

TALBOT COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2012

Report Prepared By:

Talbot County, Maryland Finance Office



TALBOT COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2012
 TABLE OF CONTENTS

	Page(s)
INTRODUCTORY SECTION	
Letter of Transmittal	2 - 5
GFOA Certificate of Achievement	6
Organization Chart	7
List of Elected and Appointed Officials	8
FINANCIAL SECTION	
Independent Auditors' Report	10 - 11
Management's Discussion and Analysis	13 - 23
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	25 - 26
Statement of Activities	27 - 28
Fund Financial Statements:	
Balance Sheet - Governmental Funds	31
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	32
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types	33
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	34
Statement of Fund Net Assets - Business-type Activities	35
Statement of Revenues, Expenses and Changes in Fund Net Assets - Business-type Activities	36
Statement of Cash Flows - Business-type Activities	37 - 40
Statement of Fiduciary Net Assets	41
Statement of Changes in Fiduciary Net Assets	42
Notes to Financial Statements	43 - 72
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	74 - 84
Schedule of Funding Progress - Other Post-Employment Benefits	85
Notes to Required Supplementary Information	86
Other Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Projects Fund	88

TALBOT COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2012
 TABLE OF CONTENTS
 (CONTINUED)

	Page(s)
FINANCIAL SECTION (CONTINUED)	
Schedule of Revenues and Changes in Fund Balances - Budget and Actual - Developmental Impact Fund	89
Schedule of Revenues and Changes in Fund Balances - Budget and Actual - Grants Fund	90
Schedule of Revenues and Expenditures - Budget and Actual - Talbot Family Network	91
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Recreation Facilities	93 - 94
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Sanitary District	95 - 98
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Easton Airport	99
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Pool	100
Combining Balance Sheet - Other Governmental Funds	101
Combining Schedule of Revenues and Expenditures - Other Governmental Funds	102
Schedule of Revenues and Expenses - As Required by the GOC for LMB Offices on Behalf of the Children's Cabinet	103
Notes to Other Supplementary Information	104
 STATISTICAL SECTION (UNAUDITED)	
Net Assets by Component, Last Ten Fiscal Years	106
Changes in Net Assets, Last Ten Fiscal Years	107 - 108
Fund Balances, Governmental Funds, Last Ten Fiscal Years	109
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	110
Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	111
Direct and Overlapping Property Tax Rates, Last Ten Years	112
Principal Property Tax Payers, Current Year and Nine Years Ago	113
Property Tax Levies and Collections, Last Ten Fiscal Years	114
Income Tax Rates, Last Ten Tax Years	115
Income Tax Filers Summary Information, Last Ten Tax Years	116

TALBOT COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the FISCAL YEAR ENDED JUNE 30, 2012
TABLE OF CONTENTS
(CONTINUED)

	Page(s)
STATISTICAL SECTION (UNAUDITED)	
Income Tax Filers, Net Taxable Income, and Liability by Adjusted Gross Income Level, Current Year and Nine Years Ago	117
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	118
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	119
Direct and Overlapping Governmental Activities Debt	120
Legal Debt Margin Information, Last Ten Fiscal Years	121
Demographic and Economic Statistics, Last Ten Fiscal Years	122
Principal Private Employers, Current Year and Nine Years Ago	123
Full-time Equivalent County Government Employees by Function, Last Ten Fiscal Years	124
Operating Indicators by Function, Last Ten Fiscal Years	125
Capital Asset Statistics by Function, Last Ten Fiscal Years	126

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF ELECTED AND APPOINTED OFFICIALS



TALBOT COUNTY, MARYLAND

COURT HOUSE

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

FINANCE OFFICE
PHONE: 410-770-8020

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

November 30, 2012

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, 2012 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, 2012. 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, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

Form of Government

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

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

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

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

Component Units

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

Budget Process

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

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

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

Factors Affecting Financial Condition

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

Local Economy. Like state and local governments across the country, Talbot County is concerned about the National 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 continued reductions in state funding and additional costs that may be passed on to local governments, and the potential reduction of income tax revenues, primarily those derived from non-wage income. In FY 2012 Income tax revenues increased modestly and the County anticipates increases for FY 2013. Housing related revenues, particularly recordation and transfer taxes have begun to stabilize. 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 (7.2%) rate and be below the National (8.2%) rate as evidenced by the June 2012 County rate of 7.3 percent. 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 not planning to issue any new debt in FY 2013. In FY 2013 and beyond the focus will be on providing for various County and school building maintenance projects, the infrastructure requirements associated with the construction of a new hospital facility, public safety communication projects and grant matching dollars for park and public landing improvement projects. There were no major new initiatives identified in the FY 2013 Capital Program.

Talbot County has a policy to allot a portion of the General Fund unassigned fund balance equal to 15% of actual General Fund expenditures to be used in case of fiscal emergencies. As of June 30, 2012 Talbot County's unassigned fund balance was 21.4% of actual expenditures.

The County's FY 2012 actual Income tax revenues were 6.7% more than the amount originally budgeted. The FY 2013 budget includes an income tax rate increase and anticipates a 6.7% increase in Income tax revenues from the FY 2012 actual collections.

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, 2011. 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 eleven 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, 2011

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



Linda C. Dandison

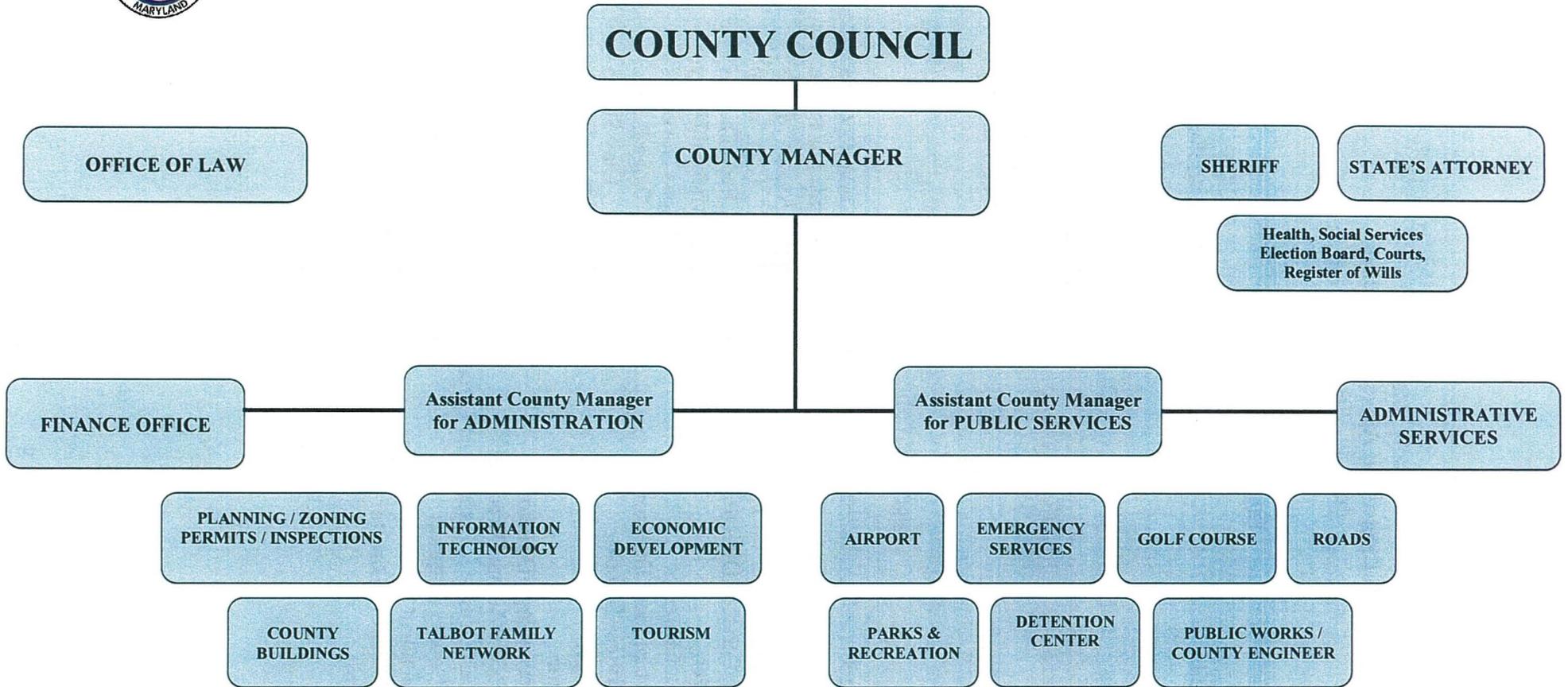
President

Jeffrey R. Emswiler

Executive Director



TALBOT COUNTY GOVERNMENT ORGANIZATIONAL CHART



Talbot County, Maryland
List of Elected and Appointed Officials
June 30, 2012

Elected Officials

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

Appointed Officials

County Manager	John C. Craig
Attorney	Michael L. Pullen
Assistant County Manager for Administration	Jessica Morris
Assistant County Manager for Public Services	Clay Stamp
Administrative Services Director	Cheril Thomas
Airport Manager	Michael Henry
Detention Center Director	Douglas Devenyns
Economic Development Director	Paige Bethke
Emergency Services Director	Clay Stamp
Facilities Manager	Brian Moore
Finance Director	Angela Lane
Information Technology Director	Parker Durham
Parks & Recreation Acting Director	Cynthia Meekins
Planning Officer/Permits & Inspections Director	Ernest "Sandy" Coyman
Public Works/County Engineer	Raymond Clarke
Roads Superintendent	Ricky Ball
Talbot Family Network Director	vacant
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, 2012, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012, on our consideration of Talbot County, Maryland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

A handwritten signature in red ink, appearing to read "J.M. Arroyo LAC".

Salisbury, Maryland
November 30, 2012

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, 2012. 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, 2012, the assets of Talbot County exceeded liabilities by \$132.6 million (net assets), a decrease of \$4.1 million, or 3.0 percent, from the prior year. Approximately 57.8 percent of net assets are attributable to the County's governmental activities. Total net assets is comprised of \$134.8 million invested in capital assets, net of related debt, \$287 thousand of restricted net assets and \$2.5 million deficit in the unrestricted component of net assets. This deficit occurred because the County issues debt to fund the construction projects for the Board of Education of Talbot County, a component unit, and Chesapeake College, a five county regional community college. The school buildings that are constructed through the County's financial support are assets of the Board of Education of Talbot County and Chesapeake College, and therefore are not shown as assets of Talbot County. At June 30, 2012 the County included \$32.6 million of bonds payable in liabilities for school construction projects and no corresponding capital assets.
- Income Tax revenues increased by \$1.7 million or 9.3 percent from FY 2011's actual collections. This is the first time since FY 2009 that actual income tax revenues have been more than the prior year.
- As of June 30, 2012, the County's governmental funds reported combined fund balances of \$29.7 million, a decrease of \$12.7 million, or 30.1 percent, from the prior year. Approximately 51.6 percent of the combined fund balances is available to help meet the County's future funding needs (unassigned fund balance).
- The unassigned fund balance for the General Fund (primary operating fund) was \$15.3 million at June 30, 2012. The County has a policy of allotting a portion of the unassigned fund balance as a "rainy day fund". The amount allotted at June 30, 2012 for the "rainy day fund" is \$9.7 million (15 percent of the actual general fund expenditures). In addition, the County has allotted \$2.0 million for advance funding toward the County's long-term obligation related to non-pension, or "other post-employment" benefits (OPEB) Trust.
- An "other post-employment" benefits (OPEB) Trust was established in FY 2011. In FY 2012 the County transferred \$7.0 million to the Trust.
- Talbot County Government's total debt, excluding compensated absences, decreased by \$3.2 million during the year ended June 30, 2012. See Note 6 of this report for details of the debt.

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 three categories: governmental funds, proprietary funds and fiduciary 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.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for the proprietary funds. The County has one trust fund which is the Talbot County OPEB Trust.

The basic fiduciary fund financial statements can be found on pages 41-42 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 43-72 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 \$132,640,526 at the close of the most recent fiscal year, as shown in the schedule of net assets below. Talbot County's net assets are divided into three categories, *invested in capital assets*, (net of related debt), *restricted* and *unrestricted net assets*. The largest portion 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.

It is important to note that although counties in the State of Maryland issue debt for the construction of schools, school buildings are owned by each County's Public School System. Ownership reverts to the County if the local board determines that a building is no longer needed. Therefore, while the County's financial statements include this outstanding debt; they do not include the capital assets funded by the debt. The negative unrestricted assets in governmental activities of \$2,611,189 reflect the imbalance of liabilities without corresponding assets.

Restricted net assets of \$287,350 represent .2 percent of total net assets. Restricted net assets are resources that are subject to external restrictions on how they may be used. Unrestricted net assets of the total government are a deficit of \$2,459,032. See Note 14 for additional information on the County's unrestricted net assets.

Below is a condensed statement of net assets with comparative amounts from the previous fiscal year.

Talbot County Government's Net Assets						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 38,780,746	\$ 49,059,645	\$ 946,247	\$ 1,144,560	\$ 39,726,993	\$ 50,204,205
Capital Assets	79,513,768	78,297,840	68,009,952	70,891,721	147,523,720	149,189,561
Total Assets	<u>118,294,514</u>	<u>127,357,485</u>	<u>68,956,199</u>	<u>72,036,281</u>	<u>187,250,713</u>	<u>199,393,766</u>
Non Current Liabilities	32,159,189	38,989,906	11,260,198	12,181,854	\$ 43,419,387	\$ 51,171,760
Other Liabilities	9,528,151	9,160,362	1,662,649	2,293,155	11,190,800	11,453,517
Total Liabilities	<u>41,687,340</u>	<u>48,150,268</u>	<u>12,922,847</u>	<u>14,475,009</u>	<u>54,610,187</u>	<u>62,625,277</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	78,931,013	77,628,434	55,881,195	57,872,067	134,812,208	135,500,501
Restricted	287,350	547,778	-	-	287,350	547,778
Unrestricted	<u>(2,611,189)</u>	<u>1,031,005</u>	<u>152,157</u>	<u>(310,795)</u>	<u>(2,459,032)</u>	<u>720,210</u>
Total Net Assets	<u>\$ 76,607,174</u>	<u>\$ 79,207,217</u>	<u>\$ 56,033,352</u>	<u>\$ 57,561,272</u>	<u>\$ 132,640,526</u>	<u>\$ 136,768,489</u>

At the end of the current fiscal year, both the governmental and business-type activities show a positive balance in one category of net assets.

