	(10,000)		
<hr/>			
Budgeted net income (loss)	\$ -		
<hr/>			

TALBOT COUNTY, MARYLAND
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2009

	Special Revenue Funds		
	Developmental Impact	Talbot Family Network	Total Other Governmental Funds
ASSETS			
Cash and short-term investments	\$ 630,215	\$ 506,771	\$ 1,136,986
Certificate of deposit	850,389	683,816	1,534,205
Receivables:			
Accounts receivable	-	8,677	8,677
Intergovernmental:			
State	-	102,729	102,729
Total Assets	<u>\$ 1,480,604</u>	<u>\$ 1,301,993</u>	<u>\$ 2,782,597</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 43,296	\$ 43,296
Unearned revenue	-	347,568	347,568
Total Liabilities	<u>-</u>	<u>390,864</u>	<u>390,864</u>
FUND BALANCES			
Unreserved:			
Designated for social services	-	911,129	911,129
Designated for capital projects	1,480,604	-	1,480,604
Total Fund Balances	<u>1,480,604</u>	<u>911,129</u>	<u>2,391,733</u>
Total Liabilities and Fund Balances	<u>\$ 1,480,604</u>	<u>\$ 1,301,993</u>	<u>\$ 2,782,597</u>

TALBOT COUNTY, MARYLAND

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2009**

	Special Revenue Funds		
	Developmental <u>Impact</u>	Talbot Family <u>Network</u>	Total Other Governmental <u>Funds</u>
REVENUES			
Intergovernmental:			
State	\$ -	\$ 592,264	\$ 592,264
Licenses and permits	514,311	-	514,311
Interest	121,483	37,156	158,639
Total revenues	635,794	629,420	1,265,214
EXPENDITURES			
Social services	-	543,891	543,891
Excess (deficiency) of revenues over expenditures	635,794	85,529	721,323
OTHER FINANCING SOURCES (USES)			
Transfers in (out) to other funds:			
General fund	(1,436,000)	-	(1,436,000)
Recreation	(18,000)	-	(18,000)
Capital projects - capital	(1,526,970)	-	(1,526,970)
Total other financing sources (uses)	(2,980,970)	-	(2,980,970)
Net change in fund balances	(2,345,176)	85,529	(2,259,647)
Fund balances at beginning of year	3,825,780	825,600	4,651,380
Fund balances at end of year	\$ 1,480,604	\$ 911,129	\$ 2,391,733

