

TALBOT COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010

Report Prepared By:

Talbot County, Maryland Finance Office



TALBOT COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2010
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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

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

FINANCE OFFICE
PHONE: 410-770-8020

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

December 15, 2010

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, 2010 as required by both local and state statutes. These statutes require that Talbot County, Maryland annually issue financial statements presented in conformity with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants.

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

The County's financial statements have been audited by TGM Group, LLC, Independent Certified Public Accountants. TGM Group, LLC issued an unqualified ("clean") opinion on the County's financial Statements for the year ended June 30, 2010. 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, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

Form of Government

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

Component Units

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

Budget Process

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

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

County Manager (except for the budget requests of the Legislative Branch and the Board of Appeals), and a preliminary budget is drafted and introduced by the County Council in April. At least two public hearings are held on the proposed budget. The County Council may increase, decrease, or delete any items in the budget except those required by the laws of the State, and any provisions for debt service on outstanding obligations or for any estimated budget deficits from prior years. The Annual Budget and Appropriation Ordinance must be passed by the County Council on or before June 1 of each year, to be effective on the first day of the subsequent fiscal year. The appropriated budget is prepared by fund, department/agency, and general classification of expenditure (personnel, operating, capital outlay, debt service, etc.). Budgetary control for all operating budgets is maintained at the general classification level and at the project level for capital projects. Transfers of appropriations between general classifications of expenditures within the same department may be authorized by the County Manager. Transfers between departments of the county government and within the same fund may be made only during the last quarter of the fiscal year and only on the recommendation of the County Manager and with the approval of the Council. Budget-to-actual comparisons are provided in this report for the individual governmental funds for which an appropriated annual budget has been adopted. The general fund comparison is presented 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 concerned about the slumping economy and the far reaching effects it has had on Maryland's and Talbot County's overall economy. Of greatest concern are the impacts of potential reductions in state funding and additional costs that may be passed on to local governments, and the reductions of income tax revenues, primarily those derived from non-wage income. Nevertheless, the County continues to have a healthy mix of service related businesses, agriculture, and light manufacturing. Employment is expected to remain stable and the unemployment rate should continue to mirror the State (7.3%) rate and be below the National (9.5%) rate as evidenced by the June 2010 County rate of 7.2%. In addition, the County has maintained favorable tax rates, including the lowest property tax rate and the second lowest income tax rate in the State.

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

Long Term Financial Planning. The County is planning to refund existing debt in FY 2011 to take advantage of lower interest rates. The County is not planning to issue any new debt in FY 2011. In FY 2011 and beyond the focus will be on providing for various County and School building maintenance projects and Public Safety communication projects and grant matching dollars for park and public landing improvement projects. The only major new initiative identified in the FY 2011 Capital Program is the extension of sewer and water to a new hospital site in Talbot County.

Talbot County has a policy to "reserve" a portion of the General Fund unreserved, undesignated fund balance equal to 15% of actual General Fund expenditures to be used in case of fiscal emergencies. As of June 30, 2010 Talbot County's unreserved, undesignated fund balance was more than 24% of actual expenditures.

The County's FY 2010 actual Income Tax revenues were 27.6% less than the amount originally budgeted. In December 2009, The County Council revised the original budget to reflect the anticipated reduction in revenues. The County delayed renovation of a County Office facility indefinitely, initiated a hiring freeze and made reductions in the County's workforce that continued into FY 2011. The FY 2011 budget anticipates an increase in Income Tax revenues from the FY 2010 actual collections.

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

The County also provides post-retirement health care benefits for retirees and their dependents. Retirees pay a portion of the cost of the benefits based on their length of service with the County. The County's portion of these costs are currently funded on a pay-as-you-go basis. The County's Retiree Health Plan is more fully described in Note 8 that begins on page 63. In FY 2008, FY 2009 and FY 2010, the County chose to set aside a portion of its unreserved fund balance, \$8.96 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, 2009. 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 nine 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, 2009

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.



A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

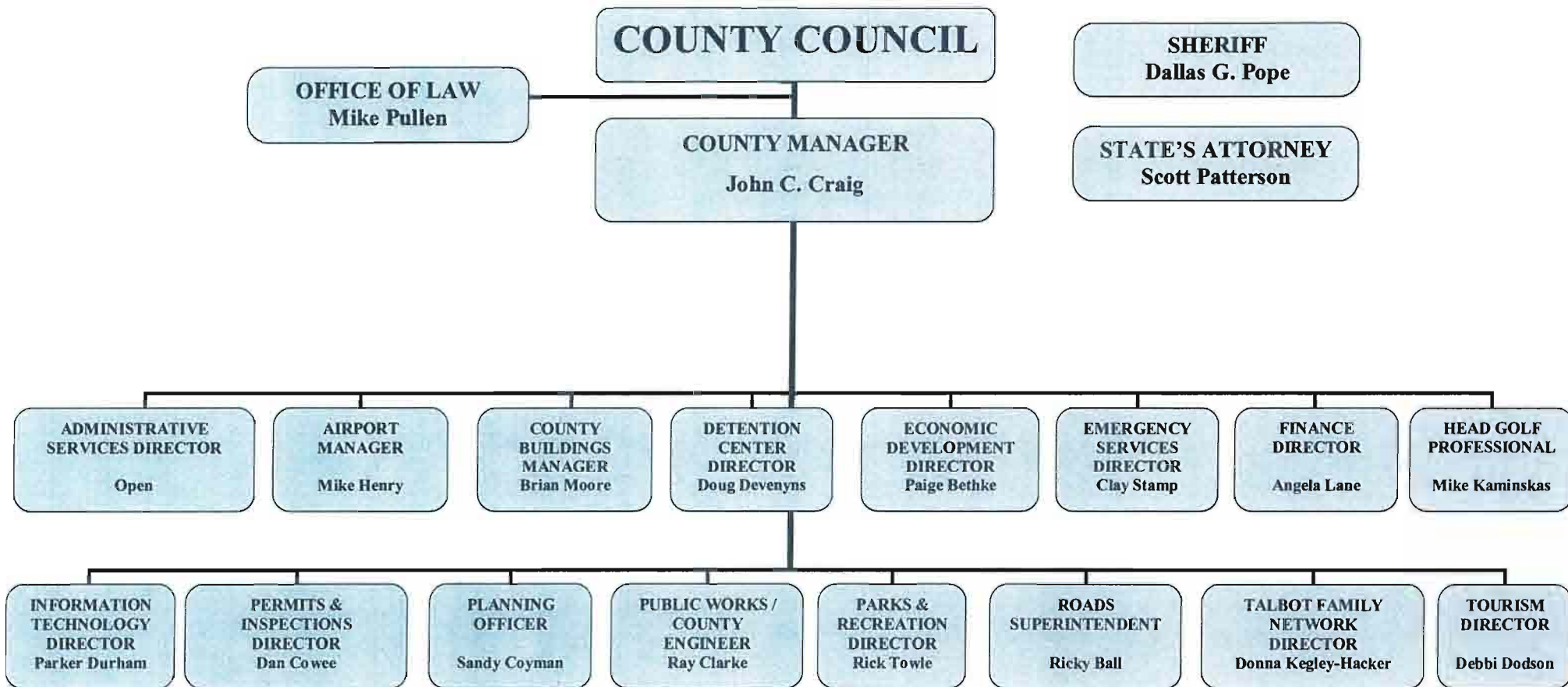
President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer".

Executive Director



TALBOT COUNTY GOVERNMENT ORGANIZATIONAL CHART



Talbot County, Maryland
List of Elected and Appointed Officials
June 30, 2010

Elected Officials

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

Selected Department Heads and Appointed Officials

Acting County Manager	Clay B. Stamp
Administrative Services Director	vacant
Attorney	Michael L. Pullen
Airport Manager	Michael Henry
Detention Center Director	Douglas Devenyns
Economic Development Director	Paige Bethke
Emergency Services Director	Clay Stamp
Facilities Manager	Brian Moore
Finance Director	Angela Lane
Golf Course Manager	Michael Kaminskas
Information Technology Director	Parker Durham
Parks & Recreation Director	Richard Towle
Permits & Inspections Director	Daniel Cowee
Planning Officer	Ernest "Sandy" Coyman
Public Works/County Engineer	Raymond Clarke
Roads Superintendent	Ricky Ball
Talbot Family Network Director	Donna Kegley-Hacker
Tourism Director	Debbi Dodson

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

County Council of
Talbot County, Maryland
Easton, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Talbot County, Maryland as of and for the year ended June 30, 2010, 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, 2010, 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 15, 2010, on our consideration of Talbot County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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



Salisbury, Maryland
December 15, 2010

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, 2010. 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, 2010, the assets of Talbot County exceeded liabilities by \$144.3 million (net assets), a decrease of \$6.8 million, or 4.5 percent, from the prior year. Approximately 62.4 percent of net assets are attributable to the County's governmental activities. Of total net assets, \$14.3 million are available for use to meet the County's ongoing obligations to its citizens and creditors (unrestricted net assets).
- Income Tax revenues decreased by \$12.3 million or 39.1 percent from FY 2009's actual collections due to lower net tax liabilities of County taxpayers.
- As of June 30, 2010, the County's governmental funds reported combined fund balances of \$56.7 million, a decrease of \$9.8 million, or 14.7 percent, from the prior year. Approximately 30.0 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 \$17 million or 24.2 percent of general fund expenditures and other financing uses at June 30, 2010. \$7 million, or 21.2 percent of the unreserved fund balance, has been designated for use in the fiscal year 2011 budget and \$8.9 million, or 27.2 percent of the unreserved fund balance, has been designated for 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 \$2.5 million during the year ended June 30, 2010. 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 \$144,357,264 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*. 90.1 percent of the County's net assets reflect its investment in capital assets net of depreciation (e.g., land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

The remaining balance of unrestricted net assets (9.9 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, 2010			June 30, 2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 61,845,244	\$ 1,517,075	\$ 63,362,319	\$ 73,313,079	\$ (466,906)	\$ 72,846,173
Capital Assets	75,905,106	68,339,300	144,244,406	77,233,041	66,811,589	144,044,630
Total Assets	<u>137,750,350</u>	<u>69,856,375</u>	<u>207,606,725</u>	<u>150,546,120</u>	<u>66,344,683</u>	<u>216,890,803</u>
Non Current Liabilities	39,590,882	12,852,244	52,443,126	40,816,382	12,969,046	53,785,428
Other Liabilities	8,075,418	2,730,917	10,806,335	9,631,234	2,304,417	11,935,651
Total Liabilities	<u>47,666,300</u>	<u>15,583,161</u>	<u>63,249,461</u>	<u>50,447,616</u>	<u>15,273,463</u>	<u>65,721,079</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	75,347,678	54,672,754	130,020,432	60,070,294	53,100,037	113,170,331
Unrestricted	<u>14,736,372</u>	<u>(399,540)</u>	<u>14,336,832</u>	<u>40,028,210</u>	<u>(2,028,817)</u>	<u>37,999,393</u>
Total Net Assets	<u>\$ 90,084,050</u>	<u>\$ 54,273,214</u>	<u>\$144,357,264</u>	<u>\$100,098,504</u>	<u>\$ 51,071,220</u>	<u>\$151,169,724</u>

Talbot County's net assets decreased by \$6.8 million during fiscal year 2010, which can be largely attributed to decreases in Income Tax revenues and investment earnings due to the overall economy, partially offset by increased revenues from Capital Grant funding for business-type activities capital projects. These items are addressed in more detail below.

Governmental Activities. Governmental activities decreased the County's net assets before transfers by \$8.3 million.

Talbot County Government's Changes in Net Assets

	June 30, 2010			June 30, 2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,055,542	\$ 6,098,866	\$ 9,154,408	\$ 3,372,404	\$ 6,551,853	\$ 9,924,257
Operating Grants and Contributions	3,134,627	-	3,134,627	9,192,985	-	9,192,985
Capital Grants and Contributions	-	5,282,059	5,282,059	-	2,297,603	2,297,603
General Revenues:						
Property Taxes	28,324,937	-	28,324,937	27,436,368	-	27,436,368
Local Income Tax	19,260,503	-	19,260,503	31,635,555	-	31,635,555
Other Local Taxes	6,831,278	-	6,831,278	7,097,837	-	7,097,837
Investment Income	980,562	60,046	1,040,608	2,470,720	98,421	2,569,141
Miscellaneous	1,927,226	-	1,927,226	739,625	-	739,625
Total Revenues	63,514,675	11,440,971	74,955,646	81,945,494	8,947,877	90,893,371
Expenses:						
General Government	9,518,269	-	9,518,269	10,151,451	-	10,151,451
Public Safety	13,185,294	-	13,185,294	13,731,318	-	13,731,318
Public Works	4,249,569	-	4,249,569	4,831,967	-	4,831,967
Health	2,410,440	-	2,410,440	2,338,752	-	2,338,752
Social Services	1,499,755	-	1,499,755	1,484,690	-	1,484,690
Education	39,811,132	-	39,811,132	46,271,163	-	46,271,163
Recreation	864,772	-	864,772	885,695	-	885,695
Conservation of Natural Resources	269,891	-	269,891	302,516	-	302,516
Interest Charges	55,936	-	55,936	71,418	-	71,418
Recreation Facilities	-	2,958,425	2,958,425	-	3,258,076	3,258,076
Sanitary District	-	2,759,881	2,759,881	-	3,396,151	3,396,151
Airport	-	3,855,297	3,855,297	-	4,280,559	4,280,559
Pools	-	329,445	329,445	-	397,202	397,202
Total Expenses	71,865,058	9,903,048	81,768,106	80,068,970	11,331,988	91,400,958
Increase in Net Assets before transfers	(8,350,383)	1,537,923	(6,812,460)	1,876,524	(2,384,111)	(507,587)
Transfers In (Out)	(1,664,071)	1,664,071	-	(1,196,795)	1,196,795	-
Increase (Decrease) in Net Assets	(10,014,454)	3,201,994	(6,812,460)	679,729	(1,187,316)	(507,587)
Net Assets – Beginning	100,098,504	51,071,220	151,169,724	99,418,775	52,258,536	151,677,311
Net Assets - Ending	\$ 90,084,050	\$ 54,273,214	\$144,357,264	\$100,098,504	\$ 51,071,220	\$151,169,724

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

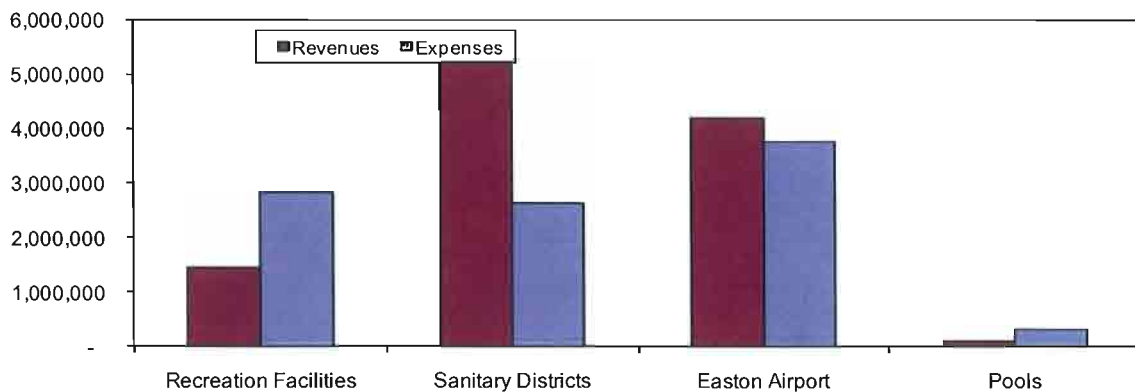
- Income Tax revenues decreased by \$12 million, a 39.1 percent from the prior year actual and were \$7.3 million less than originally budgeted for FY 2010.
- Property tax revenues increased by 3.2 percent over the prior fiscal year and were \$345 thousand more than budgeted. Assessments on new construction accounted for the increase.
- Investment earnings decreased by \$1.5 million, a 60.3 percent decrease from the prior year. This is due to a reduction in interest rates during FY 2010.
- Transfer and recordation taxes, still affected by the weakened housing market, decreased by 3.2 percent from the prior fiscal year.

Governmental activities also included the transfer of nearly \$1.6 million to various business-type activities, primarily for the operations of recreation facilities.