Talbot County's net assets decreased by \$4.1 million during the current fiscal year as the result of a \$2.6 million decrease in governmental activities and a \$1.5 million decrease in business-type activities. The governmental activities decrease is primarily due to the funding of the County's OPEB Trust. The business-type activities decrease is the result of reductions in the amount of funds transferred from the governmental activities to the business-type activities and reductions in grant funding.

Talbot County Government's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,105,293	\$ 2,888,070	\$ 7,486,701	\$ 6,705,412	\$ 10,591,994	\$ 9,593,482
Operating Grants and Contributions	6,067,814	5,877,037	580,678	-	6,648,492	5,877,037
Capital Grants and Contributions	-	-	638,816	6,431,135	638,816	6,431,135
General Revenues:						
Property Taxes	30,002,020	29,154,652	-	-	30,002,020	29,154,652
Local Income Tax	20,269,343	18,551,894	-	-	20,269,343	18,551,894
Other Local Taxes	8,449,480	6,792,369	-	-	8,449,480	6,792,369
Investment Income	166,317	221,952	14,460	10,720	180,777	232,672
Miscellaneous	197,427	136,104	-	-	197,427	136,104
Total Revenues	68,257,694	63,622,078	8,720,655	13,147,267	76,978,349	76,769,345
Expenses:						
General Government	9,523,067	10,183,649	-	-	9,523,067	10,183,649
Public Safety	12,854,721	13,657,735	-	-	12,854,721	13,657,735
Public Works	4,601,524	4,334,793	-	-	4,601,524	4,334,793
Health	3,576,751	3,120,074	-	-	3,576,751	3,120,074
Social Services	1,147,850	1,224,920	-	-	1,147,850	1,224,920
Education	37,597,612	39,715,193	-	-	37,597,612	39,715,193
Recreation	738,616	748,414	-	-	738,616	748,414
Conservation of Natural Resources	226,264	255,489	-	-	226,264	255,489
Interest Charges	15,904	23,388	-	-	15,904	23,388
Recreation Facilities	-	-	2,582,398	3,162,507	2,582,398	3,162,507
Sanitary District	-	-	3,353,238	2,952,404	3,353,238	2,952,404
Airport	-	-	4,655,128	4,712,248	4,655,128	4,712,248
Pools	-	-	233,239	267,306	233,239	267,306
Total Expenses	70,282,309	73,263,655	10,824,003	11,094,465	81,106,312	84,358,120
Increase (Decrease) in Net Assets before transfers	(2,024,615)	(9,641,577)	(2,103,348)	2,052,802	(4,127,963)	(7,588,775)
Transfers In (Out)	(575,428)	(1,235,256)	575,428	1,235,256	-	-
Increase (Decrease) in Net Assets	(2,600,043)	(10,876,833)	(1,527,920)	3,288,058	(4,127,963)	(7,588,775)
Net Assets - Beginning	79,207,217	90,084,050	57,561,272	54,273,214	136,768,489	144,357,264
Net Assets - Ending	\$ 76,607,174	\$ 79,207,217	\$ 56,033,352	\$ 57,561,272	\$ 132,640,526	\$ 136,768,489

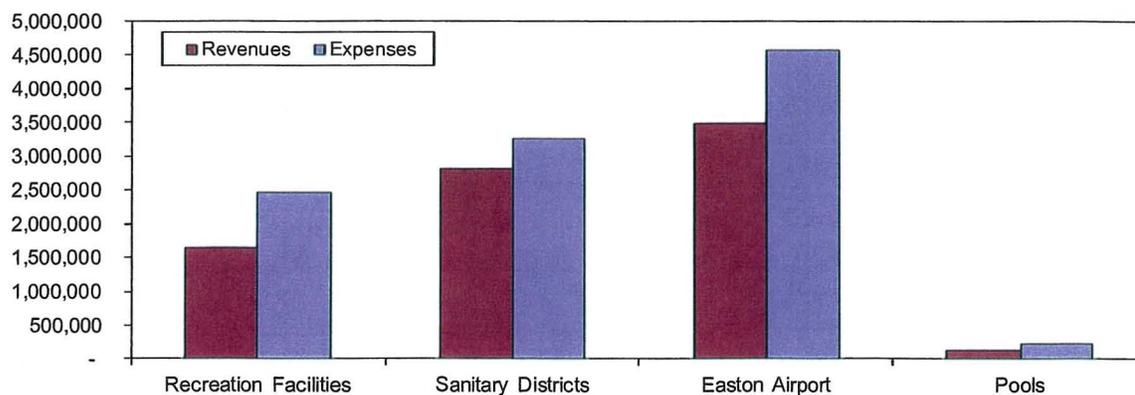
Governmental Activities. Governmental activities decreased the County’s net assets after transfers by \$2.6 million. Key elements of the decrease in net assets of governmental activities are as follows:

- Income Tax revenues increased by \$1.7 million, a 9.3 percent increase from the prior year actual and were \$1.3 million more than originally budgeted for FY 2012.
- Property tax revenues increased by 2.9 percent over the prior fiscal year and were \$288 thousand more than originally budgeted. Assessments on new construction accounted for the increase.
- Investment earnings decreased by \$166 thousand, a 25.1 percent decrease from the prior year. This is due to a reduction in the funds available for investment and in interest rates during FY 2012.
- Transfer and recordation taxes increased by \$1.6 million, a 27.4 percent increase from the prior fiscal year actual but were \$1.6 million less than originally budgeted for FY 2012. In FY 2012 the County increased the recordation tax rate from \$3.30 to \$6.00 per \$500 of the value of the recorded transaction. Although the actual transfer and recordation taxes were less than the amount budgeted for the year, actual collections during the last six months of the year were at budgeted levels indicating a stabilization of the housing market.
- The FY 2012 budget, as adopted, planned for the use of \$1.3 million of reserved and unexpended funds from prior years (fund balance) and included a transfer from the Capital Projects fund of \$1.0 million.
- \$7.0 million was transferred to the County’s OPEB Trust.
- Governmental activities also included the transfer of \$575 thousand to various business-type activities, primarily for the operations of recreation facilities.

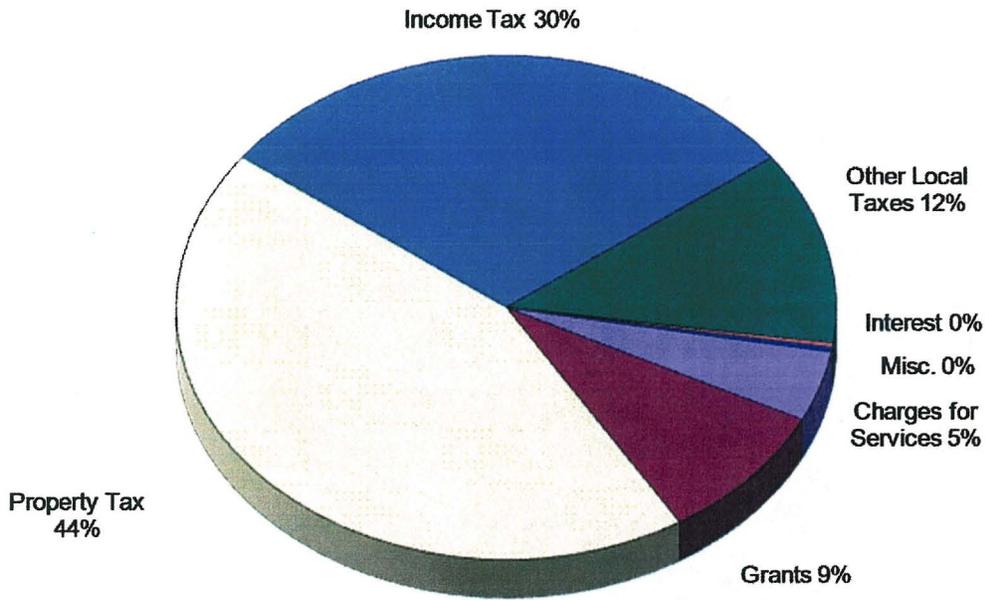
Business-type Activities. Business-type activities decreased Talbot County’s net assets after transfers by \$1.5 million. The decrease is attributable to reductions in grant funding received by the sanitary districts and to reductions in transfers from Governmental activities to the recreation funds.

Fiscal year 2012 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

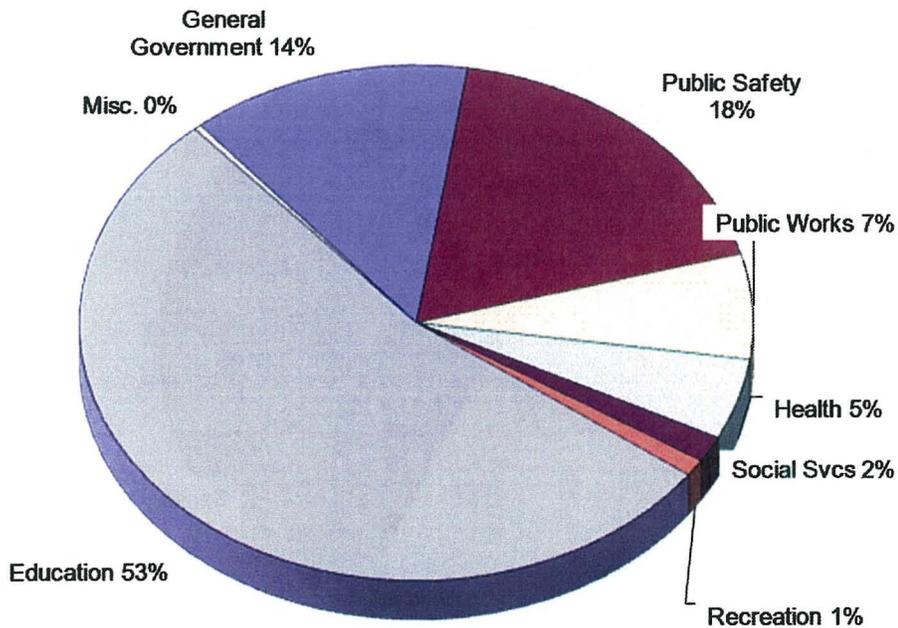
***Expenses and Program Revenues - Business-Type Activities
For the Year Ended June 30, 2012***



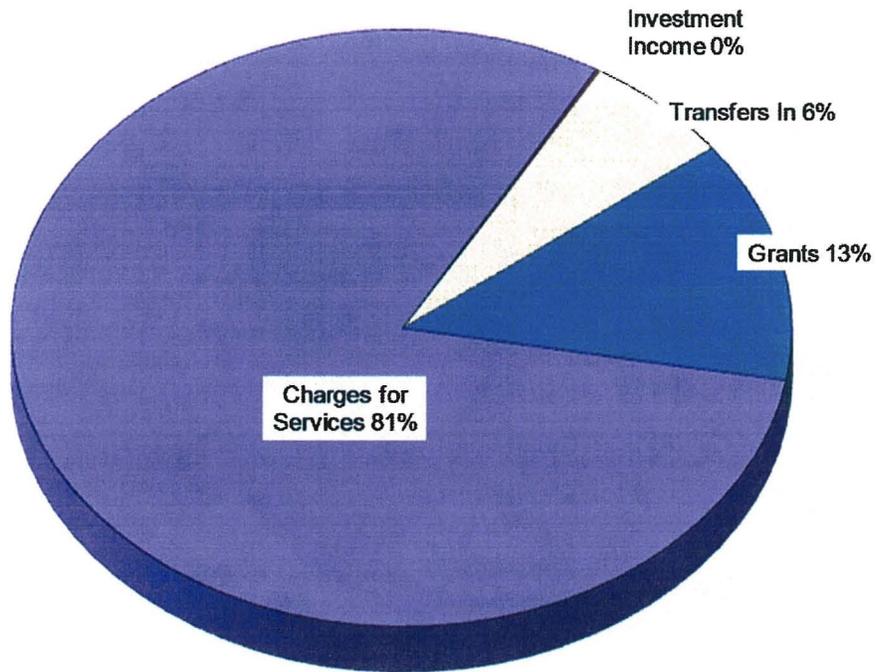
**Revenues by Source - Governmental Activities
For the Year Ended June 30, 2012**



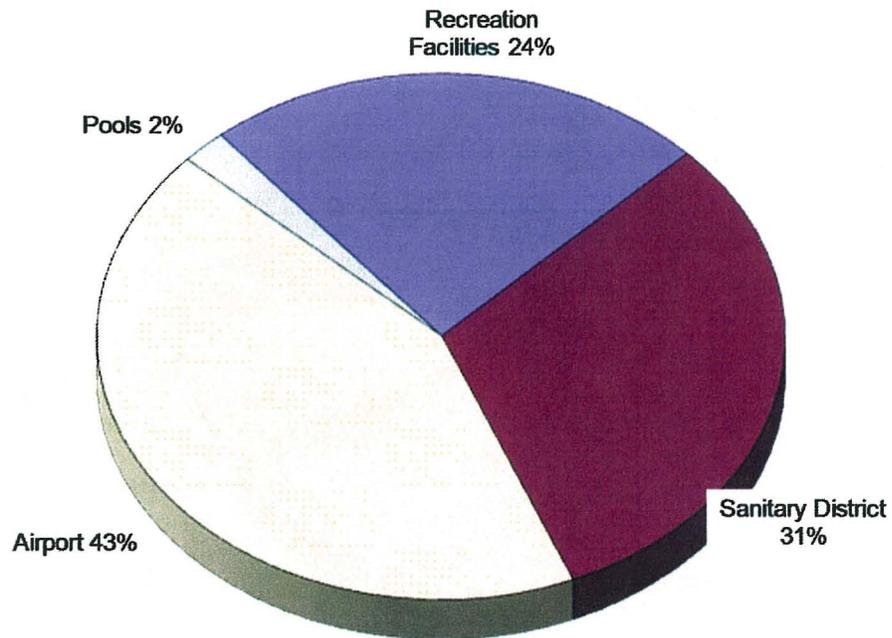
**Expenses - Governmental Activities
For the Year Ended June 30, 2012**



**Revenues by Source - Business-Type Activities
For the Year Ended June 30, 2012**



**Expenses - Business-Type Activities
For the Year Ended June 30, 2012**



FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$29.7 million. Approximately 51.6 percent of this total (\$15.3 million) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been classified to fund other purposes. Capital projects account for the vast majority of classified funds.