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 Seven 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>	<u>2009</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	\$ 60,070,294
Unrestricted	<u>21,900,817</u>	<u>24,467,804</u>	<u>33,050,665</u>	<u>43,576,637</u>	<u>53,678,457</u>	<u>48,711,869</u>	<u>40,028,210</u>
Total governmental activities net assets	\$ 47,450,614	\$ 54,836,443	\$ 67,332,018	\$ 81,894,117	\$ 97,220,382	\$ 99,418,775	\$ 100,098,504
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	\$ 53,100,037
Unrestricted	<u>2,766,537</u>	<u>2,010,982</u>	<u>1,962,310</u>	<u>408,598</u>	<u>1,819,349</u>	<u>940,871</u>	<u>(2,028,817)</u>
Total business-type activities net assets	\$ 30,993,026	\$ 30,906,908	\$ 31,317,737	\$ 36,859,412	\$ 42,058,575	\$ 52,258,536	\$ 51,071,220
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	\$ 113,170,331
Unrestricted	<u>24,667,354</u>	<u>26,478,786</u>	<u>35,012,975</u>	<u>43,985,235</u>	<u>55,497,806</u>	<u>49,652,740</u>	<u>37,999,393</u>
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>	<u>\$ 151,169,724</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 Seven 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>	<u>2009</u>
Expenses							
Governmental activities:							
General government	\$ 4,386,312	\$ 4,995,333	\$ 4,980,170	\$ 5,615,463	\$ 5,447,411	\$ 8,476,977	\$ 10,151,451
Public safety	7,004,515	8,579,829	10,277,842	10,921,003	11,161,287	12,911,154	13,731,318
Public works	2,496,544	2,925,889	4,642,392	4,981,242	4,637,883	4,085,559	4,831,967
Health and hospitals	1,379,364	1,355,972	1,449,359	1,531,391	1,880,034	1,964,816	2,338,752
Social services	2,953,069	1,609,871	1,696,493	1,814,939	1,402,948	1,404,799	1,484,690
Education	33,340,191	29,268,117	30,704,758	31,966,292	39,858,261	45,950,955	46,271,163
Recreation	296,404	345,504	542,531	1,275,345	2,577,757	894,668	885,695
Conservation of natural resources	209,727	231,996	210,248	244,923	295,659	274,430	302,516
Miscellaneous	1,409,577	1,522,465	-	-	-	-	-
Interest on long-term debt	155,585	157,743	124,966	113,108	100,461	86,132	71,418
Total governmental activities expenses	<u>53,631,288</u>	<u>50,992,719</u>	<u>54,628,759</u>	<u>58,463,706</u>	<u>67,361,701</u>	<u>76,049,490</u>	<u>80,068,970</u>
Business-type activities:							
Recreation facilities	2,137,153	2,147,153	2,140,155	2,494,818	3,217,842	3,825,521	3,258,076
Sanitary district	1,337,094	1,414,081	1,468,246	1,485,046	1,649,537	2,910,842	3,396,151
Airport	2,204,071	2,434,808	2,832,127	3,438,045	3,468,909	4,089,080	4,280,559
Pool	282,896	276,819	314,780	350,962	343,182	397,365	397,202
Total business-type activities expenses	<u>5,961,214</u>	<u>6,272,861</u>	<u>6,755,308</u>	<u>7,768,871</u>	<u>8,679,470</u>	<u>11,222,808</u>	<u>11,331,988</u>
Total primary government expenses	<u>\$ 59,592,502</u>	<u>\$ 57,265,580</u>	<u>\$ 61,384,067</u>	<u>\$ 66,232,577</u>	<u>\$ 76,041,171</u>	<u>\$ 87,272,298</u>	<u>\$ 91,400,958</u>
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	\$ 2,239,048
Public safety	492,915	700,872	767,105	586,274	568,421	565,415	487,375
Public works	-	-	181,792	408,874	1,089,966	321,330	233,621
Health and hospitals	42,531	69,496	68,644	57,058	63,159	75,854	89,123
Education	-	-	391,810	631,900	532,531	292,956	189,303
Recreation	35,320	65,631	114,412	150,279	135,440	124,690	133,934
Operating grants and contributions	7,245,332	6,332,123	7,790,739	8,397,525	10,045,423	10,108,796	9,192,985
Total governmental activities program revenues	<u>8,583,024</u>	<u>8,885,942</u>	<u>11,190,963</u>	<u>12,484,386</u>	<u>14,729,894</u>	<u>13,787,715</u>	<u>12,565,389</u>

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

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>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>	<u>2009</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 22,051	\$ 7,681	\$ 42,293	\$ 2,509,615	\$ 913,869	\$ 966,200
Unreserved										
Designated	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	17,643,743
Undesignated	<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>	<u>22,625,265</u>
Total General Fund	<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>	<u>\$ 41,235,208</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	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	22,890,931
Designated - Special Revenue Funds	365,441	695,660	721,981	720,150	594,188	1,707,767	2,859,426	4,839,284	24,295	2,391,733
Undesignated - Special Revenue Funds	<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>	<u>-</u>
Total all other governmental funds	<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>	<u>\$ 25,282,664</u>
Total Governmental Funds	\$ 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	\$ 66,517,872