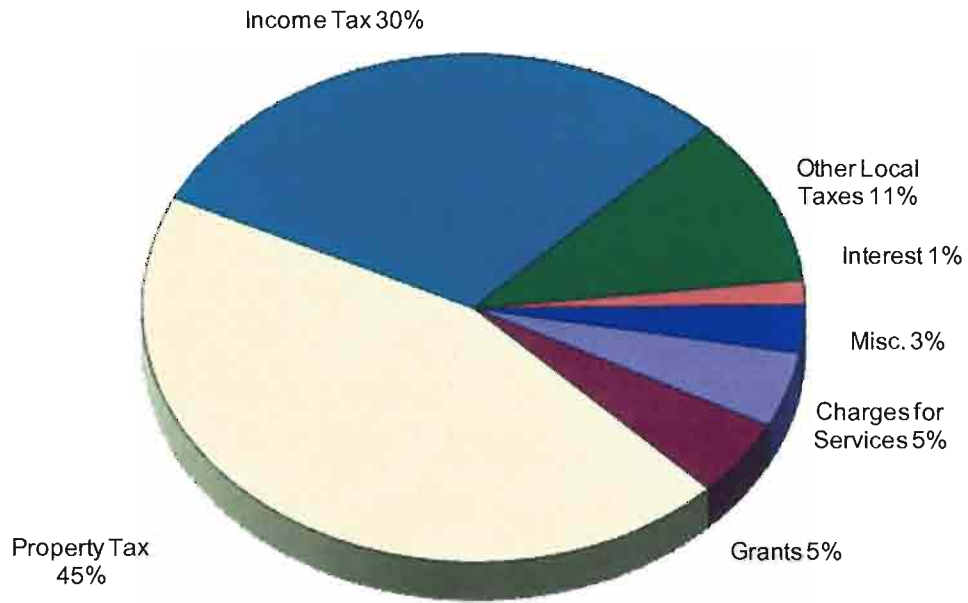
Business-type Activities. Business-type activities increased Talbot County's net assets before transfers by \$1.5 million. The increase is primarily attributable to funding for capital improvements and upgrades to the County's Bio-Solids Utilization facility.

Fiscal year 2010 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

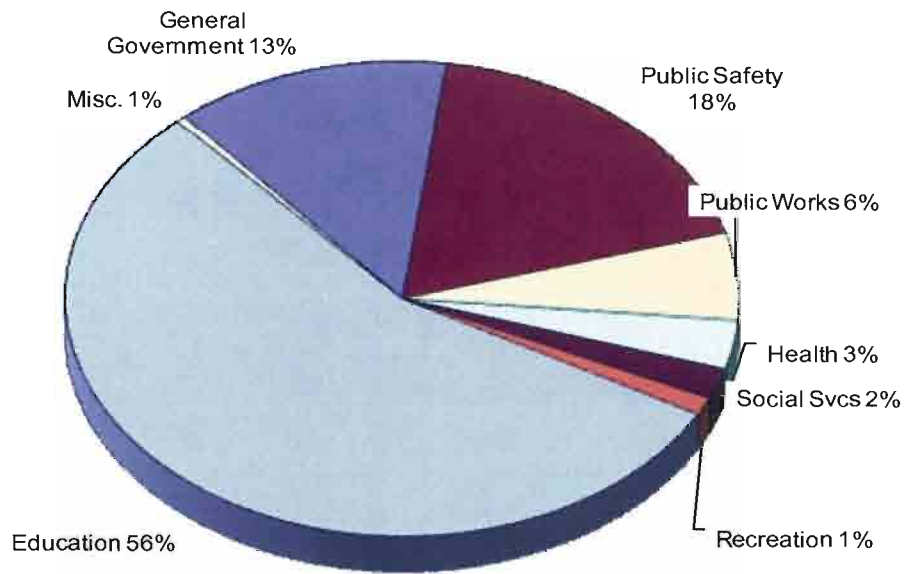
***Expenses and Program Revenues - Business-Type Activities
For the Year Ended June 30, 2010***



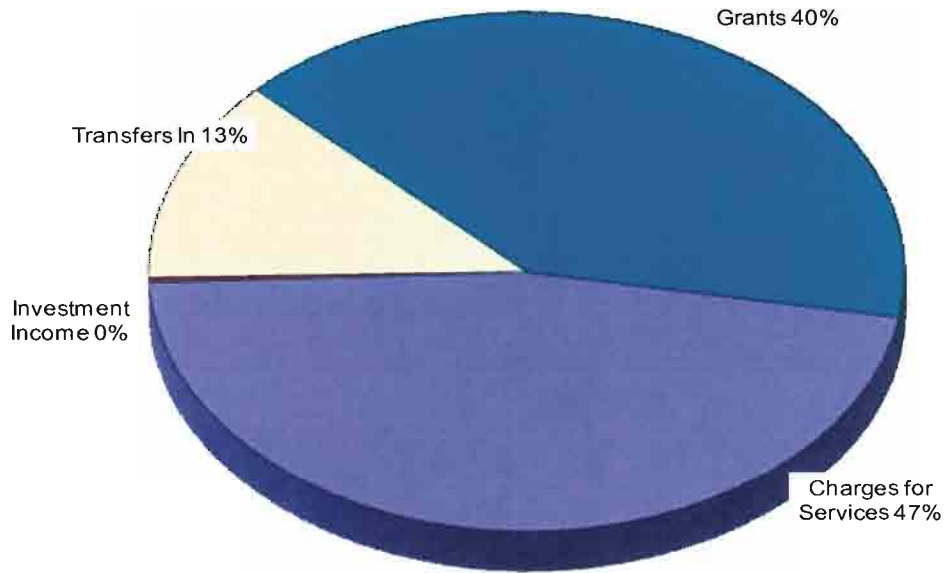
**Revenues by Source - Governmental Activities
For the Year Ended June 30, 2010**



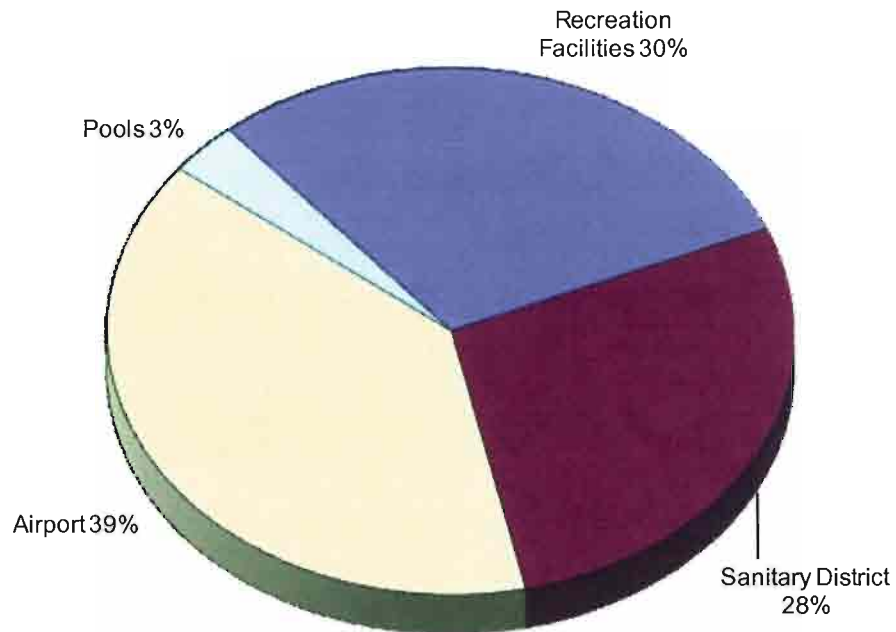
**Expenses - Governmental Activities
For the Year Ended June 30, 2010**



**Revenues by Source - Business-Type Activities
For the Year Ended June 30, 2010**



**Expenses - Business-Type Activities
For the Year Ended June 30, 2010**



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 \$56.7 million. Approximately 29.9 percent of this total (\$17 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 \$33 million, and the unreserved undesignated fund balance was \$17 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 24.2 percent of total general fund expenditures, while total fund balance represents 47 percent of total general fund expenditures.

The fund balance of Talbot County's General Fund decreased by \$8.2 million during FY 2010, mainly due to \$7.3 million less Income Tax revenues than expected and budgeted.

The fund balance of the County's Capital Projects Fund decreased by \$2 million during FY 2010. This decrease was due to expending funding provided in previous years on various capital projects.

Proprietary Funds. Talbot County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. The total net assets of the proprietary funds at the end of the year totaled \$54.3 million. There is a deficit of \$399 thousand in unrestricted net assets, primarily due to Sanitary District and Airport investment in capital assets.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final actual results, exclusive of inter-fund transfers and other financing sources/uses, for the County totaled \$4.0 million. Operating revenues were \$6.0 million less than original budgetary estimates and operating expenditures were

\$2.0 million under original 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 \$7.34 million less than budgeted. Property tax revenues exceed budget by \$0.34 million, investment income was \$0.87 million less than budgeted. Transfer and Recordation taxes were \$1.6 million more 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 2010 \$0.7 million was left in the Reserve for Contingencies line item. Employee Benefits actual expenditures were \$0.7 million less than budgeted. All other expenditures were \$0.6 million less than budgeted for 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, 2010 totals \$144.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total increase in the County’s investment in capital assets for the current fiscal year is negligible.

Capital assets are summarized as follows:

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

	June 30, 2010			June 30, 2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 10,467,602	\$ 3,499,479	\$ 13,967,081	\$ 10,467,602	\$ 3,499,479	\$ 13,967,081
Construction in progress	3,489,203	5,833,654	9,322,857	5,039,125	3,736,825	8,775,950
Buildings and improvements	23,791,044	57,772,599	81,563,643	21,578,082	58,557,963	80,136,045
Non-deprec. infrastructure	23,191,321	-	23,191,321	23,191,321	-	23,191,321
Infrastructure	7,149,899	-	7,149,899	7,958,732	-	7,958,732
Furniture and equipment	7,816,037	1,233,568	9,049,605	8,998,179	1,017,322	10,015,501
Total	\$ 75,905,106	\$ 68,339,300	\$144,244,406	\$ 77,233,041	\$ 66,811,589	\$144,044,630

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

Long-term Debt. At the end of the current fiscal year, Talbot County had total long term debt outstanding of \$52,539,762, a net decrease of approximately \$2.5 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, \$13,666,546 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, 2010			June 30, 2009		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Debt	\$ 38,873,216	\$ 13,666,546	\$ 52,539,762	\$ 41,372,747	\$ 13,711,552	\$ 55,084,299

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

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

During FY 2010, Talbot County Income tax revenues declined sharply, 39.1 percent from the prior year. Investment Income continued to decline in FY 2010 also.

Looking forward, overall economic performance is not expected to improve significantly in FY 2011. The prospect that the sluggish economy would continue to keep the County's tax revenues from increasing significantly drove many of the decisions to reduce spending when preparing the County's budget for FY 2011. Talbot County's FY 2011 General Fund budget is 7% less than the FY 2010 budget. Further steps to reduce operating expenditures, including additional reductions in staff, have been taken to offset any future State of Maryland funding cuts or reductions in revenue streams in FY 2011 and beyond.

REQUESTS FOR INFORMATION

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

Government-Wide Financial Statements

TALBOT COUNTY, MARYLAND
STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AS OF JUNE 30, 2010
COMPONENT UNITS AS OF JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and short-term investments	\$ 30,023,312	\$ 1,598,856	\$ 31,622,168
Certificates of deposit	22,581,614	1,118,386	23,700,000
Investments	-	-	-
Receivables:			
Accounts receivable	799,717	338,517	1,138,234
Other	-	-	-
Intergovernmental:			
State	2,979,261	690,868	3,670,129
Federal	500,919	2,418,647	2,919,566
Prepaid items	105,269	-	105,269
Internal balances	3,999,154	(3,999,154)	-
Inventories	-	206,953	206,953
Advances to (from) other funds	855,998	(855,998)	-
Other assets	-	-	-
Nondepreciable capital assets	37,148,126	9,333,133	46,481,259
Depreciable capital assets, net	38,756,980	59,006,167	97,763,147
TOTAL ASSETS	137,750,350	69,856,375	207,606,725
LIABILITIES			
Accounts payable and accrued liabilities	2,203,529	1,688,827	3,892,356
Other payables	1,399,212	-	1,399,212
Unearned revenue	1,497,169	134,116	1,631,285
Long-term liabilities, due within one year			
Compensated absences	337,887	44,411	382,298
Bonds and notes payable	2,637,621	863,563	3,501,184
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year			
Compensated absences	402,191	49,261	451,452
Bonds and notes payable	36,504,333	12,802,983	49,307,316
Obligations under state retirement system	-	-	-
Other post-employment benefit obligation	2,684,358	-	2,684,358
TOTAL LIABILITIES	47,666,300	15,583,161	63,249,461
NET ASSETS			
Invested in capital assets, net of related debt	75,347,678	54,672,754	130,020,432
Restricted	-	-	-
Unrestricted (deficit)	14,736,372	(399,540)	14,336,832
TOTAL NET ASSETS	\$ 90,084,050	\$ 54,273,214	\$ 144,357,264

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

Component Units	
Board of Education	Library
\$ 7,198,381	\$ 132,734
-	-
-	1,284,880
105,497	39,417
6,773	-
56,092	-
241,118	-
-	227
-	-
50,474	-
-	-
-	55,787
377,446	49,921
70,290,958	477,937
<u>78,326,739</u>	<u>2,040,903</u>
4,238,858	36,792
84,567	55,787
1,638,946	25,000
-	-
356,805	-
27,933	-
132,618	-
499,154	-
450,035	-
8,128,425	189,000
<u>15,557,341</u>	<u>306,579</u>
69,812,445	527,858
281,929	1,147,902
(7,324,976)	58,564
<u>\$ 62,769,398</u>	<u>\$ 1,734,324</u>

TALBOT COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
GOVERNMENTAL ACTIVITIES				
Current:				
General government	\$ 9,518,269	\$ 2,083,519	\$ 523,441	\$ -
Public safety	13,185,294	318,213	1,082,972	-
Public works	4,249,569	152,197	480,249	-
Health and hospitals	2,410,440	89,939	163,330	-
Social services	1,499,755	-	842,927	-
Education	39,811,132	267,153	-	-
Recreation	864,772	144,521	41,708	-
Conservation of natural resources	269,891	-	-	-
Interest on long-term debt	55,936	-	-	-
Total Governmental Activities	71,865,058	3,055,542	3,134,627	-
BUSINESS-TYPE ACTIVITIES				
Recreation facilities	2,958,425	1,446,815	-	-
Sanitary district	2,759,881	2,045,673	-	3,549,702
Easton airport	3,855,297	2,519,061	-	1,732,357
Pool	329,445	87,317	-	-
Total Business-Type Activities	9,903,048	6,098,866	-	5,282,059
Total Primary Government	\$ 81,768,106	\$ 9,154,408	\$ 3,134,627	\$ 5,282,059
COMPONENT UNITS				
Board of Education	\$ 65,807,881	\$ 819,332	\$ 57,671,460	\$ 1,839,427
Talbot County Free Library	1,547,406	-	1,398,575	-
Total Component Units	\$ 67,355,287	\$ 819,332	\$ 59,070,035	\$ 1,839,427

General Revenues

Taxes:

Property

Local income

Other

Admissions and amusements

Recordation

Transfer

Public accommodations

Mobile manufactured homes

Interest

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets				
Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Board of Education	Library
\$ (6,911,309)	\$ -	\$ (6,911,309)	\$ -	\$ -
(11,784,109)	-	(11,784,109)	-	-
(3,617,123)	-	(3,617,123)	-	-
(2,157,171)	-	(2,157,171)	-	-
(656,828)	-	(656,828)	-	-
(39,543,979)	-	(39,543,979)	-	-
(678,543)	-	(678,543)	-	-
(269,891)	-	(269,891)	-	-
(55,936)	-	(55,936)	-	-
(65,674,889)	-	(65,674,889)	-	-
-	(1,511,610)	(1,511,610)	-	-
-	2,835,494	2,835,494	-	-
-	396,121	396,121	-	-
-	(242,128)	(242,128)	-	-
-	1,477,877	1,477,877	-	-
<u>\$ (65,674,889)</u>	<u>\$ 1,477,877</u>	<u>\$ (64,197,012)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (5,477,662)	\$ -
-	-	-	-	(148,831)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,477,662)</u>	<u>\$ (148,831)</u>
\$ 28,324,937	\$ -	\$ 28,324,937	\$ -	\$ -
19,260,503	-	19,260,503	-	-
44,895	-	44,895	-	-
2,934,335	-	2,934,335	-	-
2,848,707	-	2,848,707	-	-
938,476	-	938,476	-	-
64,865	-	64,865	-	-
980,562	60,046	1,040,608	12,160	-
1,927,226	-	1,927,226	120,112	-
57,324,506	60,046	57,384,552	132,272	-
(1,664,071)	1,664,071	-	-	-
55,660,435	1,724,117	57,384,552	132,272	-
(10,014,454)	3,201,994	(6,812,460)	(5,345,390)	(148,831)
100,098,504	51,071,220	151,169,724	68,114,788	1,883,155
<u>\$ 90,084,050</u>	<u>\$ 54,273,214</u>	<u>\$ 144,357,264</u>	<u>\$ 62,769,398</u>	<u>\$ 1,734,324</u>