The General Fund is the primary operating fund of the Talbot County Government. At the end of the current fiscal year, the total fund balance was \$16.8 million, and the unassigned fund balance was \$15.3 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 21.4 percent of total general fund expenditures, while total fund balance represents 23.6 percent of total general fund expenditures.

The fund balance of Talbot County's General Fund decreased by \$7.0 million during FY 2012. This decrease was expected and planned. \$7.0 million was transferred to the Talbot County OPEB Trust in FY 2012.

The fund balance of the County's Capital Projects Fund decreased by \$5.8 million during FY 2012. This decrease was due to expending funding provided in previous years on various capital projects and the transfer of \$1.0 million to the General Fund.

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 \$56.0 million. There is a balance of \$152 thousand in unrestricted net assets.

Fiduciary Funds. Talbot County's fiduciary fund statements provide information regarding the County's Other Post Employment Benefits (OPEB) Trust. Total assets held in trust for the OPEB plan totaled \$7.0 million at June 30, 2012.

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 \$5.7 million. Operating revenues received equaled original budgetary estimates and operating expenditures were \$5.7 over original budgetary estimates. The major variances can be summarized as follows:

- **Expenditures.** Expenditures were \$5.7 million more than originally budgeted for the year. The major differences between the budgeted amounts and the actual expenditures are as follows:
- \$7.0 million transfer to the OPEB Trust. The transfer was not included in the County's FY 2012 budget. The County had committed \$7.0 million of fund balance in FY 2011 for this transfer. The actual transfer was recorded in the FY 2012 expenditures.
- The Reserve for Contingencies is set up in case funds are needed to address specific unforeseen problems or opportunities during the fiscal year. For FY 2012, \$893 thousand was unspent in this department.
- Actual expenditures from all other departments were \$424 thousand less than the amount budgeted for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Talbot County's investment in capital assets for its governmental and business-type activities as of June 30, 2012 totals \$147.5 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total decrease in the County's investment in capital assets for the current fiscal year is \$1.7 million or 1.1 percent.

Capital assets are summarized as follows:

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 10,467,602	\$ 10,467,602	\$ 3,499,479	\$ 3,499,479	\$ 13,967,081	\$ 13,967,081
Construction in progress	3,930,547	6,393,765	1,613,020	6,354,743	5,543,567	12,748,508
Buildings and improvements	29,081,068	23,224,453	58,201,931	56,105,291	87,282,999	79,329,744
Non-deprec. infrastructure	23,191,321	23,191,321	-	-	23,191,321	23,191,321
Infrastructure	7,225,347	8,047,892	-	-	7,225,347	8,047,892
Furniture and equipment	5,617,883	6,972,807	4,695,522	4,932,208	10,313,405	11,905,015
Total	\$ 79,513,768	\$ 78,297,840	\$ 68,009,952	\$ 70,891,721	\$ 147,523,720	\$ 149,189,561

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 \$45,329,298, a net decrease of approximately \$3.0 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, \$12,128,757 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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Debt	\$ 33,200,541	\$ 35,403,608	\$ 12,128,757	\$ 13,019,654	\$ 45,329,298	\$ 48,423,262

The County's most recent bond ratings from Moody's Investors Service and Fitch Ratings are Aa2 (October 2010) and AAA (October 2012), respectively.

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

- The FY 2013 approved budget for the General Fund is \$69,651,600 representing an increase of \$3.7 million or 5.6 percent over FY 2012.
- Real Property tax revenue is expected to generate \$2.6 million more than the FY 2012 actual collections. The FY 2013 budget includes a supplemental real property tax for education of 2.6 cents. The education supplement is expected to generate \$1.9 million of the projected \$2.6 million increase.
- Income tax revenue is expected to generate \$1.0 million more than the FY 2012 actual collections. In addition, the County has increased its Income tax rate effective January 1, 2013. The rate increase is expected to generate an additional \$635 thousand in FY 2013.
- Education appropriations to the Talbot County Public Schools increased by \$2.5 million in FY 2013 due to State of Maryland requirements for funding operations and to share in the teachers' pension expense.

All of these factors were considered in preparing the County's budget for FY 2013.

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. This report can also be found on the County's website: www.talbotcountymd.gov.

The County's component units issue their own separately audited financial statements. These statements may be obtained from the component unit. Contact information can be found in Note 1 of this report.

Government-Wide Financial Statements

TALBOT COUNTY, MARYLAND
STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AS OF JUNE 30, 2012
COMPONENT UNITS AS OF JUNE 30, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and short-term investments	\$ 17,996,739	\$ 6,377,589	\$ 24,374,328
Certificates of deposit	6,822,899	177,101	7,000,000
Investments	-	-	-
Receivables:			
Accounts receivable	661,292	256,127	917,419
Other	-	-	-
Intergovernmental:			
State	3,011,243	257,232	3,268,475
Federal	1,612,401	10,351	1,622,752
Prepaid items	94,005	5,034	99,039
Prepaid OPEB	2,201,899	-	2,201,899
Internal balances	5,724,539	(5,724,539)	-
Inventories	-	243,081	243,081
Advances to (from) other funds	655,729	(655,729)	-
Other assets	-	-	-
Nondepreciable capital assets	37,589,470	5,112,499	42,701,969
Depreciable capital assets, net	41,924,298	62,897,453	104,821,751
TOTAL ASSETS	118,294,514	68,956,199	187,250,713
LIABILITIES			
Accounts payable and accrued liabilities	3,082,005	638,198	3,720,203
Other payables	1,741,111	-	1,741,111
Unearned revenue	2,084,090	66,472	2,150,562
Long-term liabilities, due within one year			
Compensated absences	338,653	40,242	378,895
Bonds and notes payable	2,282,292	917,757	3,200,049
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year			
Compensated absences	414,224	49,178	463,402
Bonds and notes payable	31,744,965	11,211,000	42,955,965
Obligations under state retirement system	-	-	-
Other post-employment benefit obligation	-	-	-
TOTAL LIABILITIES	41,687,340	12,922,847	54,610,187
NET ASSETS			
Invested in capital assets, net of related debt	78,931,013	55,881,195	134,812,208
Restricted:			
Social services (Talbot Family Network)	287,350	-	287,350
Food services	-	-	-
Programs	-	-	-
Unrestricted (deficit)	(2,611,189)	152,157	(2,459,032)
TOTAL NET ASSETS	\$ 76,607,174	\$ 56,033,352	\$ 132,640,526

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

Component Units	
<u>Board of Education</u>	<u>Library</u>
\$ 6,173,477	\$ 14,261
-	-
-	1,357,828
346,482	82,002
43,814	-
128,257	-
462,775	-
-	-
-	-
-	-
25,992	-
-	-
-	83,137
1,269,528	49,921
64,983,843	427,016
<u>73,434,168</u>	<u>2,014,165</u>
4,385,670	18,513
69,877	83,137
1,688,843	4,600
134,772	-
274,064	-
30,797	-
352,416	-
279,444	-
466,931	-
13,987,425	395,531
<u>21,670,239</u>	<u>501,781</u>
65,699,863	476,937
-	-
250,654	-
-	1,274,084
(14,186,588)	(238,637)
<u>\$ 51,763,929</u>	<u>\$ 1,512,384</u>

TALBOT COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
GOVERNMENTAL ACTIVITIES				
Current:				
General government	\$ 9,523,067	\$ 2,392,795	\$ 1,711,245	\$ -
Public safety	12,854,721	213,574	882,456	-
Public works	4,601,524	162,353	673,721	-
Health and hospitals	3,576,751	118,979	1,541,985	-
Social services	1,147,850	-	389,494	-
Education	37,597,612	115,776	800,000	-
Recreation	738,616	101,816	68,913	-
Conservation of natural resources	226,264	-	-	-
Interest on long-term debt	15,904	-	-	-
Total Governmental Activities	70,282,309	3,105,293	6,067,814	-
BUSINESS-TYPE ACTIVITIES				
Recreation facilities	2,582,398	1,637,646	-	-
Sanitary district	3,353,238	2,318,164	500,461	-
Easton airport	4,655,128	3,397,868	80,217	638,816
Pool	233,239	133,023	-	-
Total Business-Type Activities	10,824,003	7,486,701	580,678	638,816
Total Primary Government	\$ 81,106,312	\$ 10,591,994	\$ 6,648,492	\$ 638,816
COMPONENT UNITS				
Board of Education	\$ 63,207,752	\$ 789,272	\$ 55,855,216	\$ 1,812,536
Talbot County Free Library	2,561,265	-	2,193,505	-
Total Component Units	\$ 65,769,017	\$ 789,272	\$ 58,048,721	\$ 1,812,536

General Revenues

Taxes:

Property

Local income

Other

Admissions and amusements

Recordation

Transfer

Public accommodations

Mobile manufactured homes

Interest

Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Board of Education	Library
\$ (5,419,027)	\$ -	\$ (5,419,027)	\$ -	\$ -
(11,758,691)	-	(11,758,691)	-	-
(3,765,450)	-	(3,765,450)	-	-
(1,915,787)	-	(1,915,787)	-	-
(758,356)	-	(758,356)	-	-
(36,681,836)	-	(36,681,836)	-	-
(567,887)	-	(567,887)	-	-
(226,264)	-	(226,264)	-	-
(15,904)	-	(15,904)	-	-
(61,109,202)	-	(61,109,202)	-	-
-	(944,752)	(944,752)	-	-
-	(534,613)	(534,613)	-	-
-	(538,227)	(538,227)	-	-
-	(100,216)	(100,216)	-	-
-	(2,117,808)	(2,117,808)	-	-
\$ (61,109,202)	\$ (2,117,808)	\$ (63,227,010)	\$ -	\$ -
\$ -	\$ -	\$ -	\$ (4,750,728)	\$ -
-	-	-	-	(367,760)
\$ -	\$ -	\$ -	\$ (4,750,728)	\$ (367,760)
\$ 30,002,020	\$ -	\$ 30,002,020	\$ -	\$ -
20,269,343	-	20,269,343	-	-
43,971	-	43,971	-	-
4,636,327	-	4,636,327	-	-
2,602,845	-	2,602,845	-	-
1,105,272	-	1,105,272	-	-
61,065	-	61,065	-	-
166,317	14,460	180,777	13,704	-
197,427	-	197,427	62,170	-
59,084,587	14,460	59,099,047	75,874	-
(575,428)	575,428	-	-	-
58,509,159	589,888	59,099,047	75,874	-
(2,600,043)	(1,527,920)	(4,127,963)	(4,674,854)	(367,760)
79,207,217	57,561,272	136,768,489	56,438,783	1,880,144
\$ 76,607,174	\$ 56,033,352	\$ 132,640,526	\$ 51,763,929	\$ 1,512,384

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Fund Financial Statements

TALBOT COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	<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	\$ 8,276,813	\$ 7,683,189	\$ 2,036,737	\$ 17,996,739
Certificates of deposit	2,465,298	3,845,794	511,807	6,822,899
Receivables:				
Accounts receivable	468,563	156,284	36,445	661,292
Intergovernmental:				
State	2,865,272	145,971	-	3,011,243
Federal	193,881	284,034	1,134,486	1,612,401
Prepaid items	94,005	-	-	94,005
Due from other funds	6,193,522	-	-	6,193,522
Advances to other funds	655,729	-	-	655,729
	<hr/>			
Total Assets	\$ 21,213,083	\$ 12,115,272	\$ 3,719,475	\$ 37,047,830
	<hr/>			
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 2,024,839	\$ 376,168	\$ 680,998	\$ 3,082,005
Other payables	1,741,111	-	-	1,741,111
Due to other funds	-	-	468,983	468,983
Unearned revenue	559,720	1,506,928	17,442	2,084,090
	<hr/>			
Total Liabilities	4,325,670	1,883,096	1,167,423	7,376,189
	<hr/>			
FUND BALANCES				
Nonspendable	94,005	-	-	94,005
Restricted for:				
Social Services	-	-	287,350	287,350
Committed for:				
Capital projects	-	9,420,176	1,080,991	10,501,167
Assigned for:				
Future budget	1,487,600	812,000	1,185,000	3,484,600
Unassigned	15,305,808	-	(1,289)	15,304,519
	<hr/>			
Total Fund Balances	16,887,413	10,232,176	2,552,052	29,671,641
	<hr/>			
Total Liabilities and Fund Balances	\$ 21,213,083	\$ 12,115,272	\$ 3,719,475	\$ 37,047,830
	<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, 2012

Total Governmental Funds Balances		\$ 29,671,641
Amounts reported for governmental activities in the statement of net assets are different because:		
Prepayment of post retirement benefits		2,201,899
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		79,513,768
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	(34,027,257)	
Compensated absences	<u>(752,877)</u>	
		<u>(34,780,134)</u>
Net Assets of Governmental Activities		<u>\$ 76,607,174</u>