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
Property tax	\$ 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	\$ 27,436,368
Income tax	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	31,635,555
Other local taxes	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	7,097,837
Licenses and permits	555,027	527,143	634,650	559,035	657,060	1,434,242	2,163,301	2,634,811	1,451,225	1,031,899
Intergovernmental:										
Federal	435,917	361,314	598,959	1,005,838	1,017,047	2,161,763	897,727	1,166,795	986,313	1,440,141
State	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	7,752,844
Service charges	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	2,336,814
Fines and forfeitures	19,830	18,131	17,499	21,830	22,220	11,241	5,452	14,509	6,755	3,691
Miscellaneous	76,946	341,200	520,350	617,536	742,247	707,000	324,881	622,980	456,406	739,625
Interest Income	1,586,395	1,765,084	786,748	588,344	299,143	795,404	1,870,166	3,049,507	3,405,782	2,470,720
Total revenues	<u>44,686,578</u>	<u>50,953,376</u>	<u>51,560,678</u>	<u>53,004,538</u>	<u>58,650,884</u>	<u>68,388,109</u>	<u>75,977,034</u>	<u>84,251,074</u>	<u>85,598,005</u>	<u>81,945,494</u>
Expenditures										
General Government	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	12,998,191
Public Safety	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	11,633,072
Public Works	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	6,148,333
Health and hospitals	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	2,331,749
Social services	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	1,468,953
Education	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	44,485,803
Debt service interest - Educ	673,942	679,689	664,574	1,128,080	1,095,167	1,060,135	901,243	891,193	1,273,144	1,751,927
Debt service principal - Educ	362,757	407,871	571,051	953,302	1,002,888	1,044,951	988,345	1,124,548	1,162,079	2,027,389
Recreation	411,362	334,753	491,690	492,123	518,026	491,528	1,104,324	2,992,661	2,497,017	1,279,319
Conservation of natural resources	165,992	173,938	164,901	206,433	231,996	210,248	244,923	295,659	274,430	313,771
Employee Benefits	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	2,926,325
Miscellaneous	47,394	157,887	87,856	45,590	125,035	58,960	209,365	94,132	233,696	122,362
Intergovernmental	492,913	481,343	446,811	451,785	492,908	544,538	701,132	860,102	860,442	750,180
Debt service interest	164,231	149,516	135,342	155,585	157,743	124,966	113,108	100,461	86,132	71,418
Debt service principal	269,177	283,077	292,947	330,842	341,299	291,241	306,022	318,022	333,097	345,390
Contingencies	146,239	317,350	973,848	563,881	623,008	363,013	66,850	135,445	157,807	228,661
Total expenditures	<u>43,883,020</u>	<u>49,302,786</u>	<u>54,754,425</u>	<u>58,783,049</u>	<u>56,026,221</u>	<u>58,496,562</u>	<u>62,417,844</u>	<u>72,547,650</u>	<u>83,130,279</u>	<u>88,882,843</u>
Excess of revenues over (under) expenditures	<u>803,558</u>	<u>1,650,590</u>	<u>(3,193,747)</u>	<u>(5,778,511)</u>	<u>2,624,663</u>	<u>9,891,547</u>	<u>13,559,190</u>	<u>11,703,424</u>	<u>2,467,726</u>	<u>(6,937,349)</u>
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)	(144,014)
Recreation	-	-	(336,050)	(674,890)	(77,305)	(1,138,500)	(2,831,701)	(1,414,148)	(7,197,346)	(1,052,781)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>10,875,150</u>	<u>(793,990)</u>	<u>(37,025)</u>	<u>(1,263,775)</u>	<u>(2,987,959)</u>	<u>(1,563,108)</u>	<u>17,977,008</u>	<u>(1,196,795)</u>
Net change in fund balances	\$ 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	\$ (8,134,144)
Debt service as a percentage of noncapital expenditures	3.38%	3.10%	3.57%	4.78%	5.11%	4.65%	3.98%	3.68%	3.83%	5.40%

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	
2009	\$ 9,079,721,565	\$ 9,079,721,565	\$ 438,908,945	\$ 8,640,812,620	\$ 54,920,220	\$ 9,134,641,785	\$ 9,134,641,785	\$ 8,695,732,840	\$ 0.449
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

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>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>	<u>2009</u>
County Direct Rates										
General	\$ 1.39	\$ 1.39	\$ 0.556	\$ 0.553	\$ 0.553	\$ 0.540	\$ 0.520	\$ 0.500	\$ 0.475	\$ 0.449
Town Rates										
Easton	1.00	1.00	0.44	0.44	0.453	0.440	0.430	0.480	0.520	0.520
Oxford	0.53	0.55	0.25	0.26	0.280	0.300	0.300	0.290	0.280	0.256
Queen Anne	0.45	0.45	0.18	0.18	0.180	0.180	0.180	0.180	0.180	0.180
St. Michaels	0.90	1.20	0.58	0.58	0.640	0.640	0.640	0.640	0.640	0.640
Trappe	0.54	0.54	0.22	0.30	0.300	0.300	0.300	0.300	0.300	0.300

Source: State of Maryland, Department of Assessments and Taxation

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

Taxpayer	Fiscal Year 2009			Fiscal Year 2000		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Retirement Comm. of Easton, Inc.	\$ 22,315,466	1	0.26%			
Perry Cabin Acquisitions Corp.	19,421,566	2	0.22%	\$ 2,448,560	7	0.19%
Eastern Shore Retirement Assoc.	13,749,200	3	0.16%	4,002,890	2	0.31%
Easton Shoppes Business Trust	13,427,800	4	0.15%	4,966,240	1	0.38%
Lowe's Home Centers, Inc.	11,587,900	5	0.13%			
Remco Properties, LLC	11,049,200	6	0.13%			
Individual	10,825,866	7	0.12%			
Wal Mart Stores, Inc. #1715	8,683,600	8	0.10%	2,377,000	8	0.18%
Target Corporation	8,560,000	9	0.10%			
Individual	8,195,960	10	0.09%			
Cal-Mar Associates				2,769,260	3	0.21%
Easton Marketplace LLC				2,682,140	4	0.21%
Black & Decker, Inc.				2,516,920	5	0.19%
Hampden Investment Properties LLC				2,461,120	6	0.19%
Marlboro Road Shopping Center				2,331,930	9	0.18%
T.I. Properties LLC				2,308,930	10	0.18%
Total	\$ 127,816,558		1.47%	\$ 28,864,990		2.23%