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Fund Financial Statements

TALBOT COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<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	\$ 15,622,976	\$ 12,643,559	\$ 1,756,777	\$ 30,023,312
Certificates of deposit	11,783,986	9,466,500	1,331,128	22,581,614
Receivables:				
Accounts receivable	578,271	212,697	8,749	799,717
Intergovernmental:				
State	2,911,647	-	67,614	2,979,261
Federal	500,919	-	-	500,919
Prepaid items	105,269	-	-	105,269
Due from other funds	3,999,154	-	-	3,999,154
Advances to other funds	855,998	-	-	855,998
	<hr/>			
Total Assets	\$ 36,358,220	\$ 22,322,756	\$ 3,164,268	\$ 61,845,244
	<hr/>			
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 1,668,085	\$ 221,939	\$ 313,505	\$ 2,203,529
Other payables	1,399,212	-	-	1,399,212
Unearned revenue	245,223	1,206,928	45,018	1,497,169
	<hr/>			
Total Liabilities	3,312,520	1,428,867	358,523	5,099,910
	<hr/>			
FUND BALANCES				
Reserved:				
Prepaid items	105,269	-	-	105,269
Unreserved, designated for subsequent years' expenditures:				
Capital projects	-	20,893,889	2,048,737	22,942,626
Social services	-	-	757,008	757,008
OPEB	8,961,000	-	-	8,961,000
Future budget	6,986,750	-	-	6,986,750
Unreserved, reported in:				
General fund	16,992,681	-	-	16,992,681
	<hr/>			
Total Fund Balances	33,045,700	20,893,889	2,805,745	56,745,334
	<hr/>			
Total Liabilities and Fund Balances	\$ 36,358,220	\$ 22,322,756	\$ 3,164,268	\$ 61,845,244
	<hr/>			

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

TALBOT COUNTY, MARYLAND
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total Governmental Funds Balances		\$ 56,745,334
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		75,905,106
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	(39,141,954)	
Other post-employment benefit obligation	(2,684,358)	
Compensated absences	(740,078)	
		<u>(42,566,390)</u>
Net Assets of Governmental Activities		<u><u>\$ 90,084,050</u></u>

TALBOT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2010

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes	\$ 28,324,937	\$ -	\$ -	\$ 28,324,937
Local income taxes	19,260,503	-	-	19,260,503
Other local taxes	6,831,278	-	-	6,831,278
Licenses and permits	535,413	-	543,808	1,079,221
Intergovernmental:				
Federal	862,601	-	-	862,601
State	1,729,418	121,547	421,061	2,272,026
Service charges	1,967,453	-	-	1,967,453
Fines and forfeitures	8,868	-	-	8,868
Miscellaneous	1,622,527	304,699	-	1,927,226
Interest	931,266	10,016	39,280	980,562
Total Revenues	62,074,264	436,262	1,004,149	63,514,675
EXPENDITURES				
Current				
General government	5,133,150	570,889	-	\$ 5,704,039
Public safety	11,048,315	-	-	11,048,315
Public works	2,598,786	964,462	-	3,563,248
Health and hospitals	2,404,180	-	-	2,404,180
Social services	893,882	-	590,137	1,484,019
Education	40,385,930	1,589,845	-	41,975,775
Recreation	420,268	71,108	-	491,376
Conservation of natural resources	269,891	-	-	269,891
Employee benefits	3,116,961	-	-	3,116,961
Miscellaneous	130,043	-	-	130,043
Intergovernmental	722,861	-	-	722,861
Debt service interest	55,936	-	-	55,936
Debt service principal	363,245	-	-	363,245
Contingencies	306,253	-	-	306,253
Total Expenditures	67,849,701	3,196,304	590,137	71,636,142
Excess of Revenues Over (Under) Expenditures	(5,775,437)	(2,760,042)	414,012	(8,121,467)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	-	13,000	-	13,000
Transfers in (out) to other funds:				
Pool - operating appropriation	(79,561)	-	-	(79,561)
Recreation - operating appropriation	(1,584,510)	-	-	(1,584,510)
Capital projects pay-as-you-go transfer	(750,000)	750,000	-	-
Total Other Financing (Uses) Sources	(2,414,071)	763,000	-	(1,651,071)
Net Change in Fund Balances	(8,189,508)	(1,997,042)	414,012	(9,772,538)
Fund Balances at Beginning of Year	41,235,208	22,890,931	2,391,733	66,517,872
Fund Balances at End of Year	\$ 33,045,700	\$ 20,893,889	\$ 2,805,745	\$ 56,745,334

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

TALBOT COUNTY, MARYLAND
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Net change in fund balances - total Governmental Funds \$ (9,772,538)

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 depreciation exceeded capital outlays in the current period.

Capital outlays	2,281,158
Current year depreciation	<u>(3,561,601)</u>

Total	(1,280,443)
-------	-------------

Loss on disposal of equipment (47,492)

Loan proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.

Loan proceeds	(13,000)
---------------	----------

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	2,512,531
--------------------------------------	-----------

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	(1,376,720)
Change in compensated absences	(52,149)

Change in net assets of Governmental Activities	<u><u>\$ (10,014,454)</u></u>
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TALBOT COUNTY, MARYLAND
STATEMENT OF FUND NET ASSETS
BUSINESS-TYPE ACTIVITIES
June 30, 2010

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and short-term investments	\$ 1,283,884	\$ 195,772	\$ 119,200	\$ -	\$ 1,598,856
Certificates of deposit	970,123	148,263	-	-	1,118,386
Accounts receivable:					
Accounts receivable, customers	9,640	116,910	211,433	534	338,517
Intergovernmental:					
State	-	666,897	23,971	-	690,868
Federal	-	1,456,211	962,436	-	2,418,647
Prepaid items	-	-	-	-	-
Inventories	58,904	-	148,049	-	206,953
Total Current Assets	2,322,551	2,584,053	1,465,089	534	6,372,227
NONCURRENT ASSETS					
Land	450,000	2,463,801	585,678	-	3,499,479
Construction in progress	157,309	3,291,188	2,385,157	-	5,833,654
Buildings and improvements	15,661,229	39,009,206	32,987,906	1,660,648	89,318,989
Furniture and equipment	1,580,289	244,606	1,344,771	120,192	3,289,858
Less: accumulated depreciation	(6,967,783)	(11,963,644)	(13,779,282)	(891,971)	(33,602,680)
Total Noncurrent Assets	10,881,044	33,045,157	23,524,230	888,869	68,339,300
Total Assets	13,203,595	35,629,210	24,989,319	889,403	74,711,527
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts payable	216,769	274,779	1,190,342	6,937	1,688,827
Compensated absences	20,307	14,547	9,083	474	44,411
Due to other funds	-	3,400,816	34,574	563,764	3,999,154
Unearned revenues	5,126	79,384	14,978	34,628	134,116
Advances from other funds	-	-	855,998	-	855,998
Current maturities of long-term debt	187,635	548,972	126,956	-	863,563
Total Current Liabilities	429,837	4,318,498	2,231,931	605,803	7,586,069
NONCURRENT LIABILITIES					
Compensated absences	8,728	21,588	17,802	1,143	49,261
Long-term debt, less current maturities	2,774,403	8,689,898	1,338,682	-	12,802,983
Total Noncurrent Liabilities	2,783,131	8,711,486	1,356,484	1,143	12,852,244
Total Liabilities	3,212,968	13,029,984	3,588,415	606,946	20,438,313
<u>NET ASSETS</u>					
Net assets invested in capital assets, net of related debt	7,919,006	23,806,287	22,058,592	888,869	54,672,754
Unrestricted (deficit)	2,071,621	(1,207,061)	(657,688)	(606,412)	(399,540)
Total Net Assets	\$ 9,990,627	\$ 22,599,226	\$ 21,400,904	\$ 282,457	\$ 54,273,214

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, 2010

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
OPERATING REVENUES					
Airport - operations	\$ -	\$ -	\$ 261,982	\$ -	\$ 261,982
Airport - fuel facility	-	-	1,716,689	-	1,716,689
Airport - hangars	-	-	512,815	-	512,815
Sewer service charges	-	1,970,259	-	-	1,970,259
Sewer connection charges	-	49,490	-	-	49,490
Residential benefit charges	-	20,178	-	-	20,178
Admissions	91,742	-	-	39,995	131,737
Room rents	29,978	-	-	-	29,978
Ice revenue	199,602	-	-	-	199,602
Pro shop and concessions	345,802	-	-	-	345,802
Cart rentals	84,423	-	-	-	84,423
Greens fees	686,302	-	-	-	686,302
Other operating	8,966	5,746	27,575	47,322	89,609
Total Operating Revenues	1,446,815	2,045,673	2,519,061	87,317	6,098,866
OPERATING EXPENSES					
Salaries and related expenses	1,206,768	847,696	322,452	167,672	2,544,588
Cost of sales - fuel	-	-	1,512,746	-	1,512,746
Professional fees	21,014	2,948	65,568	3,510	93,040
Office	37,318	15,743	19,528	2,557	75,146
Insurance	19,397	24,341	18,234	1,894	63,866
Contracted services	-	574,270	-	-	574,270
Repairs and maintenance	194,336	68,525	171,929	20,469	455,259
Utilities	229,808	-	43,195	13,612	286,615
Supplies and equipment	40,285	-	318	10,755	51,358
Lessons and programs	107,721	-	-	-	107,721
Concessions	213,873	-	-	-	213,873
Depreciation	705,410	1,028,444	1,560,302	102,558	3,396,714
Other operating	47,068	71,323	20,067	6,418	144,876
Total Operating Expenses	2,822,998	2,633,290	3,734,339	329,445	9,520,072
Operating Income (Loss)	(1,376,183)	(587,617)	(1,215,278)	(242,128)	(3,421,206)
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	3,549,702	1,654,707	-	5,204,409
Interest income	20,801	39,149	96	-	60,046
Interest expense	(135,427)	(126,591)	(120,958)	-	(382,976)
Total Non-Operating Revenues (Expenses)	(114,626)	3,462,260	1,533,845	-	4,881,479
Income (Loss) Before Capital Contributions and Transfers	(1,490,809)	2,874,643	318,567	(242,128)	1,460,273
Capital Contributions	-	-	77,650	-	77,650
Transfers In	1,584,510	-	-	79,561	1,664,071
Change in Net Assets	93,701	2,874,643	396,217	(162,567)	3,201,994
Net Assets, Beginning of Year	9,896,926	19,724,583	21,004,687	445,024	51,071,220
Net Assets, End of Year	\$ 9,990,627	\$ 22,599,226	\$ 21,400,904	\$ 282,457	\$ 54,273,214

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, 2010**

	Major Funds		
	Recreation Facilities	Sanitary District	Easton Airport
Cash flows from operating activities:			
Cash received from customers	\$ 1,438,146	\$ 2,023,564	\$ 2,359,715
Cash received from other revenues	8,966	5,746	27,575
Cash payments for salaries and related expenses	(1,229,735)	(839,887)	(321,300)
Cash payments to suppliers	(1,005,273)	(664,260)	(912,835)
Cash payments for contracted services	-	(574,270)	-
Other receipts (payments)	-	548,456	(24,387)
	<hr/>	<hr/>	<hr/>
Net cash (used) provided by operating activities	(787,896)	499,349	1,128,768
Cash flows from noncapital financing activities:			
Transfers from other funds	1,584,510	-	-
	<hr/>	<hr/>	<hr/>
Cash flows from capital and related financing activities:			
Capital contributions	-	-	77,650
Grant revenues for construction of capital assets	-	2,030,319	792,445
Issuance of long-term debt	-	820,920	-
Principal paid on long-term notes and bonds	(198,228)	(543,381)	(124,317)
Interest paid on long-term notes and bonds	(135,427)	(126,591)	(120,958)
Acquisition and construction of capital assets	(532,043)	(2,605,257)	(1,787,125)
	<hr/>	<hr/>	<hr/>
Net cash (used) provided by capital and related financing activities	(865,698)	(423,990)	(1,162,305)
Cash flows from investing activities:			
Interest income on investments	20,801	39,149	96
Repayment of advances from other funds	-	-	(28,978)
Purchases of certificates of deposits	-	(16,434)	-
Redemptions of certificates of deposit	350,164	-	-
	<hr/>	<hr/>	<hr/>
Net cash provided (used) by investing activities	370,965	22,715	(28,882)
Increase (Decrease) in Cash and Cash Equivalents	301,881	98,074	(62,419)
Cash and Cash Equivalents at Beginning of Year	982,003	97,698	181,619
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents at End of Year	\$ 1,283,884	\$ 195,772	\$ 119,200

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

<u>Nonmajor Fund</u>			
	<u>Pool</u>		<u>Totals</u>
\$	81,487	\$	5,902,912
	47,322		89,609
	(167,096)		(2,558,018)
	(59,870)		(2,642,238)
	-		(574,270)
	18,596		542,665
	<u>(79,561)</u>		<u>760,660</u>
	79,561		1,664,071
	-		77,650
	-		2,822,764
	-		820,920
	-		(865,926)
	-		(382,976)
	<u>-</u>		<u>(4,924,425)</u>
	-		(2,451,993)
	-		60,046
	-		(28,978)
	-		(16,434)
	<u>-</u>		<u>350,164</u>
	-		364,798
	-		337,536
	<u>-</u>		<u>1,261,320</u>
<u>\$</u>	<u>-</u>	<u>\$</u>	<u>1,598,856</u>

TALBOT COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2010 (continued)

	Major Funds		
	<u>Recreation Facilities</u>	<u>Sanitary District</u>	<u>Easton Airport</u>
Reconciliation of operating loss to net cash (used) provided by operating activities:			
Operating loss	\$ (1,376,183)	\$ (587,617)	\$ (1,215,278)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities			
Depreciation	705,410	1,028,444	1,560,302
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable, customers	2,819	(16,363)	(113,940)
Increase in prepaid items	2,576	-	-
(Increase) decrease in inventories	22,348	-	(16,517)
Increase (decrease) in accounts payable	(119,377)	(481,380)	955,267
Increase (decrease) in compensated absences	(22,967)	7,809	1,152
Increase (decrease) in due to other funds	-	548,456	(24,387)
Increase (decrease) in unearned revenue	(2,522)	-	(17,831)
Net cash (used) provided by operating activities	<u>\$ (787,896)</u>	<u>\$ 499,349</u>	<u>\$ 1,128,768</u>

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

<u>Nonmajor Fund</u>	
<u>Pool</u>	<u>Totals</u>
\$ (242,128)	\$ (3,421,206)
102,558	3,396,714
6,864	(120,620)
-	2,576
-	5,831
(655)	353,855
576	(13,430)
18,596	542,665
34,628	14,275
<u>\$ (79,561)</u>	<u>\$ 760,660</u>

Notes to Financial Statements

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 1. Reporting Entity

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

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

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

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

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 funds of the Primary Government.
- (6) Budgets are prepared and adopted on a basis consistent with generally accepted accounting principles.
- (7) The general fund, capital projects fund, and special revenue fund budgeted amounts reflect the originally adopted and approved budget and the revised budget by the County Council. The budgeted amounts for the Board of Education and Library are not presented in these financial statements.
- (8) There were no supplemental appropriations for the County.

G. Cash and Short-Term Investments

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

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, 2010, the County Primary Government had deposits of \$56,675,479 including \$23,700,000 in certificates of deposit with maturities greater than 3 months, with local banks (carrying value \$55,322,168). 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, 2010, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$7,940 as of June 30, 2010.

Board of Education

At June 30, 2010, the Board of Education had deposits totaling \$9,626,668 (carrying value \$8,382,239, which includes 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, 2010, the Library had deposits totaling \$141,947 (carrying value \$132,734), which were fully insured by federal depository insurance issued by the Federal Depository Insurance Corporation (FDIC).

B. Investments

Primary Government

The County is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Institutional Investments, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP portfolio is managed in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The MLGIP is rated AAAM by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. At June 30, 2010, 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, 2010, the County had the following investments, which excludes certificates of deposits maturing in 3 months or less:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (months)</u>
Certificates of deposit	\$ 23,700,000	8
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, 2010, 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, 2010 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	Due from Other Funds	Due to Other Funds
General Fund	Transfers	\$ 3,999,154	\$ -
Enterprise Fund - Sanitary District	Transfers	-	3,400,816
Enterprise Fund - Pool	Transfers	-	563,764
Enterprise Fund - Airport	Transfers	-	34,574
		<u>\$ 3,999,154</u>	<u>\$ 3,999,154</u>

Advances to/from other funds balances as of June 30, 2010 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	Advances to Other Funds	Advances from Other Funds
General Fund	Construction projects	\$ 855,998	\$ -
Enterprise Fund - Airport	Construction projects	-	855,998
		<u>\$ 855,998</u>	<u>\$ 855,998</u>

During fiscal year 2007, the County transferred approximately \$2.5 million to the Airport from the General fund for construction of an airport control tower. The outstanding balance at June 30, 2010 was \$855,998, which is due on June 30, 2011.