TALBOT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2012

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes	\$ 30,002,020	\$ -	\$ -	\$ 30,002,020
Local income taxes	20,269,343	-	-	20,269,343
Other local taxes	8,449,480	-	-	8,449,480
Licenses and permits	577,799	-	343,915	921,714
Intergovernmental:				
Federal	372,111	279,517	2,604,360	3,255,988
State	1,418,036	1,056,152	337,638	2,811,826
Service charges	2,178,232	-	-	2,178,232
Fines and forfeitures	5,347	-	-	5,347
Miscellaneous	173,867	5,117	18,443	197,427
Interest	144,769	10,085	11,463	166,317
Total Revenues	63,591,004	1,350,871	3,315,819	68,257,694
EXPENDITURES				
Current				
General government	5,079,366	3,845,645	39,580	8,964,591
Public safety	10,471,838	-	53,953	10,525,791
Public works	2,949,705	1,402,370	202,888	4,554,963
Health and hospitals	2,021,395	7,110	1,541,986	3,570,491
Social services	447,491	-	585,608	1,033,099
Education	38,127,572	890,780	800,000	39,818,352
Recreation	253,723	32,286	-	286,009
Conservation of natural resources	226,264	-	-	226,264
Employee benefits	10,461,176	-	-	10,461,176
Miscellaneous	77,239	-	-	77,239
Intergovernmental	820,446	-	-	820,446
Debt service interest	15,904	-	-	15,904
Debt service principal	59,651	-	-	59,651
Contingencies	39,697	-	-	39,697
Total Expenditures	71,051,467	6,178,191	3,224,015	80,453,673
Excess of Revenues Over (Under) Expenditures	(7,460,463)	(4,827,320)	91,804	(12,195,979)
OTHER FINANCING SOURCES (USES)				
Transfers in (out) to other funds:				
Pool - operating appropriation	(100,216)	-	-	(100,216)
Recreation - operating appropriation	(475,212)	-	-	(475,212)
Capital projects pay-as-you-go transfer	1,000,000	(1,000,000)	-	-
Total Other Financing Sources (Uses)	424,572	(1,000,000)	-	(575,428)
Net Change in Fund Balances	(7,035,891)	(5,827,320)	91,804	(12,771,407)
Fund Balances at Beginning of Year	23,923,304	16,059,496	2,460,248	42,443,048
Fund Balances at End of Year	\$ 16,887,413	\$ 10,232,176	\$ 2,552,052	\$ 29,671,641

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, 2012

Net change in fund balances - total Governmental Funds \$ (12,771,407)

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

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

Capital outlays	4,978,811	
Current year depreciation	<u>(3,619,027)</u>	

Total		1,359,784
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Loss on disposal of equipment (143,856)

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		2,203,067
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in unamortized bond premium		77,324
Change in other post-employment benefits, asset		6,703,979
Change in compensated absences		<u>(28,934)</u>

Change in net assets of Governmental Activities		<u><u>\$ (2,600,043)</u></u>
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TALBOT COUNTY, MARYLAND
STATEMENT OF FUND NET ASSETS
BUSINESS-TYPE ACTIVITIES
June 30, 2012

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and short-term investments	\$ -	\$ 536,135	\$ 132,840	\$ -	\$ 668,975
Cash and short-term investments - capital projects	5,708,614	-	-	-	5,708,614
Certificates of deposit	-	156,396	20,705	-	177,101
Accounts receivable:					
Accounts receivable, customers	6,556	140,336	100,854	8,381	256,127
Intergovernmental:					
State	-	180,828	76,404	-	257,232
Federal	-	-	10,351	-	10,351
Prepaid items	5,034	-	-	-	5,034
Inventories	52,147	-	190,934	-	243,081
Total Current Assets	5,772,351	1,013,695	532,088	8,381	7,326,515
NONCURRENT ASSETS					
Land	450,000	2,463,801	585,678	-	3,499,479
Construction in progress	404,540	64,318	1,144,162	-	1,613,020
Buildings and improvements	15,858,472	40,295,836	37,795,641	1,660,648	95,610,597
Furniture and equipment	1,630,608	4,153,131	1,415,817	120,755	7,320,311
Less: accumulated depreciation	(8,316,984)	(14,324,175)	(16,300,207)	(1,092,089)	(40,033,455)
Total Noncurrent Assets	10,026,636	32,652,911	24,641,091	689,314	68,009,952
Total Assets	15,798,987	33,666,606	25,173,179	697,695	75,336,467
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts payable	188,873	195,531	244,390	9,404	638,198
Compensated absences	9,764	20,013	10,465	-	40,242
Due to other funds	3,379,430	1,973,153	-	371,956	5,724,539
Unearned revenues	6,845	19,000	17,048	23,579	66,472
Advances from other funds	-	-	655,729	-	655,729
Current maturities of long-term debt	223,045	552,478	142,234	-	917,757
Total Current Liabilities	3,807,957	2,760,175	1,069,866	404,939	8,042,937
NONCURRENT LIABILITIES					
Compensated absences	6,256	28,437	14,485	-	49,178
Long-term debt, less current maturities	2,532,001	7,609,611	1,069,388	-	11,211,000
Total Noncurrent Liabilities	2,538,257	7,638,048	1,083,873	-	11,260,178
Total Liabilities	6,346,214	10,398,223	2,153,739	404,939	19,303,115
<u>NET ASSETS</u>					
Net assets invested in capital assets, net of related debt	7,271,590	24,490,822	23,429,469	689,314	55,881,195
Unrestricted (deficit)	2,181,183	(1,222,439)	(410,029)	(396,558)	152,157
Total Net Assets	\$ 9,452,773	\$ 23,268,383	\$ 23,019,440	\$ 292,756	\$ 56,033,352

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, 2012

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
OPERATING REVENUES					
Airport - operations	\$ -	\$ -	\$ 301,176	\$ -	\$ 301,176
Airport - fuel facility	-	-	2,478,551	-	2,478,551
Airport - hangars	-	-	524,626	-	524,626
Sewer service charges	-	2,015,084	-	-	2,015,084
Sewer connection charges	-	113,000	-	-	113,000
Residential benefit charges	-	174,765	-	-	174,765
Admissions	159,101	-	-	46,860	205,961
Room rents	32,319	-	-	-	32,319
Ice revenue	277,379	-	-	-	277,379
Pro shop and concessions	300,656	-	-	-	300,656
Cart rentals	52,672	-	-	-	52,672
Greens fees	798,027	-	-	-	798,027
Other operating	17,492	15,315	93,515	86,163	212,485
Total Operating Revenues	1,637,646	2,318,164	3,397,868	133,023	7,486,701
OPERATING EXPENSES					
Salaries and related expenses	832,259	826,208	324,659	83,518	2,066,644
Cost of sales - fuel	-	-	2,298,366	-	2,298,366
Professional fees	33,514	2,821	88,098	2,217	126,650
Office	28,429	11,052	17,361	420	57,262
Insurance	15,760	20,175	23,184	1,413	60,532
Contracted services	-	1,005,804	-	-	1,005,804
Repairs and maintenance	207,049	117,082	58,409	17,393	399,933
Utilities	223,033	-	48,792	12,813	284,638
Supplies and equipment	61,223	-	368	12,403	73,994
Lessons and programs	98,122	-	-	-	98,122
Concessions	155,524	-	-	-	155,524
Depreciation	776,007	1,228,859	1,697,203	98,152	3,800,221
Other operating	36,504	40,151	15,857	4,910	97,422
Total Operating Expenses	2,467,424	3,252,152	4,572,297	233,239	10,525,112
Operating Income (Loss)	(829,778)	(933,988)	(1,174,429)	(100,216)	(3,038,411)
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	500,461	80,217	-	580,678
Gain (loss) on disposal of capital assets	2,737	-	(21,619)	-	(18,882)
Interest income	-	14,460	-	-	14,460
Interest expense	(117,711)	(101,086)	(61,212)	-	(280,009)
Total Non-Operating Revenues (Expenses)	(114,974)	413,835	(2,614)	-	296,247
CAPITAL CONTRIBUTIONS					
Intergovernmental revenues	-	-	638,816	-	638,816
Income (Loss) Before Transfers	(944,752)	(520,153)	(538,227)	(100,216)	(2,103,348)
Transfers In	475,212	-	-	100,216	575,428
Change in Net Assets	(469,540)	(520,153)	(538,227)	-	(1,527,920)
Net Assets, Beginning of Year	9,922,313	23,788,536	23,557,667	292,756	57,561,272
Net Assets, End of Year	\$ 9,452,773	\$ 23,268,383	\$ 23,019,440	\$ 292,756	\$ 56,033,352

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, 2012

	Major Funds		
	Recreation Facilities	Sanitary District	Easton Airport
Cash flows from operating activities:			
Cash received from customers	\$ 1,625,173	\$ 2,234,005	\$ 3,490,158
Cash received from other revenues	17,492	15,315	93,515
Cash payments for salaries and related expenses	(840,439)	(819,155)	(326,377)
Cash payments to suppliers	(1,317,563)	(155,086)	(2,704,959)
Cash payments for contracted services	-	(1,005,804)	-
Other receipts (payments)	439,771	(409,727)	(181,228)
Net cash provided (used) by operating activities	<u>(75,566)</u>	<u>(140,452)</u>	<u>371,109</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	475,212	-	-
Intergovernmental revenues	-	982,581	160,123
Net cash provided by noncapital financing activities	<u>475,212</u>	<u>982,581</u>	<u>160,123</u>
Cash flows from capital and related financing activities:			
Intergovernmental revenues	-	-	638,816
Principal paid on long-term notes and bonds	(209,591)	(549,799)	(131,507)
Interest paid on long-term notes and bonds	(117,711)	(101,086)	(61,212)
Proceeds from sale of capital assets	-	-	3,313
Acquisition and construction of capital assets	(72,344)	(48,882)	(821,287)
Net cash (used) provided by capital and related financing activities	<u>(399,646)</u>	<u>(699,767)</u>	<u>(371,877)</u>
Cash flows from investing activities:			
Interest income on investments	-	14,460	-
Repayment of advances from other funds	-	-	(70,107)
Purchase of certificates of deposit	-	(119,458)	(20,705)
Net cash provided (used) by investing activities	<u>-</u>	<u>(104,998)</u>	<u>(90,812)</u>
Increase (Decrease) in Cash and Cash Equivalents	-	37,364	68,543
Cash and Cash Equivalents at Beginning of Year	<u>5,708,614</u>	<u>498,771</u>	<u>64,297</u>
Cash and Cash Equivalents at End of Year	<u>\$ 5,708,614</u>	<u>\$ 536,135</u>	<u>\$ 132,840</u>

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

Nonmajor Fund			
	<u>Pool</u>		<u>Totals</u>
\$	24,515	\$	7,373,851
	86,163		212,485
	(86,094)		(2,072,065)
	(49,169)		(4,226,777)
	-		(1,005,804)
	(74,760)		(225,944)
	<u>(99,345)</u>		<u>55,746</u>
	100,216		575,428
	-		1,142,704
	<u>100,216</u>		<u>1,718,132</u>
	-		638,816
	-		(890,897)
	-		(280,009)
	-		3,313
	(871)		(943,384)
	<u>(871)</u>		<u>(1,472,161)</u>
	-		14,460
	-		(70,107)
	-		(140,163)
	-		<u>(195,810)</u>
	-		105,907
	-		<u>6,271,682</u>
\$	-	\$	<u><u>6,377,589</u></u>

TALBOT COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2012 (continued)

	Major Funds		
	Recreation Facilities	Sanitary District	Easton Airport
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (829,778)	\$ (933,988)	\$ (1,174,429)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	776,007	1,228,859	1,697,203
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable, customers	1,844	(8,460)	184,619
Decrease (increase) in inventories	276	-	9,989
Increase (decrease) in accounts payable	(458,681)	36,195	(164,513)
Increase (decrease) in compensated absences	(8,180)	7,053	(1,718)
Increase (decrease) in due to other funds	439,771	(409,727)	(181,228)
Increase (decrease) in unearned revenue	3,175	(60,384)	1,186
Net cash provided (used) by operating activities	<u>\$ (75,566)</u>	<u>\$ (140,452)</u>	<u>\$ 371,109</u>

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

<u>Nonmajor Fund</u>	
<u>Pool</u>	<u>Totals</u>
\$ (100,216)	\$ (3,038,411)
98,152	3,800,221
(7,123)	170,880
-	10,265
2,400	(584,599)
(2,576)	(5,421)
(74,760)	(225,944)
(15,222)	(71,245)
<u>\$ (99,345)</u>	<u>\$ 55,746</u>

TALBOT COUNTY, MARYLAND

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND**

June 30, 2012

	<u>Other Post-Employment Benefits Trust Fund</u>
<u>ASSETS</u>	
Cash and short-term investments	<u>\$ 7,000,000</u>
Total Assets	<u>7,000,000</u>
<u>NET ASSETS</u>	
Net assets held in trust for other post-employment benefits	<u>\$ 7,000,000</u>

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

TALBOT COUNTY, MARYLAND

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND**

For the Year Ended June 30, 2012

	<u>Other Post-Employment Benefits Trust Fund</u>
ADDITIONS:	
Contributions Employer	\$ 7,000,000
Total contributions	<u>7,000,000</u>
Change in net assets	7,000,000
Net assets beginning of year	<u>-</u>
Net assets end of year	<u>\$ 7,000,000</u>

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

Notes to Financial Statements

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 1. Reporting Entity

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

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

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

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

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

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

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

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

TALBOT COUNTY, MARYLAND

NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation

The County's basic financial statements consist of government-wide financial statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Governmental Fund Types

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

TALBOT COUNTY, MARYLAND NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Governmental Fund Types (continued)

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

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, which are not financed by proprietary funds.