Source: Talbot County Finance Office

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 26,854,677	\$ 26,898,002	100.16%	\$ (60,858)	\$ 26,837,144	99.93%
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%

Source: Talbot County Finance Office

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

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

Tax Year	State Income Tax Rate				Talbot County Income Tax Direct Rate
	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	
2007	2.00%	3.00%	4.00%	4.75%	2.25%
2006	2.00%	3.00%	4.00%	4.75%	2.25%
2005	2.00%	3.00%	4.00%	4.75%	2.25%
2004	2.00%	3.00%	4.00%	4.75%	2.25%
2003	2.00%	3.00%	4.00%	4.75%	1.79%
2002	2.00%	3.00%	4.00%	4.75%	1.79%
2001	2.00%	3.00%	4.00%	4.80%	1.77%
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%

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

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 Ten Tax Years

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

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

	Tax Year 2007					
	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	342	2.3%	\$ 585,884,575	44.2%	\$ 13,182,401	44.5%
\$200,000 - 499,999	772	5.1%	196,568,096	14.8%	4,422,783	14.9%
\$100,000 - 199,999	1,961	13.0%	208,020,388	15.7%	4,680,383	15.8%
\$50,000 - 99,999	3,737	24.8%	193,720,471	14.6%	4,358,716	14.7%
\$25,000 - 49,999	4,225	28.0%	103,783,570	7.8%	2,249,615	7.6%
\$5,000 - 24,999	3,954	26.2%	38,875,294	2.9%	703,948	2.4%
Under \$5,000	107	0.7%	170,783	0.0%	3,640	0.0%
Totals	15,098	100.0%	\$ 1,327,023,177	100.0%	\$ 29,601,486	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.

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			
2009	\$ 41,372,747	\$ 13,582,399	\$ 129,153	55,084,299	2.69%	1,521.04
2008	43,777,276	14,074,978	180,211	58,032,465	2.83%	1,602.44
2007	20,283,936	13,541,483	273,950	34,099,369	1.66%	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

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

Notes:

2008 and 2009 percentages calculated using 2007 personal income data, which is the most recent available.

2009 debt per capita is calculated using 2008 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^a	Total Taxable Assessable Base^b	Percentage of Total Taxable Assessable Base	Population^c	Debt Per Capita
2009	54,955,146	8,695,732,840	0.63%	*	1,517.47
2008	57,852,254	7,508,763,242	0.77%	36,215	1,597.47
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

Sources:

^a Talbot County Finance Office

^b State of Maryland, Department of Assessments and Taxation

^c U.S. Census Bureau.

* Information not yet available; 2009 debt per capita is calculated using 2008 census data.

Schedule 14
Talbot County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2009

<u>Governmental Unit</u>	<u>Total Assessed Valuation of Real Property^a</u>	<u>% of Assessed Valuation to County Total</u>	<u>Pro Rata Share of County General Obligation Bonded Debt</u>	<u>Municipal Debt Outstanding^b</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Easton	2,091,439,113	23.03%	9,529,872	\$ 1,485,000	\$ 11,014,872
Oxford	374,279,065	4.12%	1,705,444	-	1,705,444
Queen Anne	6,983,622	0.08%	31,822	-	31,822
St. Michaels	301,389,944	3.32%	1,373,316	5,179,767	6,553,083
Trappe	89,720,580	0.99%	408,822	209,649	618,471
Unincorporated	6,215,909,241	68.46%	28,323,472		28,323,472
Total	9,079,721,565	100.00%	41,372,747	\$ 6,874,416	\$ 48,247,163

Sources:

^a State of Maryland, Department of Assessments and Taxation

^b Municipal Town Clerks

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

	Fiscal Year									
	<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>	<u>2009</u>
Taxable Assessable Base *	\$ 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	\$ 8,695,733
Debt Limit, 15% of Assessable Base	484,953	505,869	516,175	541,783	596,953	658,875	825,004	953,020	1,126,314	1,304,360
Amount of Debt Applicable to Limit										
General Obligation Bonds	17,325	16,941	27,157	25,711	24,389	23,053	30,020	20,284	43,777	41,373
Legal Debt Margin	<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>	<u>\$ 1,262,987</u>
Total net debt applicable to the limit as a percentage of debt limit	3.57%	3.35%	5.26%	4.75%	4.09%	3.50%	3.64%	2.13%	3.89%	3.17%