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, 2010 is as follows:

	Balance June 30, 2009	Additions	Transfers and Reductions	Balance June 30, 2010
Primary Government				
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$ 10,467,602	\$ -	\$ -	\$ 10,467,602
Infrastructure	23,191,321	-	-	23,191,321
Construction in progress	5,039,125	1,319,633	(2,869,555)	3,489,203
Total Nondepreciable Capital Assets	38,698,048	1,319,633	(2,869,555)	37,148,126
Depreciable Capital Assets:				
Buildings and improvements	30,535,607	349,397	2,869,555	33,754,559
Infrastructure	10,499,440	-	(25,587)	10,473,853
Furniture and equipment	19,372,506	612,128	(197,965)	19,786,669
Total capital assets being depreciated	60,407,553	961,525	2,646,003	64,015,081
Less accumulated depreciation for:				
Buildings and improvements	8,957,525	1,005,990	-	9,963,515
Infrastructure	2,540,708	797,144	(13,898)	3,323,954
Furniture and equipment	10,374,327	1,758,467	(162,162)	11,970,632
Total accumulated depreciation	21,872,560	3,561,601	(176,060)	25,258,101
Total Depreciable Capital Assets, Net	38,534,993	(2,600,076)	2,822,063	38,756,980
Total Governmental Activities, Net	\$ 77,233,041	\$ (1,280,443)	\$ (47,492)	\$ 75,905,106
	Balance June 30, 2009	Additions	Transfers and Reductions	Balance June 30, 2010
Business-Type Activities:				
Nondepreciable Capital Assets:				
Land	\$ 3,499,479	\$ -	\$ -	\$ 3,499,479
Construction in progress	3,736,825	4,069,482	(1,972,653)	5,833,654
Total Nondepreciable Capital Assets	7,236,304	4,069,482	(1,972,653)	9,333,133
Depreciable Capital Assets:				
Buildings and improvements	86,950,109	396,227	1,972,653	89,318,989
Furniture and equipment	2,831,731	458,716	(589)	3,289,858
Total Depreciable Capital Assets	89,781,840	854,943	1,972,064	92,608,847
Less accumulated depreciation for:				
Buildings and improvements	28,392,146	3,154,244	-	31,546,390
Furniture and equipment	1,814,409	242,470	(589)	2,056,290
Total accumulated depreciation	30,206,555	3,396,714	(589)	33,602,680
Total Depreciable Capital Assets, Net	59,575,285	(2,541,771)	1,972,653	59,006,167
Total Business-Type Activities, Net	\$ 66,811,589	\$ 1,527,711	\$ -	\$ 68,339,300

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 660,652
Public Safety	1,093,774
Public Works	1,406,109
Health & Hospitals	6,260
Social Services	15,736
Recreation	379,070
Total Depreciation Expense-Governmental Activities	\$ 3,561,601

A summary of changes in capital assets for the component units at June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Transfers and Reductions	Balance June 30, 2010
<u>Component Units</u>				
<u>Board of Education</u>				
Nondepreciable Capital Assets:				
Land	\$ 377,446	\$ -	\$ -	\$ 377,446
Total Nondepreciable Capital Assets	377,446	-	-	377,446
Depreciable Capital Assets:				
Buildings and improvements	92,500,529	19,812	(128,286)	92,392,055
Furniture and equipment	18,716,721	2,123,155	(241,570)	20,598,306
Total capital assets being depreciated	111,217,250	2,142,967	(369,856)	112,990,361
Less accumulated Depreciation for:				
Buildings and improvements	26,436,426	2,129,953	(127,828)	28,438,551
Furniture and equipment	12,641,035	1,852,822	(233,005)	14,260,852
Total accumulated depreciation	39,077,461	3,982,775	(360,833)	42,699,403
Total Depreciable Capital Assets, Net	\$ 72,139,789	\$ (1,839,808)	\$ (9,023)	\$ 70,290,958
<u>Library</u>				
Nondepreciable Capital Assets:				
Land	\$ 49,921	\$ -	\$ -	\$ 49,921
Depreciable Capital Assets:				
Buildings and improvements	329,025	-	-	329,025
Furniture and equipment	1,266,932	124,417	-	1,391,349
Total capital assets being depreciated	1,595,957	124,417	-	1,720,374
Less accumulated depreciation	1,055,000	187,437	-	1,242,437
Total Depreciable Capital Assets, Net	\$ 540,957	\$ (63,020)	\$ -	\$ 477,937

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

The following is a summary of long-term debt at June 30, 2010:

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	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%	\$ 6,230,000	\$ -	\$ 1,035,000	\$ 5,195,000	\$ 1,085,000
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%	24,210,000	-	845,000	23,365,000	885,000
Shore Erosion Construction Loan; original issue \$168,825, payable annually in principal payments of \$11,255 through July 1, 2011; interest-free	33,765	-	11,255	22,510	11,255
Shore Erosion (Black Walnut Point); total authorized borrowing \$160,000, to be repaid in 2 annual payments of \$7,753 and 13 annual payments of \$11,115, no interest, to begin July 1 after the completion of the project	-	13,000	-	13,000	7,753
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%	139,566	-	7,147	132,419	7,478
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%	415,000	-	30,000	385,000	30,000

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	Amount Due in One Year
Governmental Activities (continued):					
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%	\$ 2,035,000	\$ -	\$ 100,000	\$ 1,935,000	\$ 105,000
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%	8,309,416	-	484,129	7,825,287	506,135
Unamortized bond premium	41,372,747	13,000	2,512,531	38,873,216	2,637,621
Other post-employment benefits liability	284,095	-	15,357	268,738	-
Compensated absences	1,307,638	1,376,720	-	2,684,358	-
	687,929	669,954	617,805	740,078	337,887
TOTAL GOVERNMENTAL ACTIVITIES	\$ 43,652,409	\$ 2,059,674	\$ 3,145,693	\$ 42,566,390	\$ 2,975,508

Business-type Activities:

Recreation Facilities

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%	\$ 2,270,000	\$ -	\$ 95,000	\$ 2,175,000	\$ 100,000
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%	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%	45,656	-	13,497	32,159	32,159

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	Amount Due in One Year
Business-type Activities (continued):					
Recreation Facilities (continued)					
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%	\$ 46,914	\$ -	\$ 8,804	\$ 38,110	\$ 9,116
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%	761,113	-	44,344	716,769	46,360
Total Recreation Facilities	\$ 3,160,266	\$ -	\$ 198,228	\$ 2,962,038	\$ 187,635
Sanitary District					
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%	\$ 280,000	\$ -	\$ 25,000	\$ 255,000	\$ 25,000
Water Quality Bonds of 2006; Total authorized borrowing of \$10,212,981; \$9,955,760 borrowed to date, loan to be repaid in level principal and interest payments over 20 years beginning February 2008; interest at 0.4%	8,149,842	820,920	495,456	8,475,306	500,456
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%	378,115	-	18,421	359,694	18,808
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%	153,374	-	4,504	148,870	4,708
Total Sanitary District	\$ 8,961,331	\$ 820,920	\$ 543,381	\$ 9,238,870	\$ 548,972

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010	Amount Due in One Year
Business-type Activities (continued):					
<u>Easton Airport</u>					
Public Facilities and Refunding Bonds of 2006; original issue \$100,000, payable annually in principal payments ranging from \$5,000 to \$10,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.2%	\$ 85,000	\$ -	\$ 5,000	\$ 80,000	\$ 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%	350,000	-	30,000	320,000	30,000
Public Facilities and Refunding Bonds of 2006; original issue \$235,000, payable annually in principal payments ranging from \$25,000 to \$35,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.125%	155,000	-	30,000	125,000	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%	794,471	-	46,526	747,945	47,505
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	205,484	-	12,791	192,693	14,451
Total Easton Airport	1,589,955	-	124,317	1,465,638	126,956
Compensated absences	13,711,552	820,920	865,926	13,666,546	863,563
	107,102	88,869	102,299	93,672	44,411
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 13,818,654	\$ 909,789	\$ 968,225	\$ 13,760,218	\$ 907,974

The bonds outstanding at June 30, 2010 for the primary government's governmental activities and business-type activities are general obligation bonds.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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

The assets acquired through capital leases are as follows:

Business-Type Activities

Equipment	\$	453,464
Less: accumulated depreciation		(257,008)
Total	\$	196,456

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

Business-Type Activities

Year Ending June 30		
2011	\$	43,033
2012		10,305
2013		19,716
		73,054
Less amounts representing interest		(2,785)
Present value of future minimum lease payments	\$	70,269

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 \$68,200. 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.

The County, on behalf of the Edge Creek Waterway Improvement District, entered into a loan agreement with the State of Maryland, Department of Natural Resources for a 20 year, interest-free Waterway Improvement Loan in the amount of \$304,699. The proceeds of this loan were used to dredge Edge Creek and pay the expenses associated with the dredging. The first loan payment of \$15,235 was paid on November 1, 2009. This loan is payable from the proceeds of a special assessment levied on parcels within the district and is not backed by the County's full faith and credit. This loan does not appear on the balance sheet of the County. The County acts only as a fiduciary in collecting the assessments and servicing the debt.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2009	Additions	Reductions	Balance at June 30, 2010
<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	\$ 297,628	\$ -	\$ 95,470	\$ 202,158
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	175,816	-	76,102	99,714
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	726,266	-	172,179	554,087
TOTAL BOARD OF EDUCATION	\$ 1,199,710	\$ -	\$ 343,751	\$ 855,959

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,			
2011	\$ 2,637,621	\$ 1,654,515	\$ 4,292,136
2012	2,101,016	1,539,783	3,640,799
2013	2,198,419	1,449,305	3,647,724
2014	2,295,822	1,353,996	3,649,818
2015	2,397,626	1,254,631	3,652,257
2016-2020	12,303,795	4,560,135	16,863,930
2021-2025	9,747,990	2,006,406	11,754,396
2026-2029	5,190,927	319,800	5,510,727
Total Governmental Activities	\$ 38,873,216	\$ 14,138,571	\$ 53,011,787

Enterprise Fund - Recreational Facilities (excluding capital leases)

Fiscal year Ending June 30,			
2011	\$ 146,360	\$ 127,693	\$ 274,053
2012	153,377	121,607	274,984
2013	155,391	114,856	270,247
2014	162,407	108,006	270,413
2015	169,826	100,848	270,674
2016-2020	965,652	383,562	1,349,214
2021-2025	958,756	158,333	1,117,089
2026-2029	180,000	7,875	187,875
Total Recreational Facilities	\$ 2,891,769	\$ 1,122,780	\$ 4,014,549

Enterprise Fund - Sanitary District

Fiscal year Ending June 30,			
2011	\$ 548,972	\$ 198,006	\$ 746,978
2012	580,851	189,368	770,219
2013	588,885	180,363	769,248
2014	596,991	171,019	768,010
2015	610,173	161,333	771,506
2016-2020	2,416,489	645,126	3,061,615
2021-2025	2,452,815	349,934	2,802,749
2026-2030	1,432,672	57,861	1,490,533
2031-2034	11,022	312	11,334
Total Sanitary District	\$ 9,238,870	\$ 1,953,322	\$ 11,192,192

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,			
2011	\$ 126,956	\$ 71,699	\$ 198,655
2012	128,719	65,613	194,332
2013	140,526	59,243	199,769
2014	152,377	52,703	205,080
2015	119,471	45,591	165,062
2016-2020	632,620	134,788	767,408
2021-2024	164,969	12,883	177,852
Total Easton Airport	\$ 1,465,638	\$ 442,520	\$ 1,908,158

Component Units

Board of Education

Fiscal year Ending June 30,			
2011	\$ 356,805	\$ 30,155	\$ 386,960
2012	307,980	17,467	325,447
2013	191,174	6,787	197,961
Total Board of Education	\$ 855,959	\$ 54,409	\$ 910,368

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

\$ 477,968

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>		
2011	\$	27,933
2012		29,330
2013		30,797
2014		32,337
2015		33,953
2016-2020		196,994
2021-2025		251,421
2026-2030		320,883
2031-2035		409,537
2036		94,593
Sub-Total		1,427,778
Less amounts representing interest		(949,810)
Liability as of June 30, 2010	\$	477,968

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 2010 is established by annual actuarial valuations. The current rate is 11.7% of covered payroll for teachers and range from 7.58% to 9.05% 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, 2010 were \$3,309,785 and \$79,270 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, 2010, 2009, and 2008, payroll covered under the various state plans, and contributions paid are as follows:

	2010	2009	2008
Total payroll	\$ 47,023,512	\$ 45,646,987	\$ 42,957,688
Payroll covered under the plans	43,339,977	41,000,339	39,301,526
Actual % contributed of required contributions	100%	100%	100%
Contributions paid:			
County payments	896,377	768,879	876,371
Board of Education payments	572,742	481,796	566,123
State On-Behalf payments:			
Board of Education	3,309,785	2,887,089	2,774,097
Library	79,270	63,161	52,495

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 2010 payment was \$26,604. The payments reflect a pattern which increases by 5% per year for the next 26 years. (See also Note 6.)

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 8. Other Post-Employment Benefits (OPEB)

Plan Description and Eligibility

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

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

The Library administers a single-employer defined benefit healthcare plan for its retirees. The plan provides healthcare insurance for eligible retirees and their spouses. Employees are eligible to participate in the plan upon retirement provided they have 10 years of service with the Library and meet the eligibility requirements of the State Retirement and Pension System of Maryland. As of June 30, 2010, 1 retiree was receiving benefits under the plan, and an estimated 13 active employees are potentially eligible to receive future benefits. Active members eligible to receive healthcare benefits are currently covered under Talbot County, Maryland's healthcare plan.

Funding Policy

The County pays for the cost of post-retirement health care benefits under the Plan for eligible retirees and their dependents/family members on a pay-as-you-go basis. Eligible retirees must pay for 10% of the cost for individual plans and 15% of the cost for family coverage. For fiscal year 2010, the County paid for coverage of 54 eligible retirees, family members, and dependents at a total cost to the County of \$265,280 and eligible retirees contributed \$52,768. The County has the authority to establish and amend the funding policy of the Plan.

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

The Library pays for 66.67% of the cost of eligible retiree healthcare premiums with the retiree paying the remaining portion of the cost. For fiscal year 2010, the Library contributed \$5,167 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 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, 2010. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

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

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.

The net OPEB obligation as of June 30, 2010 was calculated as follows:

	County	Board of Education	Library
Determination ARC:			
Normal cost	\$ 1,006,000	\$ 4,454,000	\$ 100,000
Amortization of UAAL	641,000	-	-
Annual required contribution	<u>1,647,000</u>	<u>4,454,000</u>	<u>100,000</u>
Determination of net OPEB obligation (NOO):			
Annual required contribution	1,647,000	4,454,000	100,000
Adjustment to NOO	-	(111,000)	-
Amortization of NOO	(57,000)	-	-
Interest on NOO	52,000	124,000	-
Annual OPEB cost	<u>1,642,000</u>	<u>4,467,000</u>	<u>100,000</u>
Retiree benefit payments paid	<u>(265,280)</u>	<u>(238,727)</u>	<u>(5,000)</u>
Increase in net OPEB obligation	1,376,720	4,228,273	95,000
Net OPEB obligation, beginning of year	<u>1,307,638</u>	<u>3,900,152</u>	<u>94,000</u>
Net OPEB obligation, end of year	<u>\$ 2,684,358</u>	<u>\$ 8,128,425</u>	<u>\$ 189,000</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
Plan's valuation date	July 1, 2009	June 30, 2010	June 30, 2010
Actuarial accrued liability (AAL)	\$ 14,689,000	\$ 50,155,000	\$ 900,000
Actuarial value of plan assets	-	-	-
Unfunded actuarial accrued liability (UAAL)	\$ 14,689,000	\$ 50,155,000	\$ 900,000
Funded ratio (actual value of plan assets/AAL)	0.00%	0.00%	0.00%
Covered payroll	\$ 11,685,261	\$ 30,931,517	\$ 723,198
UAAL as a percentage of covered payroll	125.71%	162.15%	124.45%

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

Actuarial Methods and Assumptions

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

In the County's July 1, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% interest rate on investments and an annual healthcare cost trend rate beginning at 8.02% initially, reduce by decrements to an ultimate rate of 4.10%. The actuarial value of assets was not determined as the County has not advance-funded its obligation. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll over 30 years on a closed basis. The remaining amortization period at June 30, 2010 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 latest actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a projected salary increase of 4% per year, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 4.9%. The actuarial value of assets was not determined as the Board has not advance-funded its obligation. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2010 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, 2010 was 28 years.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 9. Deferred Compensation

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

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

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

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

Note 10. Unearned Revenues

Unearned revenue consists of federal and state grants, agricultural taxes collected, and other revenues that have been received by the County, but not expended by June 30, 2010. 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, 2010 consisted of the following:

Federal and state grants	\$	76,845
Other sources		1,554,440
		\$ 1,631,285

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, 2010, the landfill is approximately 97.7% filled. Closure of the Landfill is expected in 2011, and as of June 30, 2010, total closure and post closure care costs were estimated at approximately \$11.5 million, with approximately \$3.2 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, 2010, a portion of these costs, \$11.2 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, 2009. MES expects to satisfy these requirements as of June 30, 2010 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, 2010, which are as follows:

	Amounts Expended To Date	Remaining Construction Commitment	Expected Date of Completion
Dutchman's Lane	\$ -	\$ 1,498,103	December 2010
St. Michaels Sanitary Collection System	548,126	27,279	November 2010
Renewable Energy Project	2,150,113	1,641,187	December 2010

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, 2010, 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 Carefirst Blue Cross/Blue Shield of Maryland, to make additional assessments to make the pool self-sustaining. As of the date of this report, no outstanding claims are believed to exist that are in excess of the equity of the trust.

Note 13. Deficits

At June 30, 2010, the Sanitary District Fund, the Easton Airport Fund, and the Pool Fund had deficits in unrestricted net assets of \$1,207,061, \$657,688, and \$606,412, respectively. These deficits are expected to be eliminated through normal operations.

Note 14. Unrestricted Net Assets

The County has issued bonds and notes payable for capital assets for the Board of Education of Talbot County and Chesapeake College. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. At June 30, 2010, the outstanding balance of these bonds and notes payables was \$38,584,526 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 \$281,929. The Library has net assets restricted for various programs within the Library totaling \$1,147,902.