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

Proprietary Fund Types

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

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

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

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

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

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

Fiduciary Fund Types

Fiduciary funds account for assets held by the County in a trustee capacity for others and therefore are not available to support County programs.

Other Post-Employment Benefits ("OPEB") Trust Fund: The OPEB Trust Fund is used to account for assets that are required to be held in trust for the members and beneficiaries of the postemployment benefit plan.

D. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the County are included on the statement of net assets.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the fund financial statements for governmental funds.

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The statement of changes in revenues, expenses, and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets. The statement of cash flows reflects how the County finances and meets the cash flow needs of its enterprise activities.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary funds also use the accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to pay liabilities of the current fiscal year. For the County, available is defined as collected within 30 days of the fiscal year end.

Non-exchange transactions, in which the County receives value without directly giving equal value in return, include primarily grants. Revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the County must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the County on a reimbursable basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

Note 2. Summary of Significant Accounting Policies (continued)

E. Basis of Accounting (continued)

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus on governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Process

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

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

G. Cash and Short-Term Investments

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

H. Property Tax

Taxes are levied annually on July 1 and are due in full by September 30 for non-owner occupied and non-small business properties. Owner occupied and small business 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 and non-small business properties and January 1 for owner occupied and small business 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 by the purchase method 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 surface, bridges, streets and sidewalks are capitalized and depreciated. Road base infrastructure is not depreciated. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over estimated useful asset lives, which are as follows:

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

K. Compensated Absences

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

K. Compensated Absences (continued)

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

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

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that once incurred are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by grantors, creditors or laws or regulations of other governments.

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

N. Fund Balance Reserves

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

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

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

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves (continued)

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

Unassigned – Amounts not included in other spendable classifications.

Nonspendable fund balances consist of prepaid amounts.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the County, these revenues are charges for services for recreational activities, sewer, airport, and pool activities. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

P. Use of Estimates

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

Q. Interfund Receivables/Payables

On fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "Interfund Receivables/Payables." Interfund balances within governmental activities and within business-type activities are eliminated on the government-wide statement of net assets. The only interfund balances which remain on the government-wide statement of net assets are those between governmental and business-type activities. These amounts are reflected as "Internal Balances."

Note 3. Deposits and Investments

A. Deposits

Primary Government

Deposits are maintained in a variety of financial institutions. Statutes authorized the County Council to invest unexpended revenues from taxation, bond sales, lawful distributions to it of funds from other governmental agencies, or any other funds properly received by it, until it determines the funds are needed for proper public purpose, in United States Government bonds or evidence of indebtedness, the Maryland Local Government Investment Pool, or to invest in federally insured banking institutions which pledge United States Treasury bills, notes or other obligations to secure such deposits.

At June 30, 2012, the County Primary Government had deposits of \$31,623,061 including \$7,000,000 in certificates of deposit with maturities greater than 3 months, with local banks (carrying value \$31,374,328). 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, 2012, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$9,430 as of June 30, 2012.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (continued)

Board of Education

At June 30, 2012, the Board of Education had deposits totaling \$8,314,554 (carrying value \$7,051,486). Of the total deposits, \$4,389,555 was collateralized by securities held by the pledging financial institution's trust department or agent, but not in the Board's name. The value of the pledged securities exceeded the amount of deposits in excess of the coverage by the FDIC and an irrevocable letter of credit in the Board's name.

Library

At June 30, 2012, the Library had deposits totaling \$23,385 (carrying value \$14,261), 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, 2012, the County had investments in MLGIP of \$6,000,000, 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 disclose 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, 2012, 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	\$ 7,000,000	3 - 6
MLGIP	6,000,000	<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, 2012, 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. 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, 2012 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	Transfers	\$ 6,193,522	\$ -
Special Revenue Fund - Grants Fund	Transfers	-	468,983
Enterprise Fund - Recreation Facilities	Transfers	-	3,379,430
Enterprise Fund - Sanitary District	Transfers	-	1,973,153
Enterprise Fund - Pool	Transfers	-	371,956
		<u>\$ 6,193,522</u>	<u>\$ 6,193,522</u>

Advances to/from other funds balances as of June 30, 2012 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	Construction projects	\$ 655,729	\$ -
Enterprise Fund - Airport	Construction projects	-	655,729
		<u>\$ 655,729</u>	<u>\$ 655,729</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, 2012 was \$655,729, which is due on June 30, 2015.

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

Note 5. Capital Assets

A summary of changes in capital assets for the fiscal year ended June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Transfers and Reductions	Balance June 30, 2012
Primary Government				
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$ 10,467,602	\$ -	\$ -	\$ 10,467,602
Infrastructure - road base	23,191,321	-	-	23,191,321
Construction in progress	6,393,765	1,260,590	(3,723,808)	3,930,547
Total Nondepreciable Capital Assets	40,052,688	1,260,590	(3,723,808)	37,589,470
Depreciable Capital Assets:				
Buildings and improvements	34,285,416	3,477,116	3,211,003	40,973,535
Infrastructure	12,222,023	62,355	-	12,284,378
Furniture and equipment	20,338,240	178,750	(303,941)	20,213,049
Total capital assets being depreciated	66,845,679	3,718,221	2,907,062	73,470,962
Less accumulated depreciation for:				
Buildings and improvements	11,060,963	1,223,110	(391,606)	11,892,467
Infrastructure	4,174,131	884,900	-	5,059,031
Furniture and equipment	13,365,433	1,511,017	(281,284)	14,595,166
Total accumulated depreciation	28,600,527	3,619,027	(672,890)	31,546,664
Total Depreciable Capital Assets, Net	38,245,152	99,194	3,579,952	41,924,298
Total Governmental Activities, Net	\$ 78,297,840	\$ 1,359,784	\$ (143,856)	\$ 79,513,768
	Balance June 30, 2011	Additions	Transfers and Reductions	Balance June 30, 2012
Business-Type Activities:				
Nondepreciable Capital Assets:				
Land	\$ 3,499,479	\$ -	\$ -	\$ 3,499,479
Construction in progress	6,354,743	140,043	(4,881,766)	1,613,020
Total Nondepreciable Capital Assets	9,854,222	140,043	(4,881,766)	5,112,499
Depreciable Capital Assets:				
Buildings and improvements	90,869,346	570,725	4,170,526	95,610,597
Furniture and equipment	7,178,477	232,616	(90,782)	7,320,311
Total Depreciable Capital Assets	98,047,823	803,341	4,079,744	102,930,908
Less accumulated depreciation for:				
Buildings and improvements	34,764,055	3,335,599	(690,988)	37,408,666
Furniture and equipment	2,246,269	464,622	(86,102)	2,624,789
Total accumulated depreciation	37,010,324	3,800,221	(777,090)	40,033,455
Total Depreciable Capital Assets, Net	61,037,499	(2,996,880)	4,856,834	62,897,453
Total Business-Type Activities, Net	\$ 70,891,721	\$ (2,856,837)	\$ (24,932)	\$ 68,009,952

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 797,124
Public Safety	1,049,229
Public Works	1,382,162
Health & Hospitals	6,260
Social Services	15,300
Recreation	<u>368,952</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 3,619,027</u>

A summary of changes in capital assets for the component units at June 30, 2012 is as follows:

	Balance June 30, 2011	Additions	Transfers and Reductions	Balance June 30, 2012
Component Units				
Board of Education				
Nondepreciable Capital Assets:				
Land	\$ 377,446	\$ -	\$ -	\$ 377,446
Construction in progress	-	892,082	-	892,082
Total Nondepreciable Capital Assets	<u>377,446</u>	<u>892,082</u>	<u>-</u>	<u>1,269,528</u>
Depreciable Capital Assets:				
Buildings and improvements	92,414,608	41,000	-	92,455,608
Furniture and equipment	21,576,572	1,502,113	(162,598)	22,916,087
Total capital assets being depreciated	<u>113,991,180</u>	<u>1,543,113</u>	<u>(162,598)</u>	<u>115,371,695</u>
Less accumulated depreciation for:				
Buildings and improvements	30,539,837	2,099,353	-	32,639,190
Furniture and equipment	15,974,406	1,934,999	(160,743)	17,748,662
Total accumulated depreciation	<u>46,514,243</u>	<u>4,034,352</u>	<u>(160,743)</u>	<u>50,387,852</u>
Total Depreciable Capital Assets, Net	<u>\$ 67,476,937</u>	<u>\$ (2,491,239)</u>	<u>\$ (1,855)</u>	<u>\$ 64,983,843</u>
Library				
Nondepreciable Capital Assets:				
Land	\$ 49,921	\$ -	\$ -	\$ 49,921
Depreciable Capital Assets:				
Buildings and improvements	329,025	-	-	329,025
Furniture and equipment	1,401,755	133,551	(374,081)	1,161,225
Total capital assets being depreciated	<u>1,730,780</u>	<u>133,551</u>	<u>(374,081)</u>	<u>1,490,250</u>
Less accumulated depreciation	<u>1,308,875</u>	<u>128,440</u>	<u>(374,081)</u>	<u>1,063,234</u>
Total Depreciable Capital Assets, Net	<u>\$ 421,905</u>	<u>\$ 5,111</u>	<u>\$ -</u>	<u>\$ 427,016</u>

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

Note 6. Long-Term Debt

The following is a summary of long-term debt at June 30, 2012:

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Amount Due in One Year
Primary Government					
Governmental Activities:					
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%.	\$ 21,375,000	\$ -	\$ 920,000	\$ 20,455,000	\$ 960,000
Shore Erosion Construction Loan; original issue \$168,825, payable annually in principal payments of \$11,255 through July 1, 2011; interest-free.	11,255	-	11,255	-	-
Shore Erosion (Black Walnut Point); total authorized borrowing \$160,000, to be repaid in 15 annual payments of \$9,100, no interest, to begin July 1, 2011.	136,500	-	9,100	127,400	9,100
Chesapeake College Bond of 2003; original issue \$180,000, a contractual liability payable to Queen Anne's County, the registered owner, payable in annual principal installments from \$5,559 to \$13,434; interest payable annually at rates from 4.83% to 5.4%.	124,941	-	7,875	117,066	8,272
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%.	355,000	-	30,000	325,000	35,000
Public Improvement and Refunding Bonds of 2006; original issue \$2,325,000, payable annually in principal payments ranging from \$90,000 to \$175,000 through February 1, 2024; interest payable semi-annually at rates from 4% to 4.3%.	1,830,000	-	110,000	1,720,000	115,000
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%.	528,141	-	528,141	-	-
Public Improvement and Refunding Bonds of 2010; original issue \$12,157,771, payable annually in principal payments ranging from \$587,000 to \$1,318,000 through May 2022; interest payable semi-annually at rates from 2% to 5%.	11,042,771	-	586,696	10,456,075	1,154,920
	35,403,608	-	2,203,067	33,200,541	2,282,292
Unamortized bond premium	904,040	-	77,324	826,716	-
Compensated absences	723,943	638,016	609,082	752,877	338,653
TOTAL GOVERNMENTAL ACTIVITIES	\$37,031,591	\$ 638,016	\$2,889,473	\$34,780,134	\$2,620,945

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

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Amount Due in One Year
Business-type Activities:					
Recreation Facilities					
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%.	\$ 48,376	\$ -	\$ 48,376	\$ -	-
Public Improvement and Refunding Bonds of 2006; original issue \$2,545,000, payable annually in principal payments ranging from \$90,000 to \$180,000 through February 1, 2026; interest payable semi-annually at rates from 4% to 4.375%.	2,075,000	-	105,000	1,970,000	105,000
Public Improvement and Refunding Bonds of 2010; original issue \$630,945, payable annually in principal payments ranging from \$5,590 to \$72,300 through May 2022; interest payable semi-annually at rates from 2% to 5%.	630,945	-	5,590	625,355	53,910
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%.	28,994	-	9,441	19,553	19,553
Golf course equipment capital lease; original issue of \$181,322, payable monthly in principal and interest payments of approximately \$4,176 through June 2015, interest at 4.8%.	181,322	-	41,184	140,138	44,582
Total Recreation Facilities	<u>\$ 2,964,637</u>	<u>\$ -</u>	<u>\$ 209,591</u>	<u>\$ 2,755,046</u>	<u>\$ 223,045</u>

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

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Amount Due in One Year
Business-type Activities (continued):					
Sanitary District					
Public Improvement and Refunding Bonds of 2006; original issue \$390,000, payable annually in principal payments ranging from \$20,000 to \$35,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.2%.	\$ 230,000	\$ -	\$ 25,000	\$ 205,000	\$ 25,000
Water Quality Bonds of 2006; Total authorized borrowing of \$10,212,981; \$9,975,333 borrowed to date, loan to be repaid in level principal and interest payments over 20 years beginning February 2008; interest at 0.4%.	7,997,443	-	499,426	7,498,017	501,425
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%.	340,285	-	20,447	319,838	20,904
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%.	144,160	-	4,926	139,234	5,149
Total Sanitary District	<u>\$ 8,711,888</u>	<u>\$ -</u>	<u>\$ 549,799</u>	<u>\$ 8,162,089</u>	<u>\$ 552,478</u>

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

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2011	Additions	Reductions	Balance at June 30, 2012	Amount Due in One Year
Business-type Activities (continued):					
Easton Airport					
Public Facilities and Refunding Bonds of 2006; original issue \$100,000, payable annually in principal payments ranging from \$5,000 to \$10,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.2%.	\$ 75,000	\$ -	\$ 5,000	\$ 70,000	\$ 10,000
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%.	290,000	-	30,000	260,000	35,000
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 4.2%.	95,000	-	30,000	65,000	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%.	398,484	-	48,483	350,001	25,000
Public Improvement and Refunding Bonds of 2010; original issue \$306,284, payable annually in principal payments ranging from \$13,000 to \$35,000 through May 2022; interest payable semi-annually at rates from 2% to 5%.	306,284	-	2,714	303,570	26,170
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.	178,361	-	15,310	163,051	16,064
Total Easton Airport	<u>1,343,129</u>	<u>-</u>	<u>131,507</u>	<u>1,211,622</u>	<u>142,234</u>
Compensated absences	94,841	70,262	75,683	89,420	40,242
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$13,114,495</u>	<u>\$ 70,262</u>	<u>\$ 966,580</u>	<u>\$12,218,177</u>	<u>\$ 957,999</u>

The bonds outstanding at June 30, 2012 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	\$ 233,946
Less: accumulated depreciation	(94,482)
Total	\$ 139,464

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

Business-Type Activities

Year Ending June 30	
2013	\$ 69,824
2014	50,106
2015	50,106
	170,036
Less amounts representing interest	(10,345)
Present value of future minimum lease payments	\$ 159,691

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 \$36,300. Currently, the obligation is being paid by Chesapeake College, and is not reported on the balance sheet of the County.