Source:

* State of Maryland, Department of Assessments and Taxation

Note:

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

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

Year	Population^a	Personal Income^b <i>(thousands of dollars)</i>	Per Capita Personal Income^b	Public School Enrollment^c	Unemployment Rate^d
2009	*	*	*	4,419	*
2008	36,215	*	*	4,396	4.3%
2007	36,193	2,051,396	56,775	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%

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 2008</u>			<u>CY 1999</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	1,350	1	6.89%	1,000	2	5.43%
Allen Family Foods	640	2	3.27%	700	3	3.80%
Wal-Mart	300	3	1.53%			
William Hill Manor	300	4	1.53%	185	7	1.01%
Cadmus Prof. Communications	230	5	1.17%	340	4	1.85%
Lowe's Home Center	215	6	1.10%			
Genesis Healthcare/The Pines	186	7	0.95%	186	6	1.01%
Pro Temps Staffing Solutions	175	8	0.89%			
Chesapeake Publishing	170	9	0.87%	165	8	0.90%
Celeste Industries	150	10	0.77%	200	5	1.09%
Black & Decker, Inc.				1,700	1	9.24%
3Di, LLC				75	9	0.41%
Salisbury Pewter				55	10	0.30%
	<u>3,716</u>		<u>18.96%</u>	<u>4,606</u>		<u>25.03%</u>

Source: Maryland Department of Business and Economic Development

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30</u>									
	<u>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>	<u>2009</u>
General Government	*	*	*	49.6	50.1	57.8	60.9	65.8	66.7	68.4
Public Safety	*	*	*	103.1	112.8	117.3	123.3	128.7	139.6	151.1
Public Works	*	*	*	35.2	33.0	34.4	36.5	39.9	44.7	48.3
Social Services	*	*	*	10.8	5.6	5.3	5.0	4.0	4.8	4.0
Recreation	*	*	*	45.2	47.1	46.9	47.8	51.1	52.4	51.8
Airport	*	*	*	5.0	5.1	5.0	5.1	5.0	5.0	4.9
Total	<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>	<u>328.5</u>

Sources: Talbot County Finance Office and applicable County Departments.

Notes:

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

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

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>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>	<u>2009</u>
General Government										
Building Permits issued	918	921	920	656	909	999	1,034	626	529	388
Value of new construction (000's)	63,239	61,128	83,618	64,013	70,601	130,073	62,002	76,505	58,812	36,505
Public Safety										
Detention Center										
Avg. daily population	100	107	91	102	98	106	101	106	106	90
Bookings	790	838	821	876	782	833	850	764	989	821
9-1-1 Calls Answered										
Fire	1,241	1,288	1,286	1,388	1,339	1,370	1,409	1,462	1,557	1,427
Emergency Medical Services	1,439	1,082	1,267	3,144	3,861	4,568	4,525	4,767	4,330	4,334
Sheriff	1,103	1,385	4,335	5,592	6,230	10,983	15,053	10,939	12,592	14,891
Other Police	*	*	4,772	5,000	4,323	4,778	6,682	6,578	7,289	7,755
Education										
Students	4,502	4,521	4,516	4,498	4,459	4,505	4,482	4,398	4,396	4,419
Teachers	314	317	324	330	329	320	319	319	333	345
Recreation Facilities										
Boat ramp permits	3,230	2,651	2,934	3,992	3,705	4,357	4,482	3,635	6,673	6,400
Golf rounds	44,155	38,863	44,654	23,507	37,217	39,142	40,080	43,110	30,140	33,670
Public Works										
Centerline miles of road maintained	367	367	367	369	369	369	370	371	371	371
Wastewater treated (mgd)	*	*	0.423	0.423	0.540	0.550	0.490	0.561	0.450	0.415
Airport										
Based aircraft	135	148	145	148	148	158	158	170	185	147
Gallons of fuel sold	904,667	864,267	757,000	730,500	715,161	760,910	817,497	809,242	690,904	679,857

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

Note:

* Information not available.

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

Function/Program	Fiscal Year									
	<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>	<u>2009</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	10	10	11	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	13	13	13
Park acreage	190	190	190	190	190	190	190	632	632	672
Public Landings & Wharves	28	28	28	28	28	29	29	29	29	29
Boat Slips	102	102	102	102	102	102	113	113	113	113
Public Pools	1	1	1	2	2	2	2	2	2	2
Public Works										
Centerline miles of county roads	367	367	367	369	369	369	370	372	372	372
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	2	2	2	2	2	2	2	2	3	4
Miles of mains	33	33	33	33	33	33	33	33	38	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.