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, 2010

REVENUES	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
TAXES - LOCAL				
LOCAL PROPERTY TAXES				
Real property	\$ 27,325,000	\$ 27,325,000	\$ 27,801,093	\$ 476,093
Railroad and public utilities	500,000	500,000	551,952	51,952
Prior Years	-	-	(31,611)	(31,611)
Penalties and interest	155,000	155,000	188,375	33,375
Total property taxes	27,980,000	27,980,000	28,509,809	529,809
Less: Discounts allowed on taxes	-	-	(184,872)	(184,872)
Net property taxes	27,980,000	27,980,000	28,324,937	344,937
LOCAL INCOME TAXES	26,600,000	20,683,704	19,260,503	(1,423,201)
OTHER LOCAL TAXES				
Admissions and amusements	50,000	50,000	44,895	(5,105)
Recordation	2,148,000	2,148,000	2,934,335	786,335
Transfer	2,016,000	2,016,000	2,848,707	832,707
Public accommodations	975,000	975,000	938,476	(36,524)
Mobile manufactured home	63,000	63,000	64,865	1,865
Total other local taxes	5,252,000	5,252,000	6,831,278	1,579,278
Total local taxes	59,832,000	53,915,704	54,416,718	501,014
LICENSES AND PERMITS				
Beer, wine and liquor licenses	175,000	175,000	181,230	6,230
Alcoholic beverages fines	1,000	1,000	3,100	2,100
Traders licenses	40,000	40,000	39,724	(276)
Animal tags and fines	3,500	3,500	2,333	(1,167)
Stormwater permits	10,000	10,000	14,700	4,700
Flood plain permits	900	900	525	(375)
Boat ramp permits and violations	101,500	101,500	80,630	(20,870)
Marriage licenses	2,500	2,500	2,855	355
Plumbing permits	24,000	24,000	12,310	(11,690)
Plumbing licenses	6,000	6,000	8,695	2,695
HVAC inspections	7,300	7,300	9,596	2,296
Slot machine licenses	2,000	2,000	1,950	(50)
Electrical licenses	10,000	10,000	19,265	9,265
Building permits	230,000	230,000	158,500	(71,500)
Total licenses and permits	613,700	613,700	535,413	(78,287)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2010 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
INTERGOVERNMENTAL REVENUES				
FROM THE FEDERAL GOVERNMENT				
State's attorney - child support	\$ 85,000	\$ 85,000	\$ 117,877	\$ 32,877
Vest program	1,000	1,000	-	(1,000)
Byrne - corrections grant	8,000	8,000	8,373	373
Byrne - BJAG grant	-	-	57,250	57,250
HMEP grant	13,253	13,253	8,793	(4,460)
FEMA	57,811	57,811	188,332	130,521
Emergency management - DHS	262,375	262,375	164,381	(97,994)
Emergency shelter	30,000	30,000	-	(30,000)
Emergency food assistance	4,000	4,000	2,698	(1,302)
Community emergency response team	7,000	7,000	962	(6,038)
Highway safety - DOT	68,000	68,000	51,031	(16,969)
Rural cares - HHS grant	-	-	163,330	163,330
Health and human services grant	-	-	48,861	48,861
Tourism	-	-	50,713	50,713
Total Federal revenues	536,439	536,439	862,601	326,162
FROM THE STATE OF MARYLAND				
Police protection	75,000	63,387	55,257	(8,130)
Sex offender grant	10,000	10,000	18,001	8,001
School bus safety grant	8,000	8,000	9,402	1,402
Fire and rescue	217,000	217,000	212,540	(4,460)
911 grants and numbers system board	360,000	360,000	316,338	(43,662)
Community right to know grant	9,000	9,000	6,889	(2,111)
Community service	20,000	20,000	29,798	9,798
Circuit Court - Family Services	148,867	148,867	116,776	(32,091)
Substance abuse court grant	172,079	172,079	134,478	(37,601)
Critical areas	24,000	24,000	27,388	3,388
Emergency transitional housing	36,061	36,061	30,526	(5,535)
Homelessness prevention program	6,900	6,900	6,900	-
Housing special loan program	200,000	200,000	322,776	122,776
Highway user revenues	708,661	76,661	283,989	207,328
Recordation	1,500	1,500	22,805	21,305
Community parks and playground	-	-	1,960	1,960
Public landing grants	20,000	20,000	22,600	2,600
Weed control	6,200	6,200	-	(6,200)
Tourism	-	-	49,819	49,819
DSS-Legal fees	70,000	70,000	60,966	(9,034)
Security filing fees	1,000	1,000	210	(790)
Total state revenues	2,094,268	1,450,655	1,729,418	278,763
Total intergovernmental	2,630,707	1,987,094	2,592,019	604,925

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2010 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
SERVICE CHARGES				
GENERAL GOVERNMENT CHARGES				
Zoning fees and certificates	\$ 69,000	\$ 69,000	\$ 21,317	\$ (47,683)
Subdivision applications	42,000	42,000	39,834	(2,166)
Administrative variance	9,000	9,000	2,700	(6,300)
Board of appeals	15,000	15,000	6,000	(9,000)
Site plan reviews	5,500	5,500	2,450	(3,050)
Forest conservation fees	3,300	3,300	9,800	6,500
Critical area preservation	10,000	10,000	11,750	1,750
Bed & breakfast license/home occupation	1,250	1,250	975	(275)
Short term rental fees	10,000	10,000	10,125	125
Mobile home fees	500	500	225	(275)
Zoning ordinances/maps	500	500	-	(500)
BOCA publications	400	400	120	(280)
Roadside vendors and produce stand permits	1,100	1,100	1,950	850
Weed and litter enforcement	1,000	1,000	3,650	2,650
Weed control spraying	55,000	55,000	38,047	(16,953)
Economic development/tourism	199,000	199,000	188,194	(10,806)
Gypsy moth	7,500	7,500	-	(7,500)
Election filing and voter lists	500	500	1,037	537
Sheriff's fees	40,000	40,000	35,913	(4,087)
Emergency medical services	1,200,000	1,200,000	1,051,934	(148,066)
MIEMSS-EMS communications	25,000	25,000	25,000	-
Other charges	1,500	1,500	2,395	895
Total general government	1,697,050	1,697,050	1,453,416	(243,634)
PUBLIC SAFETY CHARGES				
Boarding of local prisoners	120,000	120,000	67,815	(52,185)
Weekenders fees	6,000	6,000	6,376	376
Live-in, work-out fees	12,000	12,000	10,226	(1,774)
Home detention program	500	500	350	(150)
Narcotics task force	-	-	2,768	2,768
Federal prisoner program	50,000	50,000	224,458	174,458
Phone commissions/TCPSC	12,000	12,000	2,000	(10,000)
Inmate sick call service	800	800	-	(800)
Community service fees	5,000	5,000	4,220	(780)
Total public safety charges	206,300	206,300	318,213	111,913
HEALTH				
Mosquito control fees	106,500	106,500	89,939	(16,561)
RECREATION CHARGES				
Boat slips	55,000	55,000	41,505	(13,495)
Program fees	20,000	20,000	28,977	8,977
School/summer fees	28,000	28,000	-	(28,000)
Other recreation grants	1,500	1,500	35,403	33,903
Total recreation	104,500	104,500	105,885	1,385
Total service charges	2,114,350	2,114,350	1,967,453	(146,897)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2010 (Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
FINES AND FORFEITURES	\$ 7,500	\$ 7,500	\$ 8,868	\$ 1,368
MISCELLANEOUS				
Rents	240,000	240,000	253,381	13,381
Other	851,000	1,401,000	1,369,146	(31,854)
Total miscellaneous	1,091,000	1,641,000	1,622,527	(18,473)
INTEREST	1,800,000	2,300,000	931,266	(1,368,734)
TOTAL REVENUES	68,089,257	62,579,348	62,074,264	(505,084)
OTHER FINANCING SOURCES				
Reserved and unexpended funds	9,682,743	9,682,743	-	(9,682,743)
Total other financing sources	9,682,743	9,682,743	-	(9,682,743)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 77,772,000	\$ 72,262,091	\$ 62,074,264	\$ (10,187,827)
EXPENDITURES				
GENERAL GOVERNMENT				
LEGISLATIVE				
County Council:				
Salaries	\$ 73,000	72,397	\$ 72,396	\$ 1
Other operating	47,200	45,800	45,906	(106)
Total legislative	120,200	118,197	118,302	(105)
JUDICIAL				
Circuit Court:				
Salaries	121,057	119,778	110,647	9,131
Other operating	29,900	28,200	24,503	3,697
Court Stenographer:				
Salaries	30,475	30,475	29,750	725
Other operating	450	225	208	17
Petit Jury	13,875	13,875	6,449	7,426
Family Services:				
Salaries and fringe benefits	59,716	59,390	57,341	2,049
Other operating	89,677	89,677	59,435	30,242
Substance Abuse Court:				
Salaries and fringe benefits	66,210	65,027	64,940	87
Other operating	31,091	29,041	7,135	21,906
Family Drug Court:				
Salaries and fringe benefits	51,464	51,014	55,961	(4,947)
Other operating	24,890	24,290	772	23,518
Teen Court:				
Salaries and fringe benefits	-	-	4,227	(4,227)
Other operating	-	-	1,861	(1,861)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2010 (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	\$ 16,820	\$ 17,686	\$ (866)
Other operating	600	600	985	(385)
State's Attorney:				
Salaries	448,121	439,972	444,199	(4,227)
Other operating	36,128	28,156	28,979	(823)
Child Support:				
Salaries and fringe benefits	183,738	181,967	178,934	3,033
Other operating	10,483	10,483	8,680	1,803
Victim Witness Program:				
Salaries	102,484	101,414	101,413	1
Other operating	6,072	5,064	3,054	2,010
Law Library:				
Salaries	2,746	2,689	2,863	(174)
Other operating	225	225	238	(13)
Total judicial	1,326,402	1,298,382	1,210,260	88,122
EXECUTIVE				
County Manager:				
Salaries	275,875	271,344	286,356	(15,012)
Other operating	24,225	16,025	20,660	(4,635)
Administrative Services:				
Salaries	155,125	142,710	153,879	(11,169)
Other operating	7,700	7,160	5,137	2,023
Capital outlay	30,000	16,000	14,283	1,717
Total executive	492,925	453,239	480,315	(27,076)
ELECTIONS				
Board of Supervisors of Elections:				
Salaries and fringe benefits	176,675	174,990	158,729	16,261
Other operating	97,200	61,800	29,477	32,323
Registration and elections	-	-	726	(726)
Total elections	273,875	236,790	188,932	47,858
FINANCIAL ADMINISTRATION				
Finance Office:				
Salaries	464,808	449,606	438,197	11,409
Other operating	72,900	67,855	55,229	12,626
Contractual services	46,000	46,000	44,238	1,762
Capital outlay	4,500	4,500	4,272	228
Liquor License Commissioners:				
Salaries	44,415	44,240	43,569	671
Other operating	7,350	7,250	3,759	3,491
Contractual services	11,500	11,500	8,733	2,767
Total financial administration	651,473	630,951	597,997	32,954

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2010 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
GENERAL GOVERNMENT (continued)				
LAW				
County Attorney:				
Salaries	\$ 205,010	\$ 155,652	\$ 155,643	\$ 9
Other operating	42,430	29,691	24,785	4,906
Total law	247,440	185,343	180,428	4,915
PLANNING AND ZONING				
Planning Office:				
Salaries	445,156	432,320	424,856	7,464
Other operating	43,625	31,295	22,437	8,858
Contractual services	20,000	8,000	9,264	(1,264)
Board of Appeals:				
Salaries	73,871	73,482	66,832	6,650
Other operating	19,075	18,935	11,892	7,043
Total planning and zoning	601,727	564,032	535,281	28,751
GENERAL SERVICES				
County Buildings:				
Salaries	197,911	195,266	192,622	2,644
Other operating	504,596	462,556	371,524	91,032
Capital outlay	-	-	41,504	(41,504)
Library Maintenance	108,236	99,748	89,493	10,255
Information Technology:				
Salaries	225,775	222,229	223,071	(842)
Other operating	144,695	138,645	88,928	49,717
Capital outlay	24,000	12,000	11,926	74
Insurance	118,575	118,575	97,719	20,856
Total general services	1,323,788	1,249,019	1,116,787	132,232
ECONOMIC DEVELOPMENT				
Office of Economic Development:				
Salaries and fringe benefits	121,781	120,345	122,213	(1,868)
Other operating	26,232	15,967	12,458	3,509
Arts Council	11,520	11,520	11,520	-
Tourism:				
Salaries and fringe benefits	123,907	122,513	129,697	(7,184)
Other operating	273,900	258,520	358,850	(100,330)
Capital outlay	-	-	50,408	(50,408)
Mid-Shore Regional Council	10,000	10,000	10,000	-
M.U.S.T.	4,800	4,800	4,800	-
Historic Preservation Commission	4,639	4,599	102	4,497
Talbot Partnership	4,800	4,800	4,800	-
Total economic development	581,579	553,064	704,848	(151,784)
Total general government	5,619,409	5,289,017	5,133,150	155,867

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2010 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
PUBLIC SAFETY				
SHERIFF				
Salaries	\$ 1,560,517	\$ 1,535,779	\$ 1,489,344	\$ 46,435
Other operating	264,780	257,680	250,369	7,311
Capital outlay	26,200	26,200	101,689	(75,489)
Total sheriff	1,851,497	1,819,659	1,841,402	(21,743)
NARCOTICS TASK FORCE				
Other operating	-	-	75,835	(75,835)
MUNICIPAL INSTITUTIONS				
Detention Center:				
Salaries	1,622,868	1,616,868	1,620,801	(3,933)
Other operating	1,015,950	999,850	969,129	30,721
Total municipal institutions	2,638,818	2,616,718	2,589,930	26,788
OTHER PUBLIC SAFETY				
School Crossing Guards	52,745	52,745	52,745	-
Animal Control Program:				
Other operating	1,600	1,600	814	786
Contractual services	354,816	354,816	354,816	-
Capital outlay	2,470	2,470	2,313	157
Emergency Management:				
Salaries	669,481	646,481	628,465	18,016
Other operating	346,704	340,314	342,571	(2,257)
Capital outlay	103,256	103,256	241,808	(138,552)
Volunteer Fire Companies	1,265,120	1,265,120	1,305,072	(39,952)
Highway Safety Program:				
Salaries and fringe benefits	53,840	53,840	36,082	17,758
Other operating	14,160	14,160	12,552	1,608
Emergency Medical Services:				
Salaries and fringe benefits	2,709,010	2,708,510	2,713,546	(5,036)
Other operating	382,768	376,798	342,097	34,701
Capital outlay	137,500	137,500	189,345	(51,845)
Safety Committee	200	200	-	200
Hazardous Materials:				
Salaries and fringe benefits	23,250	12,250	2,598	9,652
Other operating	21,750	12,750	9,177	3,573
Total other public safety	6,138,670	6,082,810	6,234,001	(151,191)
PROTECTIVE INSPECTION				
Electrical Inspection:				
Salaries	6,500	6,500	5,600	900
Other operating	2,640	2,640	2,393	247
Building and Plumbing Inspection:				
Salaries	287,906	283,023	281,104	1,919
Other operating	34,200	23,880	18,050	5,830
Total protective inspection	331,246	316,043	307,147	8,896
Total public safety	10,960,231	10,835,230	11,048,315	(213,085)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2010 (Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
PUBLIC WORKS				
PUBLIC WORKS - GENERAL				
Salaries	\$ 499,900	\$ 490,663	\$ 498,004	\$ (7,341)
Other operating	47,150	29,650	15,867	13,783
Capital outlay	-	-	208	(208)
Total public works - general	547,050	520,313	514,079	6,234
PUBLIC LANDINGS AND WHARVES				
Salaries	154,683	138,087	138,138	(51)
Other operating	54,075	52,575	37,322	15,253
Capital outlay	25,000	-	16,681	(16,681)
Total public landings and wharves	233,758	190,662	192,141	(1,479)
SOLID WASTE DISPOSAL				
Recycling:				
Salaries and fringe benefits	38,947	38,404	38,210	194
Other operating	1,375	1,250	174	1,076
Contractual services	850	850	883	(33)
Total solid waste disposal	41,172	40,504	39,267	1,237
HIGHWAYS AND STREETS				
Salaries and fringe benefits	1,505,347	1,326,912	1,455,835	(128,923)
Other operating	526,174	466,702	397,464	69,238
Capital outlay	2,140	36	-	36
Total highways and streets	2,033,661	1,793,650	1,853,299	(59,649)
Total public works	2,855,641	2,545,129	2,598,786	(53,657)
HEALTH AND HOSPITALS				
Health department	1,474,499	1,473,463	1,476,780	(3,317)
School health	596,363	596,363	596,363	-
Addictions counseling	76,800	76,800	76,800	-
Rural Cares	-	-	163,330	(163,330)
Mosquito control	117,000	117,000	90,907	26,093
Total health and hospitals	2,264,662	2,263,626	2,404,180	(140,554)
SOCIAL SERVICES				
Social services legal	95,000	95,000	74,464	20,536
Neighborhood Service Center	70,034	70,034	70,034	-
Choptank Community Health	14,400	14,400	14,400	-
Delmarva Community Services	63,980	63,980	63,980	-
Upper Shore Aging	171,742	171,742	171,742	-
Social Services	14,592	13,592	13,592	-
St. Martin's Ministries	7,000	7,000	7,000	-
Emergency Transitional Housing	36,061	36,061	46,510	(10,449)
Homelessness Prevention Program	6,900	6,900	6,900	-
Emergency Shelter	30,000	30,000	-	30,000
Emergency Food Assistance	4,000	4,000	3,257	743
Housing Special Loan Program	200,000	200,000	352,358	(152,358)
Housing:				
Salaries and fringe benefits	68,294	67,455	67,133	322
Other operating	4,800	3,440	2,512	928
Total social services	786,803	783,604	893,882	(110,278)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2010 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
EDUCATION				
Board of Education:				
Operating appropriation	\$ 34,219,073	\$ 34,219,073	\$ 34,219,073	\$ -
Debt Service	3,791,074	3,791,074	3,776,461	14,613
Library				
Operating appropriation	957,479	888,682	888,682	-
Community College:				
Operating appropriation	1,235,974	1,235,974	1,235,974	-
Capital outlay	77,000	77,000	77,000	-
Debt Service	64,711	64,711	63,870	841
Chesapeake Developmental Center	45,005	45,005	45,005	-
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	72,163	72,163	74,598	(2,435)
Other operating	8,020	8,020	5,267	2,753
Total education	40,470,499	40,401,702	40,385,930	15,772
RECREATION				
Parks and Recreation:				
Salaries	197,283	183,186	191,767	(8,581)
Other operating	246,550	205,994	193,129	12,865
Capital outlay	-	-	35,372	(35,372)
Total recreation	443,833	389,180	420,268	(31,088)
CONSERVATION OF NATURAL RESOURCES				
AGRICULTURAL EXTENSION SERVICE				
Salaries	130,429	130,429	123,920	6,509
Other operating	45,535	45,535	51,978	(6,443)
Total agricultural extension service	175,964	175,964	175,898	66
OTHER CONSERVATION				
Agricultural Preservation	45,600	45,600	5,896	39,704
Waterways testing/study	15,000	15,000	8,244	6,756
MES - resource conservation & development	350	350	350	-
Weed Control:				
Salaries and fringe benefits	57,687	57,244	55,962	1,282
Other operating	31,915	31,915	16,645	15,270
Gypsy Moth	7,500	7,500	6,896	604
Total other conservation	158,052	157,609	93,993	63,616
Total conservation of natural resources	334,016	333,573	269,891	63,682
INTERGOVERNMENTAL				
Payments to Municipalities:				
Fire, rescue and ambulance fund	20,000	20,000	38,684	(18,684)
Public accommodations tax	721,500	721,500	684,177	37,323
Total intergovernmental	741,500	741,500	722,861	18,639