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

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

Note 6. Long-Term Debt (continued)

Other Obligations (continued)

The County, on behalf of the Edge Creek Waterway Improvement District, entered into a loan agreement with the State of Maryland, Department of Natural Resources for a 20 year interest-free Waterway Improvement Loan in the amount of \$304,699. The proceeds of this loan were used to dredge Edge Creek and pay the expenses associated with the dredging. 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. The balance outstanding as of June 30, 2012 is \$258,994.

	<u>Balance at</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>June 30, 2012</u>
<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.	\$ 102,997	\$ -	\$ 102,997	\$ -
Note payable to Branch Bank & Trust Co. principal and interest payments of \$6,835 are payable monthly through September 2011; interest payable at 4.19% per annum; collateralized by school buses.	20,363	-	20,363	-
Note payable to Bank of America principal and interest payments of \$7,372 are payable monthly through September 29, 2016; interest payable at 1.72% per annum; collateralized by school buses.	-	362,333	-	362,333
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.	<u>375,795</u>	-	<u>184,620</u>	<u>191,175</u>
TOTAL BOARD OF EDUCATION	<u>\$ 499,155</u>	<u>\$ 362,333</u>	<u>\$ 307,980</u>	<u>\$ 553,508</u>

**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,			
2013	\$ 2,282,292	\$ 1,254,762	\$ 3,537,054
2014	2,347,092	1,190,434	3,537,526
2015	2,453,341	1,089,137	3,542,478
2016	2,526,432	1,019,887	3,546,319
2017	2,626,558	914,650	3,541,208
2018 - 2022	11,839,991	3,227,272	15,067,263
2023 - 2027	8,409,835	1,215,464	9,625,299
2028 - 2032	715,000	36,400	751,400
Total Governmental Activities	\$ 33,200,541	\$ 9,948,006	\$ 43,148,547

Enterprise Fund - Recreational Facilities (excluding capital leases)

Fiscal year Ending June 30,			
2013	\$ 158,910	\$ 103,356	\$ 262,266
2014	164,312	97,898	262,210
2015	172,105	90,526	262,631
2016	178,700	84,592	263,292
2017	187,295	77,230	264,525
2018 - 2022	1,049,033	274,908	1,323,941
2023 - 2027	685,000	75,969	760,969
Total Recreational Facilities	\$ 2,595,355	\$ 804,479	\$ 3,399,834

Enterprise Fund - Sanitary District

Fiscal year Ending June 30,			
2013	\$ 552,478	\$ 62,548	\$ 615,026
2014	555,817	58,178	613,995
2015	564,232	53,732	617,964
2016	567,727	48,999	616,726
2017	571,306	44,183	615,489
2018 - 2022	2,828,431	148,466	2,976,897
2023 - 2027	2,490,480	52,190	2,542,670
2028 - 2032	31,618	2,360	33,978
Total Sanitary District	\$ 8,162,089	\$ 470,656	\$ 8,632,745

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,			
2013	\$ 142,234	\$ 53,660	\$ 195,894
2014	153,302	47,797	201,099
2015	120,577	40,580	161,157
2016	122,324	35,556	157,880
2017	135,090	29,886	164,976
2018 - 2022	538,095	64,178	602,273
Total Easton Airport	\$ 1,211,622	\$ 271,657	\$ 1,483,279

Component Units

Board of Education

Fiscal year Ending June 30,			
2013	\$ 274,064	\$ 12,368	\$ 286,432
2014	84,326	4,144	88,470
2015	85,788	2,682	88,470
2016	87,275	1,195	88,470
2017	22,055	63	22,118
Total Board of Education	\$ 553,508	\$ 20,452	\$ 573,960

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

\$ 497,728

**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>		
2013	\$	30,797
2014		32,337
2015		33,953
2016		35,651
2017		37,434
2018 - 2022		217,186
2023 - 2027		277,191
2028 - 2032		353,774
2033 - 2036		<u>352,192</u>
Sub-Total		1,370,515
Less amounts representing interest		<u>(872,787)</u>
Liability as of June 30, 2012	\$	<u>497,728</u>

Note 7. Pension Plans

Plan Description

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

Participants in the Systems may retire with full benefits after thirty years of service regardless of age or at various ages with specified years of eligibility service for reduced benefits. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating in the retirement system prior to the 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 7% of their covered salary. The combined State contribution rate for the year ending 2012 is established by annual actuarial valuations. The current rate is 15.45% of covered payroll for teachers and 13.4% 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, 2012 were \$3,882,631 and \$101,327 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, 2012, 2011, and 2010, payroll covered under the various state plans, and contributions paid are as follows:

	2012	2011	2010
Total payroll	\$ 45,023,269	\$ 46,355,511	\$ 47,023,512
Payroll covered under the plans	41,711,347	42,750,177	43,339,977
Actual % contributed of required contributions	100%	100%	100%
Contributions paid:			
County payments	1,205,123	1,269,354	896,377
Board of Education payments	815,161	725,295	572,742
State On-Behalf payments:			
Board of Education	3,882,631	3,756,748	3,309,785
Library	101,327	95,844	79,270

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 2012 payment was \$29,331. The payments reflect a pattern which increases by 5% per year for the next 25 years. (See also Note 6.)

During a special session of the Maryland General Assembly – Teacher Pension Cost – it was determined that the State and Local school boards will share the cost of teacher retirement by phasing in a requirement for school board payment of annual normal cost over a four year period in increments of 50%, 65%, 85%, and 100%. This action outlines the payment required of each school board for fiscal years 2013 through 2016 and the additional maintenance of effort payments required by each county in the same period. The additional cost for fiscal year 2013 is determined to be \$628,456.

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. Current County guidelines state that if the retiree has 16 or more years of state creditable service, 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 retiree has between 5 and 16 years of state creditable service and retired directly from County service, the County reduces the portion it subsidizes by 1/16 per year. The County has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report.

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

The Library administers a single-employer defined benefit healthcare plan for its retirees. The plan provides healthcare insurance for eligible retirees and their spouses. Employees are eligible to participate in the plan upon retirement provided they have 10 years of service with the Library and meet the eligibility requirements of the State Retirement and Pension System of Maryland. As of July 1, 2011, the date of the actuarial valuation, 1 retiree was receiving benefits under the plan, and an estimated 14 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 from the general fund. Eligible retirees must pay for 10% of the cost for individual plans and 15% of the cost for family coverage. For fiscal year 2012, the County paid for coverage of 64 eligible retirees, family members, and dependents at a total cost to the County of \$428,588 and eligible retirees contributed \$67,728. 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 2012, the Library contributed \$2,388 to the plan for 1 eligible retiree.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

Annual OPEB Cost and Net OPEB Obligation

The valuations were done to determine the funded status of the plans as well as the annual required contribution (ARC) for the fiscal year ended June 30, 2012. 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 make contributions against the net OPEB obligations from the General Fund.

The Library's valuation is performed using the alternative measurement method provided for in GASB 45.

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

<u>Fiscal Year Ended June 30,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
<u>Talbot County</u>				
2010	\$ 1,642,000	\$ 265,280	16.16%	\$ 2,684,358
2011	2,167,000	349,278	16.12%	4,502,080
2012	724,609	7,428,588	1025.19%	(2,201,899)
<u>Board of Education</u>				
2010	\$ 4,467,000	\$ 238,727	5.34%	\$ 8,128,425
2011	4,039,000	263,425	6.52%	11,904,000
2012	4,308,000	1,307,000	30.34%	13,987,425
<u>Library</u>				
2010	\$ 100,000	\$ 5,000	5.00%	\$ 189,000
2011	100,000	5,000	5.00%	284,000
2012	113,919	2,388	2.10%	395,531

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

Annual OPEB Cost and Net OPEB Obligation (continued)

The net OPEB obligation as of June 30, 2012 was calculated as follows:

	County	Board of Education	Library
Annual required contribution (ARC)	\$ 562,139	\$ 4,292,000	\$ 118,350
Interest on net OPEB obligation	310,170	439,000	11,360
Adjustment to the ARC	(147,700)	(423,000)	(15,791)
Annual OPEB cost	724,609	4,308,000	113,919
Actuarial adjustment	-	(917,575)	-
Contribution to trust	(7,000,000)	-	-
Pay as you go	(428,588)	(1,307,000)	(2,388)
Net OPEB change	(6,703,979)	2,083,425	111,531
Net OPEB obligation, beginning of year	4,502,080	11,904,000	284,000
Net OPEB obligation (asset), end of year	<u>\$ (2,201,899)</u>	<u>\$ 13,987,425</u>	<u>\$ 395,531</u>

Funded Status and Funding Progress

Year Ended June 30,	Date of Actuarial Valuation Data	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Talbot County, Maryland</u>							
2010	July 1, 2009	\$ -	\$ 14,689,000	0.00%	\$ 14,689,000	\$ 11,685,261	125.7%
2011	July 1, 2009	-	14,689,000	0.00%	14,689,000	11,020,559	133.3%
2012	July 1, 2011	7,000,000	11,825,089	59.20%	4,825,089	10,441,819	46.2%
<u>Board of Education</u>							
2010	July 1, 2010	\$ -	\$ 50,155,000	0.00%	\$ 50,155,000	\$ 30,931,517	162.1%
2011	July 1, 2011	-	47,141,000	0.00%	47,141,000	30,917,375	152.5%
2012	July 1, 2012	-	50,087,000	0.00%	50,087,000	30,368,275	164.9%
<u>Library</u>							
2010	June 30, 2009	\$ -	\$ 900,000	0.00%	\$ 900,000	\$ 723,198	124.4%
2011	June 30, 2009	-	900,000	0.00%	900,000	812,243	110.8%
2012	July 1, 2011	-	1,262,817	0.00%	1,262,817	836,080	151.0%

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

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

Funded Status and Funding Progress (continued)

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

Actuarial Methods and Assumptions

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

In the County's July 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7% interest rate on investments, and an annual healthcare cost trend rate beginning at 7.5% initially reduced by decrements to an ultimate rate of 4.50%. Assets are valued at their market values. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year period.

In the Board of Education's June 30, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a projected salary increase of 4% per year, and an annual healthcare cost trend rate of 8% initially, reduced by decrements to an ultimate rate of 4.9%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012 was 27 years.

In determining its actuarial valuation of OPEB costs and liabilities, the Library used the projected unit credit cost method using certain assumptions and default values provided for under the alternative measurement method in GASB 45. The actuarial assumptions include a 4% investment rate of return and the projected annual healthcare cost trend rate is 9.5% initially, reduced by decrements to an ultimate rate of 5%. The UAAL is being amortized as a level dollar amount over a 30 year period.

**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, 2012. 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, 2012 consisted of the following:

	County	Board of Education
Federal and state grants	\$ 43,974	\$ 1,671,660
Other sources	2,106,588	17,183
	\$ 2,150,562	\$ 1,688,843

Note 11. Commitments and Contingencies

Primary Government

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

In December 2010 the Mid-Shore I landfill located in Talbot County accepted its last trash and in January 2011 the Mid-Shore II landfill was opened for commercial business. As of June 30, 2012, total closure and post closure care costs were estimated at approximately \$23.5 million, with approximately \$6.6 million attributable to the County. It is expected that these costs will be funded from future revenues. MES has accrued and reported as a long-term liability at June 30, 2012, a portion of these costs, \$9.6 million, determined by the estimated useful life of the Landfills.

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

Note 11. Commitments and Contingencies (continued)

Primary Government (continued)

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2011. MES expects to satisfy these requirements as of June 30, 2012 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, 2012, which are as follows:

	<u>Amounts Expended To Date</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Easton Branch of Talbot County Free Library	\$ 5,443,442	\$ 132,053	November 2012
Glebe Road	524,870	1,573,049	November 2012

Note 12. Risk Management

Primary Government

General Insurance

The County's risk financing techniques include participation in a public entity pool and the purchase of commercial insurance.

For general, property, excess and environmental liability coverage, the County is a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool, which is owned and directed by the local governments that subscribe to its coverages, and operates under the terms of a Trust Agreement.

Subscribers to coverage by LGIT share in the risk among participants of the pools. As a result, the County's annual premium requirements are affected by the loss experience of the various insurance pools in which it participates. Conversely, favorable performance of certain insurance pools may result in reduced premiums.

The County is fully insured for worker's compensation through commercial insurance, and employees are bonded to limit the loss to the County in the event of employees committing acts of embezzlement or theft. In addition, due to specific exclusions in the County's insurance, the County also has commercial insurance coverage for property liability at the Easton Airport. There has been no significant reduction in insurance coverage from the prior year by major categories of risk, and amounts of settlements have not exceeded insurance coverage for each of the past three fiscal years.