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2010 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
EMPLOYEE BENEFITS				
Retirement and pension contributions:				
Employees retirement	\$ 669,000	\$ 662,899	\$ 539,719	\$ 123,180
Social security tax	620,000	608,842	571,904	36,938
Health insurance	2,220,000	2,125,068	1,697,640	427,428
Health insurance waiver	82,000	80,000	76,000	4,000
Unemployment insurance	16,000	16,000	11,229	4,771
Pension direct	2,500	2,500	-	2,500
Group life insurance	38,000	37,653	27,166	10,487
Disability insurance	30,000	29,752	23,525	6,227
Substance abuse testing	6,000	6,000	5,459	541
Workers' compensation	128,000	126,991	148,161	(21,170)
Employee training	25,000	15,000	13,090	1,910
Other operating	5,000	5,000	3,068	1,932
Total employee benefits	3,841,500	3,715,705	3,116,961	598,744
MISCELLANEOUS	117,880	117,880	130,043	(12,163)
DEBT SERVICE				
Principal on long-term debt	363,245	363,245	363,245	-
Interest on long-term debt	58,874	58,874	55,936	2,938
Total debt service	422,119	422,119	419,181	2,938
RESERVE FOR CONTINGENCIES	1,004,755	1,009,755	306,253	703,502
TOTAL EXPENDITURES	69,862,848	68,848,020	67,849,701	998,319
OTHER FINANCING USES				
Transfers:				
Pool - Operating appropriation	95,041	79,561	79,561	-
Recreation	1,764,111	1,584,510	1,584,510	-
Designated fund balance	5,300,000	1,000,000	-	1,000,000
Capital Projects:				
Pay-as-you-go transfer	750,000	750,000	750,000	-
Total other financing uses	7,909,152	3,414,071	2,414,071	1,000,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 77,772,000	\$ 72,262,091	\$ 70,263,772	\$ 1,998,319
Net change in fund balances	\$ -	\$ -	\$ (8,189,508)	\$ (8,189,508)

TALBOT COUNTY, MARYLAND

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

June 30, 2010

Talbot County, Maryland

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	\$ -	\$ 13,455,000	0.00%	\$ 13,455,000	\$ 10,560,961	127.40%
July 1, 2009	-	14,689,000	0.00%	14,689,000	11,685,261	125.71%

Board of Education

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2008	\$ -	\$ 46,822,000	0.00%	\$ 46,822,000	\$ 29,794,343	157.15%
July 1, 2009	-	50,155,000	0.00%	50,155,000	30,931,517	162.15%

Library

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$ -	\$ 900,000	0.00%	\$ 900,000	\$ 645,035	139.53%
June 30, 2010	-	900,000	0.00%	900,000	723,198	124.45%

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 was available beginning in 2009, as this was 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, 2010

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
REVENUES				
Intergovernmental - Federal	\$ 16,175,000	\$ 16,175,000	\$ -	\$ (16,175,000)
Intergovernmental - State	149,000	149,000	121,547	(27,453)
Miscellaneous	-	-	304,699	304,699
Interest	-	-	10,016	10,016
Total revenues	16,324,000	16,324,000	436,262	(15,887,738)
EXPENDITURES				
General government	1,000,000	1,000,000	570,889	429,111
Public works	16,499,000	16,499,000	964,462	15,534,538
Education	1,210,595	1,210,595	1,589,845	(379,250)
Recreation	15,000	15,000	71,108	(56,108)
Total expenditures	18,724,595	18,724,595	3,196,304	15,528,291
OTHER FINANCING SOURCES				
Designated fund balance	1,650,595	1,650,595	-	(1,650,595)
Issuance of long-term debt	-	-	13,000	13,000
Transfers from general fund	750,000	750,000	750,000	-
Total other financing sources	2,400,595	2,400,595	763,000	(1,637,595)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,997,042)	\$ (1,997,042)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
DEVELOPMENTAL IMPACT FUND
For the Year Ended June 30, 2010**

	<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	\$ 48,000	\$ 48,000	\$ 85,822	\$ 37,822
Public works	59,000	59,000	152,197	93,197
Education				
Public schools	130,000	130,000	214,569	84,569
Library	25,000	25,000	41,528	16,528
Community College	5,000	5,000	11,056	6,056
Recreation	22,000	22,000	38,636	16,636
Interest	30,000	30,000	24,325	(5,675)
Total revenues	319,000	319,000	568,133	249,133
OTHER FINANCING SOURCES (USES)				
Designated fund balance	(319,000)	(319,000)	-	(319,000)
Total other financing uses	(319,000)	(319,000)	-	(319,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 568,133	\$ 568,133

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
TALBOT FAMILY NETWORK
For the Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental:				
State	\$ 522,111	\$ 520,458	\$ 421,061	\$ (99,397)
Interest	-	-	14,955	14,955
Total revenues	522,111	520,458	436,016	(84,442)
EXPENDITURES				
Social services	522,111	520,458	590,137	(69,679)
Net Change in Fund Balance	\$ -	\$ -	\$ (154,121)	\$ (154,121)

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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, 2010**

	<u>Hog Neck Golf Course</u>		
	<u>Revised 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	355,000	307,432	(47,568)
Cart rentals	90,000	84,423	(5,577)
Green fees	750,000	686,302	(63,698)
Other operating	14,700	8,569	(6,131)
Total operating revenues	1,209,700	1,086,726	(122,974)
OPERATING EXPENSES			
Salaries and related expenses	845,022	832,430	12,592
Professional fees	9,000	9,763	(763)
Office	32,000	24,082	7,918
Insurance	8,000	4,427	3,573
Repairs and maintenance	179,600	99,122	80,478
Utilities	61,000	59,680	1,320
Supplies and equipment	118,000	37,813	80,187
Lessons and programs	4,000	5,655	(1,655)
Pro shop and concessions	187,000	179,007	7,993
Other operating	30,000	36,667	(6,667)
Total operating expenses	1,473,622	1,288,646	184,976
Operating loss before depreciation	(263,922)	(201,920)	62,002
Depreciation	-	181,223	(181,223)
Net operating loss	(263,922)	(383,143)	(119,221)
NON-OPERATING REVENUES (EXPENSES)			
Transfers from general fund	409,298	409,298	-
Interest income	-	-	-
Interest expense	(145,376)	(41,554)	103,822
Net non-operating revenues	263,922	367,744	103,822
Net income (loss)	\$ -	\$ (15,399)	\$ (15,399)
OTHER BUDGETED EXPENSES			
Capital outlay	-	-	-
Total other budgeted expenses	-	-	-
Budgeted net income (loss)	\$ -	-	-

Talbot Community Center			Combined Totals		
<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>	<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
\$ 187,000	\$ 91,742	\$ (95,258)	\$ 187,000	\$ 91,742	\$ (95,258)
55,000	29,978	(25,022)	55,000	29,978	(25,022)
331,000	199,602	(131,398)	331,000	199,602	(131,398)
56,600	38,370	(18,230)	411,600	345,802	(65,798)
-	-	-	90,000	84,423	(5,577)
-	-	-	750,000	686,302	(63,698)
2,500	397	(2,103)	17,200	8,966	(8,234)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
632,100	360,089	(272,011)	1,841,800	1,446,815	(394,985)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
391,691	374,338	17,353	1,236,713	1,206,768	29,945
15,000	11,251	3,749	24,000	21,014	2,986
15,375	13,236	2,139	47,375	37,318	10,057
25,000	14,970	10,030	33,000	19,397	13,603
50,500	95,214	(44,714)	230,100	194,336	35,764
216,500	170,128	46,372	277,500	229,808	47,692
1,500	2,472	(972)	119,500	40,285	79,215
125,000	102,066	22,934	129,000	107,721	21,279
45,000	34,866	10,134	232,000	213,873	18,127
8,800	10,401	(1,601)	38,800	47,068	(8,268)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
894,366	828,942	65,424	2,367,988	2,117,588	250,400
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(262,266)	(468,853)	(206,587)	(526,188)	(670,773)	(144,585)
-	524,187	(524,187)	-	705,410	(705,410)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(262,266)	(993,040)	(730,774)	(526,188)	(1,376,183)	(849,995)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
1,175,212	1,175,212	-	1,584,510	1,584,510	-
-	20,801	20,801	-	20,801	20,801
(190,446)	(93,873)	96,573	(335,822)	(135,427)	200,395
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
984,766	1,102,140	117,374	1,248,688	1,469,884	221,196
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 722,500	\$ 109,100	\$ (613,400)	\$ 722,500	\$ 93,701	\$ (628,799)
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(722,500)			(722,500)		
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
(722,500)			(722,500)		
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -			\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - SANITARY DISTRICT
For the Year Ended June 30, 2010**

	<u>St. Michaels District</u>			<u>Royal Oak District</u>		
	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES						
Sewer service charges	\$ 945,240	\$ 941,466	\$ (3,774)	\$ 232,800	\$ 226,284	\$ (6,516)
Sewer connection charges	72,000	-	(72,000)	24,000	48,000	24,000
Residential benefit charges	360	-	(360)	-	-	-
Miscellaneous	7,364	5,253	(2,111)	7,321	110	(7,211)
Total operating revenues	1,024,964	946,719	(78,245)	264,121	274,394	10,273
OPERATING EXPENSES						
Salaries and related expenses	337,880	333,701	4,179	56,988	53,419	3,569
Professional fees	400	1,405	(1,005)	150	165	(15)
Office	7,150	5,838	1,312	1,850	1,846	4
Insurance	13,000	13,795	(795)	4,150	1,947	2,203
Contracted services	171,500	241,912	(70,412)	56,900	30,263	26,637
Repairs and maintenance	62,000	24,607	37,393	10,100	5,294	4,806
Other operating	30,000	46,088	(16,088)	40,000	6,710	33,290
Total operating expenses	621,930	667,346	(45,416)	170,138	99,644	70,494
Operating income before depreciation	403,034	279,373	(123,661)	93,983	174,750	80,767
Depreciation	36,281	559,873	(523,592)	4,872	118,434	(113,562)
Net operating income (loss)	366,753	(280,500)	(647,253)	89,111	56,316	(32,795)
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	1,140,522	1,140,522	-	-	-
Interest income	20,000	18,898	(1,102)	3,500	6,587	3,087
Interest expense	(25,591)	(28,826)	(3,235)	(23,731)	(23,636)	95
Net non-operating revenues (expenses)	(5,591)	1,130,594	1,136,185	(20,231)	(17,049)	3,182
Net income (loss)	\$ 361,162	\$ 850,094	\$ 488,932	\$ 68,880	\$ 39,267	\$ (29,613)
OTHER BUDGETED EXPENSES						
Capital outlay	\$ (13,000)			\$ -		
Debt service	(348,162)			(68,880)		
Total other budgeted expenses	(361,162)			(68,880)		
Budgeted net income (loss)	\$ -			\$ -		

<u>Tilghman District</u>			<u>Unionville District</u>		
<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>	<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
\$ 227,000	\$ 217,318	\$ (9,682)	\$ 105,800	\$ 103,995	\$ (1,805)
9,000	1,490	(7,510)	-	-	-
-	20,178	20,178	-	-	-
10,370	300	(10,070)	1,665	71	(1,594)
<u>246,370</u>	<u>239,286</u>	<u>(7,084)</u>	<u>107,465</u>	<u>104,066</u>	<u>(3,399)</u>
140,362	132,212	8,150	27,641	25,945	1,696
150	190	(40)	100	125	(25)
3,850	3,186	664	1,375	1,107	268
8,000	3,010	4,990	2,100	903	1,197
52,500	49,462	3,038	25,200	28,657	(3,457)
8,500	4,781	3,719	3,600	8,237	(4,637)
-	22	(22)	2,000	388	1,612
<u>213,362</u>	<u>192,863</u>	<u>20,499</u>	<u>62,016</u>	<u>65,362</u>	<u>(3,346)</u>
33,008	46,423	13,415	45,449	38,704	(6,745)
4,639	154,985	(150,346)	8,272	140,490	(132,218)
<u>28,369</u>	<u>(108,562)</u>	<u>(136,931)</u>	<u>37,177</u>	<u>(101,786)</u>	<u>(138,963)</u>
-	-	-	-	-	-
8,145	9,101	956	1,500	3,736	2,236
(11,514)	(11,100)	414	(8,700)	(8,903)	(203)
<u>(3,369)</u>	<u>(1,999)</u>	<u>1,370</u>	<u>(7,200)</u>	<u>(5,167)</u>	<u>2,033</u>
<u>\$ 25,000</u>	<u>\$ (110,561)</u>	<u>\$ (135,561)</u>	<u>\$ 29,977</u>	<u>\$ (106,953)</u>	<u>\$ (136,930)</u>
\$ -			\$ -		
<u>(25,000)</u>			<u>(29,977)</u>		
<u>(25,000)</u>			<u>(29,977)</u>		
<u>\$ -</u>			<u>\$ -</u>		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - SANITARY DISTRICT
For the Year Ended June 30, 2010 (Continued)**

	<u>Bio-solids Utilization Facility</u>			<u>Onsite Sewage Disposal</u>		
	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES						
Sewer service charges	\$ 200,000	\$ 282,892	\$ 82,892	\$ -	\$ -	\$ -
Sewer connection charges	-	-	-	-	-	-
Residential benefit charges	-	-	-	-	-	-
Miscellaneous	30,000	-	(30,000)	-	-	-
Total operating revenues	230,000	282,892	52,892	-	-	-
OPERATING EXPENSES						
Salaries and related expenses	140,908	129,015	11,893	25,917	65,332	(39,415)
Professional fees	250	365	(115)	-	145	(145)
Office	1,600	2,129	(529)	1,125	-	1,125
Insurance	9,700	4,686	5,014	-	-	-
Contracted services	29,750	9,411	20,339	1,025,800	149,605	876,195
Repairs and maintenance	2,750	9,004	(6,254)	-	-	-
Other operating	-	7,625	(7,625)	73,000	10,142	62,858
Total operating expenses	184,958	162,235	22,723	1,125,842	225,224	900,618
Operating income before depreciation	45,042	120,657	75,615	(1,125,842)	(225,224)	900,618
Depreciation	15,058	38,628	(23,570)	294,414	5,257	289,157
Net operating income (loss)	29,984	82,029	52,045	(1,420,256)	(230,481)	1,189,775
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	2,150,114	2,150,114	1,420,256	259,066	(1,161,190)
Interest income	-	72	72	-	-	-
Interest expense	(19,900)	(35,555)	(15,655)	-	-	-
Net non-operating revenues (expenses)	(19,900)	2,114,631	2,134,531	1,420,256	259,066	(1,161,190)
Net income (loss)	\$ 10,084	\$ 2,196,660	\$ 2,186,576	\$ -	\$ 28,585	\$ 28,585
OTHER BUDGETED EXPENSES						
Capital outlay	\$ (1,070)			\$ -		
Debt service	(9,014)			-		
Total other budgeted expenses	(10,084)			-		
Budgeted net income (loss)	\$ -			\$ -		