Health Insurance

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 12. Risk Management (continued)

Board of Education

General Insurance

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Effective July 1, 1992, the Board joined the Maryland Association of Boards of Education Group Insurance and Workers Compensation Pools (MABE), which provides casualty and property insurance, and workers compensation coverage. MABE operates as authorized by Section 482B of Article 84A of the Annotated Code of Maryland. The Board pays an annual premium to MABE for its insurance coverage. The agreement for formation of MABE provides that it will be self-sustaining through member premiums and will reinsure through commercial companies as specified in the agreement. As of June 30, 2012, MABE had total fund equity of approximately \$17 million. It is believed that there are no outstanding claims in excess of the equity.

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

Health Insurance

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

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

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

Note 13. Deficits

At June 30, 2012, the Sanitary District Fund, the Easton Airport Fund, and the Pool Fund had deficits in unrestricted net assets of \$1,222,439, \$410,029, and \$396,558, respectively. These deficits are expected to be eliminated through normal operations.

At June 30, 2012, the Grants Fund had a deficit in unassigned fund balance of \$1,289. The deficit is 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, 2012, the outstanding balance of these bonds and notes payables was \$32,617,786 and the effect of this non-capital debt has been reflected in the unrestricted net assets of the County.

Required Supplementary Information

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
TAXES - LOCAL				
LOCAL PROPERTY TAXES				
Real property	\$ 29,245,000	\$ 29,245,000	\$ 29,384,626	\$ 139,626
Railroad and public utilities	500,000	500,000	615,718	115,718
Prior Years	-	-	17,892	17,892
Penalties and interest	163,500	163,500	183,205	19,705
Total property taxes	29,908,500	29,908,500	30,201,441	292,941
Less: Discounts allowed on taxes	(195,000)	(195,000)	(199,421)	(4,421)
Net property taxes	29,713,500	29,713,500	30,002,020	288,520
LOCAL INCOME TAXES	19,000,000	19,000,000	20,269,343	1,269,343
OTHER LOCAL TAXES				
Admissions and amusements	50,000	50,000	43,971	(6,029)
Recordation	5,650,000	5,650,000	4,636,327	(1,013,673)
Transfer	3,200,000	3,200,000	2,602,845	(597,155)
Public accommodations	975,000	975,000	1,105,272	130,272
Mobile manufactured home	63,000	63,000	61,065	(1,935)
Total other local taxes	9,938,000	9,938,000	8,449,480	(1,488,520)
Total local taxes	58,651,500	58,651,500	58,720,843	69,343
LICENSES AND PERMITS				
Beer, wine and liquor licenses	175,000	175,000	169,685	(5,315)
Alcoholic beverages fines	2,000	2,000	300	(1,700)
Traders licenses	40,000	40,000	35,784	(4,216)
Animal tags and fines	2,500	2,500	11,586	9,086
Stormwater permits	10,000	10,000	15,700	5,700
Flood plain permits	500	500	770	270
Boat ramp permits and violations	142,700	142,700	151,680	8,980
Marriage licenses	2,665	2,665	2,870	205
Plumbing permits	14,000	14,000	10,838	(3,162)
Zoning fines	-	-	1,000	1,000
Health department fees	-	-	35	35
Plumbing licenses	8,000	8,000	7,735	(265)
HVAC inspections	10,000	10,000	8,393	(1,607)
Slot machine licenses	1,600	1,600	1,250	(350)
Electrical licenses	16,000	16,000	15,562	(438)
Building permits	200,000	200,000	144,611	(55,389)
Total licenses and permits	624,965	624,965	577,799	(47,166)

TALBOT COUNTY, MARYLAND

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

**For the Year Ended June 30, 2012
(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
INTERGOVERNMENTAL REVENUES				
FROM THE FEDERAL GOVERNMENT				
State's attorney - child support	\$ 95,000	\$ 95,000	\$ 111,159	\$ 16,159
Vest program	750	750	-	(750)
Byrne - corrections grant	8,000	8,000	-	(8,000)
HMEP grant	6,600	6,600	7,651	1,051
FEMA	68,140	68,140	150,715	82,575
Emergency management - DHS	53,000	53,000	86,146	33,146
Community emergency response team	4,750	4,750	4,573	(177)
Planning and zoning	-	-	11,867	11,867
Total Federal revenues	236,240	236,240	372,111	135,871
FROM THE STATE OF MARYLAND				
Police protection	63,389	63,389	55,257	(8,132)
Sex offender grant	18,500	18,500	15,566	(2,934)
School bus safety grant	12,000	12,000	14,325	2,325
Fire and rescue	217,000	217,000	188,495	(28,505)
911 grants and numbers system board	305,000	305,000	275,323	(29,677)
Community right to know grant	8,850	8,850	10,429	1,579
Community service	23,000	23,000	23,000	-
Addictions program grant	-	-	8,374	8,374
Circuit Court - Family Services	163,695	163,695	137,733	(25,962)
Problem solving court grant	187,011	187,011	107,116	(79,895)
Critical areas	16,000	16,000	16,000	-
Highway user revenues	196,000	196,000	160,042	(35,958)
Recordation	1,500	1,500	33,341	31,841
MIEMSS grants	-	-	6,960	6,960
Department of Natural Resources	-	-	205,806	205,806
Program open space	-	-	3,109	3,109
Public landing grants	21,000	21,000	26,877	5,877
Tourism	75,000	75,000	63,982	(11,018)
DSS-Legal fees	70,000	70,000	66,171	(3,829)
Security filing fees	1,500	1,500	130	(1,370)
Total state revenues	1,379,445	1,379,445	1,418,036	38,591
Total intergovernmental	1,615,685	1,615,685	1,790,147	174,462

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2012

(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	\$ 45,800	\$ 45,800	\$ 19,201	\$ (26,599)
Subdivision applications	35,000	35,000	19,095	(15,905)
Administrative variance	4,000	4,000	2,100	(1,900)
Board of appeals	7,500	7,500	6,910	(590)
Site plan reviews	4,500	4,500	1,418	(3,082)
Forest conservation fees	3,300	3,300	2,250	(1,050)
Critical area preservation	10,000	10,000	26,962	16,962
Bed & breakfast license/home occupation	1,250	1,250	975	(275)
Short term rental fees	10,000	10,000	14,550	4,550
Wireless communication license	9,000	9,000	5,400	(3,600)
Mobile home fees	500	500	225	(275)
Zoning ordinances/maps	500	500	-	(500)
BOCA publications	400	400	-	(400)
Roadside vendors and produce stand perm	1,100	1,100	2,650	1,550
Weed and litter enforcement	1,000	1,000	2,250	1,250
Weed control spraying	40,000	40,000	31,269	(8,731)
Economic development/tourism	125,000	125,000	187,867	62,867
Election filing and voter lists	1,000	1,000	857	(143)
Sheriff's fees	32,000	32,000	32,998	998
Emergency medical services	1,206,600	1,206,600	1,283,554	76,954
MIEMSS-EMS communications	25,000	25,000	67,000	42,000
Hazmat fees	-	-	57,459	57,459
Other charges	750	750	945	195
Total general government	1,564,200	1,564,200	1,765,935	201,735
PUBLIC SAFETY CHARGES				
Boarding of local prisoners	10,000	10,000	21,330	11,330
Weekenders fees	5,750	5,750	3,370	(2,380)
Live-in, work-out fees	7,500	7,500	11,800	4,300
Home detention program	3,000	3,000	3,650	650
Federal prisoner program	215,000	215,000	169,999	(45,001)
Inmate sick call service	500	500	-	(500)
Community service fees	4,900	4,900	3,425	(1,475)
Total public safety charges	246,650	246,650	213,574	(33,076)

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
SERVICE CHARGES (continued)				
HEALTH				
Mosquito control fees	\$ 90,000	\$ 90,000	\$ 118,979	\$ 28,979
RECREATION CHARGES				
Boat slips	67,500	67,500	54,383	(13,117)
Program fees	-	-	2,155	2,155
Other recreation grants	43,500	43,500	23,206	(20,294)
Total recreation	111,000	111,000	79,744	(31,256)
Total service charges	2,011,850	2,011,850	2,178,232	166,382
FINES AND FORFEITURES	-	-	5,347	5,347
MISCELLANEOUS				
Rents	40,000	40,000	50,031	10,031
Other	51,000	51,000	123,836	72,836
Total miscellaneous	91,000	91,000	173,867	82,867
INTEREST	600,000	600,000	144,769	(455,231)
TOTAL REVENUES	63,595,000	63,595,000	63,591,004	(3,996)
OTHER FINANCING SOURCES				
Transfers from capital projects	1,000,000	1,000,000	1,000,000	-
Reserved and unexpended funds	1,350,000	1,350,000	-	(1,350,000)
Total other financing sources	2,350,000	2,350,000	1,000,000	(1,350,000)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 65,945,000	\$ 65,945,000	\$ 64,591,004	\$ (1,353,996)

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>EXPENDITURES</u>				
GENERAL GOVERNMENT				
LEGISLATIVE				
County Council:				
Salaries	\$ 73,000	\$ 73,000	\$ 73,000	\$ -
Other operating	44,350	44,350	39,183	5,167
Total legislative	117,350	117,350	112,183	5,167
JUDICIAL				
Circuit Court:				
Salaries	118,877	118,877	114,366	4,511
Other operating	28,235	28,235	24,705	3,530
Court Stenographer:				
Salaries	30,475	30,475	32,045	(1,570)
Other operating	225	225	173	52
Petit Jury				
Salaries	15,000	15,000	14,735	265
Other operating	9,200	9,200	5,691	3,509
Family Services:				
Salaries and fringe benefits	65,895	65,895	56,540	9,355
Other operating	97,800	97,800	81,193	16,607
Problem Solving Court:				
Salaries and fringe benefits	126,814	126,814	91,398	35,416
Other operating	60,197	60,197	5,297	54,900
Teen Court:				
Other operating	-	-	11,094	(11,094)
Orphan's Court:				
Salaries	17,672	17,672	17,672	-
Other operating	500	500	715	(215)
State's Attorney:				
Salaries	413,523	413,523	408,973	4,550
Other operating	33,176	33,176	54,468	(21,292)
Capital outlay	500	500	70	430
Child Support:				
Salaries and fringe benefits	173,280	173,280	170,537	2,743
Other operating	10,505	10,505	9,446	1,059
Victim Witness Program:				
Salaries	101,696	101,696	101,029	667
Other operating	5,064	5,064	2,945	2,119
Law Library:				
Salaries	2,939	2,939	2,950	(11)
Other operating	100	100	100	-
Total judicial	1,311,673	1,311,673	1,206,142	105,531

TALBOT COUNTY, MARYLAND

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

**For the Year Ended June 30, 2012
(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
GENERAL GOVERNMENT (continued)				
EXECUTIVE				
County Administration:				
Salaries	\$ 383,287	\$ 383,287	\$ 387,513	\$ (4,226)
Other operating	26,127	26,127	27,997	(1,870)
Capital outlay	16,000	16,000	3,807	12,193
Total executive	425,414	425,414	419,317	6,097
ELECTIONS				
Board of Supervisors of Elections:				
Salaries and fringe benefits	178,317	178,317	155,500	22,817
Other operating	102,400	102,400	100,471	1,929
Registration and elections				
Salaries and fringe benefits	47,300	47,300	34,150	13,150
Other operating	4,000	4,000	-	4,000
Total elections	332,017	332,017	290,121	41,896
FINANCIAL ADMINISTRATION				
Finance Office:				
Salaries	422,664	422,664	422,664	-
Other operating	127,975	127,975	103,794	24,181
MD State Department of Assessments and Taxation	300,000	300,000	289,747	10,253
Liquor License Commissioners:				
Salaries	10,106	10,106	10,106	-
Other operating	2,900	2,900	(3,894)	6,794
Total financial administration	863,645	863,645	822,417	41,228
LAW				
County Attorney:				
Salaries	157,481	157,481	160,663	(3,182)
Other operating	41,150	41,150	45,073	(3,923)
Total law	198,631	198,631	205,736	(7,105)
PLANNING AND ZONING				
Planning Office:				
Salaries	435,874	435,874	423,077	12,797
Other operating	32,750	32,750	37,231	(4,481)
Capital outlay	-	-	11,206	(11,206)
Board of Appeals:				
Salaries	62,961	62,961	61,661	1,300
Other operating	12,550	12,550	9,505	3,045
Total planning and zoning	544,135	544,135	542,680	1,455

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2012

(Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
GENERAL GOVERNMENT (continued)				
GENERAL SERVICES				
County Buildings:				
Salaries	\$ 197,658	\$ 197,658	\$ 197,879	\$ (221)
Other operating	320,456	320,456	290,336	30,120
Library Maintenance	70,800	70,800	53,304	17,496
Information Technology:				
Salaries	182,597	182,597	182,596	1
Other operating	97,955	97,955	51,561	46,394
Capital outlay	-	-	6,623	(6,623)
Insurance	100,850	100,850	71,269	29,581
Total general services	970,316	970,316	853,568	116,748
ECONOMIC DEVELOPMENT				
Office of Economic Development:				
Salaries and fringe benefits	87,670	87,670	89,536	(1,866)
Other operating	12,700	12,700	11,886	814
Arts Council	10,000	10,000	10,000	-
Tourism:				
Salaries and fringe benefits	95,083	95,083	99,019	(3,936)
Other operating	262,025	262,025	398,430	(136,405)
Historic Preservation Commission	2,000	2,000	271	1,729
Other	18,060	18,060	18,060	-
Total economic development	487,538	487,538	627,202	(139,664)
Total general government	5,250,719	5,250,719	5,079,366	171,353
PUBLIC SAFETY				
SHERIFF				
Salaries	1,466,041	1,466,041	1,439,245	26,796
Other operating	319,459	319,459	287,648	31,811
Capital outlay	4,500	4,500	18,642	(14,142)
Total sheriff	1,790,000	1,790,000	1,745,535	44,465
MUNICIPAL INSTITUTIONS				
Detention Center:				
Salaries	1,563,279	1,563,279	1,494,686	68,593
Other operating	1,047,610	1,047,610	1,019,460	28,150
Capital outlay	15,000	15,000	270	14,730
Total municipal institutions	2,625,889	2,625,889	2,514,416	111,473