<u>Martingham District</u>			<u>Combined Totals</u>		
<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>	<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
\$ 210,000	\$ 198,304	\$ (11,696)	\$ 1,920,840	\$ 1,970,259	\$ 49,419
-	-	-	105,000	49,490	(55,510)
-	-	-	360	20,178	19,818
29,500	12	(29,488)	86,220	5,746	(80,474)
<u>239,500</u>	<u>198,316</u>	<u>(41,184)</u>	<u>2,112,420</u>	<u>2,045,673</u>	<u>(66,747)</u>
115,573	108,072	7,501	845,269	847,696	(2,427)
150	553	(403)	1,200	2,948	(1,748)
2,150	1,637	513	19,100	15,743	3,357
150	-	150	37,100	24,341	12,759
52,250	64,960	(12,710)	1,413,900	574,270	839,630
11,000	16,602	(5,602)	97,950	68,525	29,425
8,000	348	7,652	153,000	71,323	81,677
<u>189,273</u>	<u>192,172</u>	<u>(2,899)</u>	<u>2,567,519</u>	<u>1,604,846</u>	<u>962,673</u>
50,227	6,144	(44,083)	(455,099)	440,827	895,926
6,227	10,777	(4,550)	369,763	1,028,444	(658,681)
<u>44,000</u>	<u>(4,633)</u>	<u>(48,633)</u>	<u>(824,862)</u>	<u>(587,617)</u>	<u>237,245</u>
-	-	-	1,420,256	3,549,702	2,129,446
-	755	755	33,145	39,149	6,004
(14,000)	(18,571)	(4,571)	(103,436)	(126,591)	(23,155)
<u>(14,000)</u>	<u>(17,816)</u>	<u>(3,816)</u>	<u>1,349,965</u>	<u>3,462,260</u>	<u>2,112,295</u>
<u>\$ 30,000</u>	<u>\$ (22,449)</u>	<u>\$ (52,449)</u>	<u>\$ 525,103</u>	<u>\$ 2,874,643</u>	<u>\$ 2,349,540</u>
\$ -			\$ (14,070)		
<u>(30,000)</u>			<u>(511,033)</u>		
<u>(30,000)</u>			<u>(525,103)</u>		
<u>\$ -</u>			<u>\$ -</u>		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - EASTON AIRPORT
For the Year Ended June 30, 2010**

	Revised Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES			
Charges - operations	\$ 271,635	\$ 261,982	\$ (9,653)
Charges - fuel facility	1,797,422	1,716,689	(80,733)
Charges - hangars	512,448	512,815	367
Other operating	6,000	27,575	21,575
Total operating revenues	2,587,505	2,519,061	(68,444)
OPERATING EXPENSES			
Salaries and related expenses	313,330	322,452	(9,122)
Cost of sales - fuel	1,655,580	1,512,746	142,834
Professional fees	1,500	65,568	(64,068)
Office	20,400	19,528	872
Insurance	23,000	18,234	4,766
Repairs and maintenance	136,200	171,929	(35,729)
Utilities	52,700	43,195	9,505
Supplies and equipment	500	318	182
Other operating	9,800	20,067	(10,267)
Total operating expenses	2,213,010	2,174,037	38,973
Operating income before depreciation	374,495	345,024	(29,471)
Depreciation	35,991	1,560,302	(1,524,311)
Net operating income (loss)	338,504	(1,215,278)	(1,553,782)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	50,000	1,654,707	1,604,707
Contributions	-	77,650	77,650
Interest income	25,157	96	(25,061)
Interest expense	(121,949)	(120,958)	991
Net non-operating revenues (expenses)	(46,792)	1,611,495	1,658,287
Net income (loss)	\$ 291,712	\$ 396,217	\$ 104,505
OTHER BUDGETED EXPENSES			
Debt service	\$ (154,212)		
Capital outlay	(137,500)		
Total other budgeted expenses	(291,712)		
Budgeted net income (loss)	\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - POOL
For the Year Ended June 30, 2010**

	Revised Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES			
Admissions	\$ 74,000	\$ 39,995	\$ (34,005)
Other operating	67,300	47,322	(19,978)
<hr/>			
Total operating revenues	141,300	87,317	(53,983)
<hr/>			
OPERATING EXPENSES			
Salaries and related expenses	152,341	167,672	(15,331)
Professional fees	2,530	3,510	(980)
Office	2,325	2,557	(232)
Insurance	3,865	1,894	1,971
Repairs and maintenance	15,650	20,469	(4,819)
Utilities	16,850	13,612	3,238
Supplies and equipment	14,750	10,755	3,995
Lessons and programs	2,400	-	2,400
Other operating	8,150	6,418	1,732
<hr/>			
Total operating expenses	218,861	226,887	(8,026)
<hr/>			
Operating income (loss) before depreciation	(77,561)	(139,570)	(62,009)
Depreciation	-	102,558	(102,558)
<hr/>			
Net operating income (loss)	(77,561)	(242,128)	(164,567)
<hr/>			
NON-OPERATING REVENUES			
Transfer from general fund	79,561	79,561	-
<hr/>			
Total non-operating expenses	79,561	79,561	-
<hr/>			
Net income (loss)	\$ 2,000	\$ (162,567)	\$ (164,567)
<hr/>			
OTHER BUDGETED EXPENSES			
Capital outlay	\$ (2,000)		
Total other budgeted expenses	(2,000)		
<hr/>			
Budgeted net income (loss)	\$ -		
<hr/>			

TALBOT COUNTY, MARYLAND
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2010

	Special Revenue Funds		
	Developmental Impact	Talbot Family Network	Total Other Governmental Funds
ASSETS			
Cash and short-term investments	\$ 1,165,571	\$ 591,206	\$ 1,756,777
Certificate of deposit	883,166	447,962	1,331,128
Receivables:			
Accounts receivable	-	8,749	8,749
Intergovernmental:			
State	-	67,614	67,614
Total Assets	\$ 2,048,737	\$ 1,115,531	\$ 3,164,268
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 313,505	\$ 313,505
Unearned revenue	-	45,018	45,018
Total Liabilities	-	358,523	358,523
FUND BALANCES			
Unreserved:			
Designated for social services	-	757,008	757,008
Designated for capital projects	2,048,737	-	2,048,737
Total Fund Balances	2,048,737	757,008	2,805,745
Total Liabilities and Fund Balances	\$ 2,048,737	\$ 1,115,531	\$ 3,164,268

TALBOT COUNTY, MARYLAND
COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Special Revenue Funds		
	Developmental Impact	Talbot Family Network	Total Other Governmental Funds
REVENUES			
Intergovernmental:			
State	\$ -	\$ 421,061	\$ 421,061
Licenses and permits	543,808	-	543,808
Interest	24,325	14,955	39,280
Total revenues	568,133	436,016	1,004,149
EXPENDITURES			
Social services	-	590,137	590,137
Excess (deficiency) of revenues over expenditures	568,133	(154,121)	414,012
Net change in fund balances	568,133	(154,121)	414,012
Fund balances at beginning of year	1,480,604	911,129	2,391,733
Fund balances at end of year	\$ 2,048,737	\$ 757,008	\$ 2,805,745

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 Eight 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>	<u>2010</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	\$ 75,347,678
Unrestricted	<u>21,900,817</u>	<u>24,467,804</u>	<u>33,050,665</u>	<u>43,576,637</u>	<u>53,678,457</u>	<u>48,711,869</u>	<u>40,028,210</u>	<u>14,736,372</u>
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	\$ 90,084,050
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	\$ 54,672,754
Unrestricted	<u>2,766,537</u>	<u>2,010,982</u>	<u>1,962,310</u>	<u>408,598</u>	<u>1,819,349</u>	<u>940,871</u>	<u>(2,028,817)</u>	<u>(399,540)</u>
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	\$ 54,273,214
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	\$ 130,020,432
Unrestricted	<u>24,667,354</u>	<u>26,478,786</u>	<u>35,012,975</u>	<u>43,985,235</u>	<u>55,497,806</u>	<u>49,652,740</u>	<u>37,999,393</u>	<u>14,336,832</u>
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>	<u>\$ 144,357,264</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 Eight 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>	<u>2010</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	\$ 9,518,269
Public safety	7,004,515	8,579,829	10,277,842	10,921,003	11,161,287	12,911,154	13,731,318	13,185,294
Public works	2,496,544	2,925,889	4,642,392	4,981,242	4,637,883	4,085,559	4,831,967	4,249,569
Health and hospitals	1,379,364	1,355,972	1,449,359	1,531,391	1,880,034	1,964,816	2,338,752	2,410,440
Social services	2,953,069	1,609,871	1,696,493	1,814,939	1,402,948	1,404,799	1,484,690	1,499,755
Education	33,340,191	29,268,117	30,704,758	31,966,292	39,858,261	45,950,955	46,271,163	39,811,132
Recreation	296,404	345,504	542,531	1,275,345	2,577,757	894,668	885,695	864,772
Conservation of natural resources	209,727	231,996	210,248	244,923	295,659	274,430	302,516	269,891
Miscellaneous	1,409,577	1,522,465	-	-	-	-	-	-
Interest on long-term debt	155,585	157,743	124,966	113,108	100,461	86,132	71,418	55,936
Total governmental activities expenses	<u>53,631,288</u>	<u>50,992,719</u>	<u>54,628,759</u>	<u>58,463,706</u>	<u>67,361,701</u>	<u>76,049,490</u>	<u>80,068,970</u>	<u>71,865,058</u>
Business-type activities:								
Recreation facilities	2,137,153	2,147,153	2,140,155	2,494,818	3,217,842	3,825,521	3,258,076	2,958,425
Sanitary district	1,337,094	1,414,081	1,468,246	1,485,046	1,649,537	2,910,842	3,396,151	2,759,881
Airport	2,204,071	2,434,808	2,832,127	3,438,045	3,468,909	4,089,080	4,280,559	3,855,297
Pool	282,896	276,819	314,780	350,962	343,182	397,365	397,202	329,445
Total business-type activities expenses	<u>5,961,214</u>	<u>6,272,861</u>	<u>6,755,308</u>	<u>7,768,871</u>	<u>8,679,470</u>	<u>11,222,808</u>	<u>11,331,988</u>	<u>9,903,048</u>
Total primary government expenses	<u>\$ 59,592,502</u>	<u>\$ 57,265,580</u>	<u>\$ 61,384,067</u>	<u>\$ 66,232,577</u>	<u>\$ 76,041,171</u>	<u>\$ 87,272,298</u>	<u>\$ 91,400,958</u>	<u>\$ 81,768,106</u>
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	\$ 2,083,519
Public safety	492,915	700,872	767,105	586,274	568,421	565,415	487,375	318,213
Public works	-	-	181,792	408,874	1,089,966	321,330	233,621	152,197
Health and hospitals	42,531	69,496	68,644	57,058	63,159	75,854	89,123	89,939
Education	-	-	391,810	631,900	532,531	292,956	189,303	267,153
Recreation	35,320	65,631	114,412	150,279	135,440	124,690	133,934	144,521
Operating grants and contributions	<u>7,245,332</u>	<u>6,332,123</u>	<u>7,790,739</u>	<u>8,397,525</u>	<u>10,045,423</u>	<u>10,108,796</u>	<u>9,192,985</u>	<u>3,134,627</u>
Total governmental activities program revenues	<u>8,583,024</u>	<u>8,885,942</u>	<u>11,190,963</u>	<u>12,484,386</u>	<u>14,729,894</u>	<u>13,787,715</u>	<u>12,565,389</u>	<u>6,190,169</u>

	Fiscal Year							
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
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	1,446,815
Sanitary district	1,072,726	1,015,001	1,110,847	1,061,865	1,151,340	1,803,762	2,100,885	2,045,673
Easton airport	1,807,185	1,856,821	2,330,429	2,904,517	2,824,353	3,075,162	2,898,388	2,519,061
Pool	276,852	86,424	80,220	93,161	87,769	79,302	77,082	87,317
Capital grants and contributions	-	1,647,042	833,848	4,895,190	6,416,909	7,269,502	2,297,603	5,282,059
Total business-type activities program revenues	<u>4,149,118</u>	<u>5,924,625</u>	<u>5,799,070</u>	<u>10,202,202</u>	<u>12,178,458</u>	<u>13,954,633</u>	<u>8,849,456</u>	<u>11,380,925</u>
Total primary government program revenues	<u>\$ 12,732,142</u>	<u>\$ 14,810,567</u>	<u>\$ 16,990,033</u>	<u>\$ 22,686,588</u>	<u>\$ 26,908,352</u>	<u>\$ 27,742,348</u>	<u>\$ 21,414,845</u>	<u>\$ 17,571,094</u>
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)	\$ (65,674,889)
Business-type activities	<u>(1,812,096)</u>	<u>(348,236)</u>	<u>(956,238)</u>	<u>2,433,331</u>	<u>3,498,988</u>	<u>2,731,825</u>	<u>(2,482,532)</u>	<u>1,477,877</u>
Total primary government net expense	<u>\$ (46,860,360)</u>	<u>\$ (42,455,013)</u>	<u>\$ (44,394,034)</u>	<u>\$ (43,545,989)</u>	<u>\$ (49,132,819)</u>	<u>\$ (59,529,950)</u>	<u>\$ (69,986,113)</u>	<u>\$ (64,197,012)</u>
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	\$ 28,324,937
Local income tax	13,115,496	15,429,138	19,492,772	23,825,934	28,794,974	31,626,307	31,635,555	19,260,503
Other local taxes	6,577,034	9,909,957	13,681,174	13,647,096	12,002,501	9,949,967	7,097,837	6,831,278
Interest	588,344	299,144	795,404	1,870,166	3,049,507	3,405,782	2,470,720	980,562
Miscellaneous	3,855,478	2,840,639	718,241	324,881	622,980	456,406	739,625	1,927,226
Transfers in (out)	(793,990)	(217,025)	(1,263,775)	(2,951,227)	(1,563,108)	(7,350,122)	(1,196,795)	(1,664,071)
Total governmental activities	<u>43,627,524</u>	<u>49,492,606</u>	<u>55,933,371</u>	<u>60,541,419</u>	<u>67,958,072</u>	<u>64,460,168</u>	<u>68,183,310</u>	<u>55,660,435</u>
Business-type activities:								
Interest	87,770	45,093	103,292	145,109	139,807	115,854	98,421	60,046
Miscellaneous	-	-	-	12,008	(2,740)	2,160	-	-
Transfers in (out)	793,990	217,025	1,263,775	2,951,227	1,563,108	7,350,122	1,196,795	1,664,071
Total business-type activities	<u>881,760</u>	<u>262,118</u>	<u>1,367,067</u>	<u>3,108,344</u>	<u>1,700,175</u>	<u>7,468,136</u>	<u>1,295,216</u>	<u>1,724,117</u>
Total primary government	<u>\$ 44,509,284</u>	<u>\$ 49,754,724</u>	<u>\$ 57,300,438</u>	<u>\$ 63,649,763</u>	<u>\$ 69,658,247</u>	<u>\$ 71,928,304</u>	<u>\$ 69,478,526</u>	<u>\$ 57,384,552</u>
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	\$ (10,014,454)
Business-type activities	<u>(930,336)</u>	<u>(86,118)</u>	<u>410,829</u>	<u>5,541,675</u>	<u>5,199,163</u>	<u>10,199,961</u>	<u>(1,187,316)</u>	<u>3,201,994</u>
Total primary government	<u>\$ (2,351,076)</u>	<u>\$ 7,299,711</u>	<u>\$ 12,906,404</u>	<u>\$ 20,103,774</u>	<u>\$ 20,525,428</u>	<u>\$ 12,398,354</u>	<u>\$ (507,587)</u>	<u>\$ (6,812,460)</u>

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>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>	<u>2010</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ 22,051	\$ 7,681	\$ 42,293	\$ 2,509,615	\$ 913,869	\$ 966,200	\$ 105,269
Unreserved										
Designated	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	15,947,750
Undesignated	<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>	<u>16,992,681</u>
Total General Fund	<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>	<u>\$ 33,045,700</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	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	20,893,889
Designated - Special Revenue Funds	695,660	721,981	720,150	594,188	1,707,767	2,859,426	4,839,284	24,295	2,391,733	2,805,745
Undesignated - Special Revenue Funds	<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>	<u>-</u>
Total all other governmental funds	<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>	<u>\$ 23,699,634</u>
Total Governmental Funds	\$ 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	\$ 56,745,334

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Property tax	\$ 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	\$ 28,324,937
Income tax	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	19,260,503
Other local taxes	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	6,831,278
Licenses and permits	527,143	634,650	559,035	657,060	1,434,242	2,163,301	2,634,811	1,451,225	1,031,899	1,079,221
Intergovernmental:										
Federal	361,314	598,959	1,005,838	1,017,047	2,161,763	897,727	1,166,795	986,313	1,440,141	862,601
State	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	2,272,026
Service charges	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	1,967,453
Fines and forfeitures	18,131	17,499	21,830	22,220	11,241	5,452	14,509	6,755	3,691	8,868
Miscellaneous	341,200	520,350	617,536	742,247	707,000	324,881	622,980	456,406	739,625	1,927,226
Interest Income	1,765,084	786,748	588,344	299,143	795,404	1,870,166	3,049,507	3,405,782	2,470,720	980,562
Total revenues	50,953,376	51,560,678	53,004,538	58,650,884	68,388,109	75,977,034	84,251,074	85,598,005	81,945,494	63,514,675
Expenditures										
General Government	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	5,704,039
Public Safety	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	11,048,315
Public Works	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	3,563,248
Health and hospitals	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	2,404,180
Social services	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	1,484,019
Education	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	38,199,314
Debt service interest - Educ	679,689	664,574	1,128,080	1,095,167	1,060,135	901,243	891,193	1,273,144	1,751,927	1,664,321
Debt service principal - Educ	407,871	571,051	953,302	1,002,888	1,044,951	988,345	1,124,548	1,162,079	2,027,389	2,112,140
Recreation	334,753	491,690	492,123	518,026	491,528	1,104,324	2,992,661	2,497,017	1,279,319	491,376
Conservation of natural resources	173,938	164,901	206,433	231,996	210,248	244,923	295,659	274,430	313,771	269,891
Employee Benefits	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	3,116,961
Miscellaneous	157,887	87,856	45,590	125,035	58,960	209,365	94,132	233,696	122,362	130,043
Intergovernmental	481,343	446,811	451,785	492,908	544,538	701,132	860,102	860,442	750,180	722,861
Debt service interest	149,516	135,342	155,585	157,743	124,966	113,108	100,461	86,132	71,418	55,936
Debt service principal	283,077	292,947	330,842	341,299	291,241	306,022	318,022	333,097	345,390	363,245
Contingencies	317,350	973,848	563,881	623,008	363,013	66,850	135,445	157,807	228,661	306,253
Total expenditures	49,302,786	54,754,425	58,783,049	56,026,221	58,496,562	62,417,844	72,547,650	83,130,279	88,882,843	71,636,142
Excess of revenues over (under) expenditures	1,650,590	(3,193,747)	(5,778,511)	2,624,663	9,891,547	13,559,190	11,703,424	2,467,726	(6,937,349)	(8,121,467)
Other Financing Sources (Uses)										
Proceeds from long-term debt	-	11,245,000	-	180,000	-	2,325,000	-	25,020,000	-	13,000
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)	(79,561)
Recreation	-	(336,050)	(674,890)	(77,305)	(1,138,500)	(2,831,701)	(1,414,148)	(7,197,346)	(1,052,781)	(1,584,510)
Total other financing sources (uses)	-	10,875,150	(793,990)	(37,025)	(1,263,775)	(2,987,959)	(1,563,108)	17,977,008	(1,196,795)	(1,651,071)
Net change in fund balances	\$ 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)	\$ (9,772,538)
Debt service as a percentage of noncapital expenditures	3.10%	3.57%	4.78%	5.11%	4.65%	3.98%	3.68%	3.83%	5.40%	6.05%

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	
2010	10,076,574,525	10,076,574,525	499,830,573	9,576,743,952	56,285,760	10,132,860,285	10,132,860,285	9,633,029,712	0.432
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

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>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>	<u>2010</u>
County Direct Rates										
General	\$ 1.39	\$ 0.556	\$ 0.553	\$ 0.553	\$ 0.540	\$ 0.520	\$ 0.500	\$ 0.475	\$ 0.449	\$ 0.432
Town Rates										
Easton	1.00	0.44	0.44	0.453	0.440	0.430	0.480	0.520	0.520	0.5200
Oxford	0.55	0.25	0.26	0.280	0.300	0.300	0.290	0.280	0.256	0.2438
Queen Anne	0.45	0.18	0.18	0.180	0.180	0.180	0.180	0.180	0.180	0.1800
St. Michaels	1.20	0.58	0.58	0.640	0.640	0.640	0.640	0.640	0.640	0.6400
Trappe	0.54	0.22	0.30	0.300	0.300	0.300	0.300	0.300	0.300	0.3000

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

<u>Taxpayer</u>	<u>Fiscal Year 2010</u>			<u>Fiscal Year 2001</u>		
	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Retirement Comm. Of Easton, Inc.	\$ 29,476,300	1	0.34%			
Perry Cabin Acquisition Corp.	20,608,432	2	0.24%	\$ 2,461,560	9	0.19%
Easton Shoppes Business Trust	13,427,800	3	0.15%	4,966,240	1	0.38%
Lowe's Home Centers, Inc.	12,955,800	4	0.15%			0.00%
Individual	12,108,900	5	0.14%			
Remco Properties, LLC	12,055,500	6	0.14%			
Target Corporation	9,396,400	7	0.11%			
Wal-Mart Stores Inc. #1715	8,922,000	8	0.10%	2,419,360	10	0.19%
Individual	8,893,530	9	0.10%			
Individual	8,680,480	10	0.10%			
Eastern Shore Retirement Assoc.				4,046,280	2	0.31%
Cal-Mar Associates				2,801,170	3	0.22%
Easton Marketplace LLC				2,701,520	4	0.21%
Marlboro Road Shopping Center				2,597,560	5	0.20%
Tidewater Inn, LLC				2,531,000	6	0.20%
Black And Decker (U.S.) Inc.				2,516,920	7	0.19%
Hampden Investment Properties				2,462,040	8	
Total	\$ 136,525,142		1.57%	\$ 29,503,650		2.09%

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
2010	27,801,093	27,801,093	100.00%	-	27,801,093	100.00%
2009	26,909,600	26,898,002	99.96%	(31,611)	26,837,144	99.73%
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%

Source: Talbot County Finance Office

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

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

State Income Tax Rates										
Tax Year	\$1 to \$1,000 Net Taxable Income	\$1,001 to \$2,000 Net Taxable Income	\$2,001 to \$3,000 Net Taxable Income	In excess of \$3,000 Net Taxable Income	\$3,001 to \$150,000 Net Taxable Income	\$150,001 to \$300,000 Net Taxable Income	\$300,001 to \$500,000 Net Taxable Income	\$500,001 to \$1,000,000 Net Taxable Income	In excess of \$1,000,000 Net Taxable Income	Talbot County Income Tax Direct Rate
2008	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2007	2.00%	3.00%	4.00%	4.75%						2.25%
2006	2.00%	3.00%	4.00%	4.75%						2.25%
2005	2.00%	3.00%	4.00%	4.75%						2.25%
2004	2.00%	3.00%	4.00%	4.75%						2.25%
2003	2.00%	3.00%	4.00%	4.75%						1.79%
2002	2.00%	3.00%	4.00%	4.75%						1.79%
2001	2.00%	3.00%	4.00%	4.80%						1.77%
2000	2.00%	3.00%	4.00%	4.85%						1.75%
1999	2.00%	3.00%	4.00%	4.85%						1.76%

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

Notes:

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
2008	14,129	1,275,092,494	997,801,625	45,438,942	22,225,752	67,664,694	2.25%
2007	15,098	1,637,948,218	1,327,023,177	55,858,849	29,601,486	85,460,335	2.25%
2006	14,912	1,479,509,503	1,198,242,460	50,575,137	26,704,974	77,280,111	2.25%
2005	14,598	1,291,510,360	1,044,209,152	45,179,814	23,253,365	68,433,179	2.25%
2004	13,838	1,019,237,035	814,647,762	35,470,358	18,097,797	53,568,155	2.25%
2003	13,465	885,849,882	693,793,965	29,853,475	12,237,862	42,091,337	1.79%
2002	13,209	840,433,946	646,451,786	28,141,244	11,400,412	39,541,656	1.79%
2001	13,402	859,877,248	677,836,887	30,101,156	11,831,961	41,933,117	1.77%
2000	13,646	937,647,561	754,189,002	33,740,370	13,030,384	46,770,754	1.75%
1999	13,309	876,025,027	706,628,699	31,824,426	12,265,887	44,090,313	1.76%

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

Notes:

See Schedule 11 for detailed breakout of adjusted gross income.

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

	Tax Year 2008					
	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	231	1.6%	\$ 319,282,023	32.00%	\$ 7,183,847	32.32%
\$200,000 - 499,999	688	4.9%	175,312,826	17.57%	3,944,540	17.75%
\$100,000 - 199,999	1,832	13.0%	191,767,558	19.22%	4,314,772	19.41%
\$50,000 - 99,999	3,705	26.2%	184,851,810	18.53%	4,157,796	18.71%
\$25,000 - 49,999	4,079	28.9%	94,588,947	9.48%	2,037,792	9.17%
\$5,000 - 24,999	3,529	25.0%	31,888,478	3.20%	584,730	2.63%
Under \$5,000	65	0.5%	109,983	0.01%	2,275	0.01%
Totals	14,129	100.0%	\$ 997,801,625	100.0%	\$ 22,225,752	100.0%

	Tax Year 1999					
	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	537	4.0%	\$ 298,749,451	42.3%	\$ 5,248,796	42.8%
\$100,000 - 199,999	995	7.5%	111,662,145	15.8%	1,965,250	16.0%
\$50,000 - 99,999	2,771	20.8%	148,004,061	20.9%	2,604,869	21.2%
\$25,000 - 49,999	3,791	28.5%	98,598,636	14.0%	1,728,980	14.1%
\$5,000 - 24,999	5,076	38.1%	49,377,577	7.0%	714,267	5.8%
Under \$5,000	139	1.0%	236,829	0.0%	3,725	0.0%
Totals	13,309	100.0%	\$ 706,628,699	100.0%	\$ 12,265,887	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			
2010	38,873,216	13,596,277	70,269	52,539,762	2.49%	1,448.89
2009	41,372,747	13,582,399	129,153	55,084,299	2.61%	1,519.06
2008	43,777,276	14,074,978	180,211	58,032,465	2.75%	1,607.01
2007	20,283,936	13,541,483	273,950	34,099,369	1.65%	945.18
2006	21,757,660	8,262,807	281,747	30,302,214	1.56%	840.26
2005	23,053,302	4,038,642	-	27,091,944	1.52%	760.18
2004	24,389,494	4,271,029	-	28,660,523	1.68%	814.44
2003	25,711,180	4,493,625	-	30,204,805	2.00%	873.95
2002	27,156,574	4,772,135	-	31,928,709	2.18%	929.24
2001	16,940,572	3,231,374	-	20,171,946	1.42%	591.51

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

Notes:

2009 and 2010 percentages calculated using 2008 personal income data, which is the most recent available.

2010 debt per capita is calculated using 2009 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
2010	52,469,493	9,633,029,712	0.54%	*	1,446.96
2009	54,955,146	8,695,732,840	0.63%	36,262	1,521.80
2008	57,852,254	7,508,763,242	0.77%	36,112	1,602.02
2007	33,825,419	6,353,469,363	0.53%	36,077	937.59
2006	30,020,467	5,500,024,973	0.55%	36,063	832.45
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

Sources:

^a Talbot County Finance Office

^b State of Maryland, Department of Assessments and Taxation

^c U.S. Census Bureau.

* Information not yet available; 2010 debt per capita is calculated using 2009 census data.

Schedule 14
Talbot County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2010

<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	2,384,415,305	23.66%	9,198,552	\$ 10,475,000	\$ 19,673,552
Oxford	396,583,282	3.94%	1,529,931	-	1,529,931
Queen Anne	7,984,974	0.08%	30,804	-	30,804
St. Michaels	328,836,644	3.26%	1,268,580	4,783,325	6,051,905
Trappe	94,066,325	0.93%	362,887	228,303	591,190
Unincorporated	6,864,687,995	68.13%	26,482,462	-	26,482,462
Total	10,076,574,525	100.00%	38,873,216	\$ 15,486,628	\$ 54,359,844

Sources:

^aState of Maryland, Department of Assessments and Taxation

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

	Fiscal Year									
	<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>	<u>2010</u>
Taxable Assessable Base *	\$ 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	\$ 9,633,030
Debt Limit, 15% of Assessable Base	505,869	516,175	541,783	596,953	658,875	825,004	953,020	1,126,314	1,304,360	1,444,955
Amount of Debt Applicable to Limit										
General Obligation Bonds	16,941	27,157	25,711	24,389	23,053	30,020	20,284	43,777	41,373	38,873
Legal Debt Margin	<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>	<u>\$ 1,406,082</u>
Total net debt applicable to the limit as a percentage of debt limit	3.35%	5.26%	4.75%	4.09%	3.50%	3.64%	2.13%	3.89%	3.17%	2.69%

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
2010	*	*	*	4,495	*
2009	36,262	*	*	4,419	7.0%
2008	36,112	2,108,976	58,401	4,396	4.3%
2007	36,077	2,065,588	57,255	4,398	3.4%
2006	36,063	1,937,689	53,710	4,482	3.5%
2005	35,639	1,783,541	50,045	4,505	3.9%
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%

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

Employer	CY 2009			CY 2000		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Shore Health Systems/EMH	2,400	1	12.25%	1,000	1	5.49%
Allen Family Foods	550	2	2.81%	700	2	3.84%
Quality Health Strategies	400	3	2.04%			
Shore Bancshares	350	4	1.79%			0.00%
William Hill Manor	300	5	1.53%	185	6	1.01%
Wal-Mart	220	6	1.12%			
Global Strategies Group	200	7	1.02%			0.00%
Genesis Healthcare/The Pines	186	8	0.95%	186	5	
Pro Temps Staffing Solutions	175	9	0.89%			0.00%
Chesapeake Publishing	160	10	0.82%	165	7	0.91%
Cadmus Journal Services				340	3	1.87%
Chesapeake Building Components				200	4	1.10%
Celeste Industries				140	8	0.77%
Orion Safety Products				70	9	0.38%
Salisbury Pewter				70	10	0.38%
	<u>4,941</u>		<u>25.22%</u>	<u>3,056</u>		<u>15.75%</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>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>	<u>2010</u>
General Government	*	*	49.6	50.1	57.8	60.9	65.8	66.7	68.4	66.0
Public Safety	*	*	103.1	112.8	117.3	123.3	128.7	139.6	151.1	151.3
Public Works	*	*	35.2	33.0	34.4	36.5	39.9	44.7	48.3	50.5
Social Services	*	*	10.8	5.6	5.3	5.0	4.0	4.8	4.0	3.4
Recreation	*	*	45.2	47.1	46.9	47.8	51.1	52.4	51.8	46.0
Airport	*	*	5.0	5.1	5.0	5.1	5.0	5.0	4.9	5.0
Total	<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>	<u>322.2</u>

Sources: Talbot County Finance Office and applicable County Departments.

* 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>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>	<u>2010</u>
General Government										
Building Permits issued	921	920	656	909	999	1,034	626	529	388	316
Value of new construction (000's)	61,128	83,618	64,013	70,601	130,073	62,002	76,505	58,812	36,505	31,116
Public Safety										
Detention Center										
Avg. daily population	107	91	102	98	106	101	106	106	90	92
Bookings	838	821	876	782	833	850	764	989	821	807
9-1-1 Calls Answered										
Fire	1,288	1,286	1,388	1,339	1,370	1,409	1,462	1,557	1,427	1,724
Emergency Medical Services	1,082	1,267	3,144	3,861	4,568	4,525	4,767	4,330	4,334	4,408
Sheriff	1,385	4,335	5,592	6,230	10,983	15,053	10,939	12,592	14,891	15,191
Other Police	*	4,772	5,000	4,323	4,778	6,682	6,578	7,289	7,755	7,399
Education										
Students	4,521	4,516	4,498	4,459	4,505	4,482	4,398	4,396	4,419	4,495
Teachers	317	324	330	329	320	319	319	333	345	345
Recreation Facilities										
Boat ramp permits	2,651	2,934	3,992	3,705	4,357	4,482	3,635	6,673	6,288	6,848
Golf rounds	38,863	44,654	23,507	37,217	39,142	40,080	43,110	30,140	33,670	22,781
Public Works										
Centerline miles of road maintained	367	367	369	369	369	370	372	372	372	372
Wastewater treated (mgd)	*	0.423	0.423	0.540	0.550	0.490	0.561	0.450	0.415	0.558
Airport										
Based aircraft	148	145	148	148	158	158	170	185	147	143
Gallons of fuel sold	864,267	757,000	730,500	715,161	760,910	817,497	809,242	690,904	679,857	614,612

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

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2010</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	10	10	11	11	11	11	12
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	13	13	13	17
Park acreage	190	190	190	190	190	190	632	632	672	672
Public Landings & Wharves	28	28	28	28	29	29	29	29	29	29
Boat Slips	102	102	102	102	102	113	113	113	113	117
Public Pools	1	1	2	2	2	2	2	2	2	2
Public Works										
Centerline miles of county roads	367	367	369	369	369	370	372	372	372	372
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	2	2	2	2	2	2	2	3	4	3
Miles of mains	33	33	33	33	33	33	33	38	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.