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2012

(Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
PUBLIC SAFETY (continued)				
OTHER PUBLIC SAFETY				
School Crossing Guards	\$ 50,083	\$ 50,083	\$ 50,083	\$ -
Animal Control Program	336,000	336,000	335,789	211
Emergency Management:				
Salaries	645,892	645,892	729,937	(84,045)
Other operating	335,777	335,777	324,684	11,093
Capital outlay	20,239	20,239	114,056	(93,817)
Volunteer Fire Companies	1,264,759	1,264,759	1,250,313	14,446
Emergency Medical Services:				
Salaries and fringe benefits	2,744,476	2,744,476	2,740,849	3,627
Other operating	368,125	368,125	407,180	(39,055)
Capital outlay	-	-	11,960	(11,960)
Hazardous Materials:				
Salaries and fringe benefits	12,250	12,250	1,445	10,805
Other operating	12,750	12,750	51,438	(38,688)
Total other public safety	5,790,351	5,790,351	6,017,734	(227,383)
PROTECTIVE INSPECTION				
Electrical Inspection:				
Salaries	5,525	5,525	4,655	870
Other operating	1,600	1,600	1,042	558
Building and Plumbing Inspection:				
Salaries	169,387	169,387	170,477	(1,090)
Other operating	19,950	19,950	17,979	1,971
Total protective inspection	196,462	196,462	194,153	2,309
Total public safety	10,402,702	10,402,702	10,471,838	(69,136)
PUBLIC WORKS				
PUBLIC WORKS - GENERAL				
Salaries	409,703	409,703	410,260	(557)
Other operating	28,150	28,150	24,661	3,489
Capital outlay	-	-	201,781	(201,781)
Total public works - general	437,853	437,853	636,702	(198,849)
PUBLIC LANDINGS AND WHARVES				
Salaries	124,670	124,670	126,526	(1,856)
Other operating	57,956	57,956	38,954	19,002
Capital outlay	-	-	2,745	(2,745)
Total public landings and wharves	182,626	182,626	168,225	14,401
SOLID WASTE DISPOSAL				
Salaries and fringe benefits	43,098	43,098	43,213	(115)
Other operating	501,600	501,600	586,891	(85,291)
Total solid waste disposal	544,698	544,698	630,104	(85,406)

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
PUBLIC WORKS (continued)				
HIGHWAYS AND STREETS				
Salaries and fringe benefits	\$ 1,303,215	\$ 1,303,215	\$ 1,181,235	\$ 121,980
Other operating	480,118	480,118	333,439	146,679
Total highways and streets	1,783,333	1,783,333	1,514,674	268,659
Total public works	2,948,510	2,948,510	2,949,705	(1,195)
HEALTH AND HOSPITALS				
Health department	1,278,976	1,278,976	1,281,188	(2,212)
School health	543,348	543,348	543,348	-
Addictions counseling	76,800	76,800	76,800	-
Mosquito control	92,800	92,800	120,059	(27,259)
Total health and hospitals	1,991,924	1,991,924	2,021,395	(29,471)
SOCIAL SERVICES				
Social services legal	91,250	91,250	70,718	20,532
Neighborhood Service Center	70,034	70,034	70,034	-
Delmarva Community Services	79,044	79,044	94,044	(15,000)
Senior Services	163,155	163,155	163,155	-
Social Services	12,912	12,912	12,912	-
St. Martin's Ministries	7,000	7,000	7,000	-
Housing Special Loan Program	-	-	14,632	(14,632)
Housing:				
Salaries and fringe benefits	10,000	10,000	14,802	(4,802)
Other operating	5,000	5,000	194	4,806
Total social services	438,395	438,395	447,491	(9,096)
EDUCATION				
Board of Education:				
Operating appropriation	32,403,006	32,403,006	32,403,006	-
Debt Service	3,397,475	3,397,475	3,336,001	61,474
Library:				
Operating appropriation	909,606	909,606	909,606	-
Community College:				
Operating appropriation	1,212,432	1,212,432	1,212,432	-
Capital outlay	77,000	77,000	77,000	-
Debt Service	61,741	61,741	60,931	810

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
EDUCATION (continued)				
Chesapeake Developmental Center	\$ 41,255	\$ 41,255	\$ 41,435	\$ (180)
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	76,623	76,623	76,055	568
Other operating	7,645	7,645	11,106	(3,461)
Total education	38,186,783	38,186,783	38,127,572	59,211
RECREATION				
Parks and Recreation:				
Salaries	120,270	120,270	119,747	523
Other operating	207,125	207,125	128,615	78,510
Capital outlay	-	-	5,361	(5,361)
Total recreation	327,395	327,395	253,723	73,672
CONSERVATION OF NATURAL RESOURCES				
Agricultural Extension Service	150,029	150,029	150,009	20
Other	15,350	15,350	8,081	7,269
Weed Control:				
Salaries and fringe benefits	58,215	58,215	57,952	263
Other operating	25,561	25,561	10,222	15,339
Total conservation of natural resources	249,155	249,155	226,264	22,891
INTERGOVERNMENTAL				
Payments to Municipalities:				
Fire, rescue and ambulance fund	20,000	20,000	15,767	4,233
Bank stock	7,535	7,535	7,535	-
Public accommodations tax	721,500	721,500	797,144	(75,644)
Total intergovernmental	749,035	749,035	820,446	(71,411)
EMPLOYEE BENEFITS				
Retirement and pension contributions:				
Employees retirement	760,000	760,000	785,646	(25,646)
Social security tax	546,037	546,037	531,096	14,941
Health insurance	2,058,250	2,058,250	1,787,234	271,016
Health insurance waiver	70,000	70,000	67,577	2,423

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2012

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
EMPLOYEE BENEFITS (continued)				
Unemployment insurance	\$ 30,000	\$ 30,000	\$ 37,352	\$ (7,352)
Group life insurance	30,000	30,000	36,550	(6,550)
Disability insurance	23,000	23,000	19,835	3,165
Substance abuse testing	6,000	6,000	4,646	1,354
Workers' compensation	128,000	128,000	167,139	(39,139)
Employee training	14,693	14,693	18,269	(3,576)
OPEB	-	-	7,000,000	(7,000,000)
Other operating	4,000	4,000	5,832	(1,832)
Total employee benefits	3,669,980	3,669,980	10,461,176	(6,791,196)
MISCELLANEOUS	82,950	82,950	77,239	5,711
DEBT SERVICE				
Principal on long-term debt	58,350	58,350	59,651	(1,301)
Interest on long-term debt	16,450	16,450	15,904	546
Total debt service	74,800	74,800	75,555	(755)
RESERVE FOR CONTINGENCIES	933,159	933,159	39,697	893,462
TOTAL EXPENDITURES	65,305,507	65,305,507	71,051,467	(5,745,960)
OTHER FINANCING USES				
Transfers:				
Pool - Operating appropriation	164,281	164,281	100,216	64,065
Recreation	475,212	475,212	475,212	-
Total other financing uses	639,493	639,493	575,428	64,065
TOTAL EXPENDITURES AND OTHER FINANCING USES	65,945,000	65,945,000	71,626,895	(5,681,895)
Net change in fund balances	\$ -	\$ -	\$ (7,035,891)	\$ (7,035,891)

TALBOT COUNTY, MARYLAND

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

June 30, 2012

Year Ended June 30,	Date of Actuarial Valuation Data	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
<u>Talbot County, Maryland</u>							
2010	July 1, 2009	\$ -	\$ 14,689,000	0.00%	\$ 14,689,000	\$ 11,685,261	125.7%
2011	July 1, 2009	-	14,689,000	0.00%	14,689,000	11,020,559	133.3%
2012	July 1, 2011	7,000,000	11,825,089	59.20%	4,825,089	10,441,819	46.2%
<u>Board of Education</u>							
2010	July 1, 2010	\$ -	\$ 50,155,000	0.00%	\$ 50,155,000	\$ 30,931,517	162.1%
2011	July 1, 2011	-	47,141,000	0.00%	47,141,000	30,917,375	152.5%
2012	July 1, 2012	-	50,087,000	0.00%	50,087,000	30,368,275	164.9%
<u>Library</u>							
2010	June 30, 2009	\$ -	\$ 900,000	0.00%	\$ 900,000	\$ 723,198	124.4%
2011	June 30, 2009	-	900,000	0.00%	900,000	812,243	110.8%
2012	July 1, 2011	-	1,262,817	0.00%	1,262,817	836,080	151.0%

TALBOT COUNTY, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Basis

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

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

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

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

Note 3. Excess of Expenditures over Appropriations

The general fund had an excess of expenditures over appropriations for the year ended June 30, 2012. Funds to provide for the excess were made available from prior years fund balance.

Other Supplementary Information

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
For the Year Ended June 30, 2012**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
REVENUES				
Intergovernmental - Federal	\$ -	\$ -	\$ 279,517	\$ 279,517
Intergovernmental - State	339,000	339,000	1,056,152	717,152
Miscellaneous	-	-	5,117	5,117
Interest	-	-	10,085	10,085
Total revenues	339,000	339,000	1,350,871	1,011,871
EXPENDITURES				
General government	150,000	150,000	3,845,645	(3,695,645)
Public works	189,000	189,000	1,402,370	(1,213,370)
Health and hospitals	-	-	7,110	(7,110)
Education	705,000	705,000	890,780	(185,780)
Recreation	-	-	32,286	(32,286)
Total expenditures	1,044,000	1,044,000	6,178,191	(5,134,191)
OTHER FINANCING SOURCES (USES)				
Designated fund balance	1,705,000	1,705,000	-	(1,705,000)
Transfers to general fund	(1,000,000)	(1,000,000)	(1,000,000)	-
Total other financing sources (uses)	705,000	705,000	(1,000,000)	(1,705,000)
Net Change in Fund Balance	\$ -	\$ -	\$ (5,827,320)	\$ (5,827,320)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
DEVELOPMENTAL IMPACT FUND
For the Year Ended June 30, 2012**

	<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	\$ 40,000	\$ 40,000	\$ 43,714	\$ 3,714
Public works	35,000	35,000	162,353	127,353
Education				
Public schools	100,000	100,000	94,232	(5,768)
Library	20,000	20,000	17,768	(2,232)
Community College	4,000	4,000	3,776	(224)
Recreation	25,000	25,000	22,072	(2,928)
Interest	15,000	15,000	9,606	(5,394)
Total revenues	239,000	239,000	353,521	114,521
OTHER FINANCING SOURCES (USES)				
Designated fund balance	(239,000)	(239,000)	-	(239,000)
Total other financing uses	(239,000)	(239,000)	-	(239,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 353,521	\$ 353,521

TALBOT COUNTY, MARYLAND

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

GRANTS FUND

For the Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - Federal	\$ 2,101,000	\$ 2,101,000	\$ 2,604,360	\$ 503,360
Intergovernmental - State	242,961	242,961	74,350	(168,611)
Contribution	-	-	18,443	18,443
Total revenues	2,343,961	2,343,961	2,697,153	353,192
EXPENDITURES				
General government	35,000	35,000	39,580	(4,580)
Public safety	46,000	46,000	53,953	(7,953)
Public works	-	-	202,888	(202,888)
Health and hospitals	1,976,000	1,976,000	1,541,986	434,014
Social services	286,961	286,961	60,035	226,926
Education	-	-	800,000	(800,000)
Total expenditures	2,343,961	2,343,961	2,698,442	(354,481)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,289)	\$ 707,673

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
TALBOT FAMILY NETWORK
For the Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - State	\$ 516,830	\$ 516,830	\$ 263,288	\$ (253,542)
Interest	-	-	1,857	1,857
Total revenues	516,830	516,830	265,145	(251,685)
EXPENDITURES				
Social services	516,830	516,830	525,573	(8,743)
Net Change in Fund Balance	\$ -	\$ -	\$ (260,428)	\$ (242,942)

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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, 2012

	Hog Neck Golf Course		
	<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	338,000	254,211	(83,789)
Cart rentals	95,000	52,672	(42,328)
Green fees	826,000	798,027	(27,973)
Other operating	5,000	17,746	12,746
Total operating revenues	1,264,000	1,122,656	(141,344)
OPERATING EXPENSES			
Salaries and related expenses	588,585	542,784	45,801
Professional fees	10,260	12,035	(1,775)
Office	31,000	19,544	11,456
Insurance	6,000	4,934	1,066
Repairs and maintenance	149,900	140,290	9,610
Utilities	65,000	56,199	8,801
Supplies and equipment	72,000	61,223	10,777
Lessons and programs	4,500	1,820	2,680
Pro shop and concessions	155,000	116,133	38,867
Other operating	41,500	23,366	18,134
Total operating expenses	1,123,745	978,328	145,417
Operating income (loss) before depreciation	140,255	144,328	4,073
Depreciation	-	217,052	(217,052)
Net operating income (loss)	140,255	(72,724)	(212,979)
NON-OPERATING REVENUES (EXPENSES)			
Transfers from general fund	-	-	-
Gain on disposal of capital assets	-	2,737	2,737
Interest expense	(140,255)	(31,626)	108,629
Net non-operating revenues	(140,255)	(28,889)	111,366
Change in net assets	\$ -	\$ (101,613)	\$ (101,613)
OTHER BUDGETED EXPENSES			
Debt service	-	-	-
Capital outlay	-	-	-
Total other budgeted expenses	-	-	-
Budgeted net income (loss)	\$ -	-	-

Talbot Community Center			Combined Totals		
Revised Final Budget	Actual	Variance with Final Budget	Revised Final Budget	Actual	Variance with Final Budget
\$ 91,000	\$ 159,101	\$ 68,101	\$ 91,000	\$ 159,101	\$ 68,101
34,500	32,319	(2,181)	34,500	32,319	(2,181)
234,500	277,379	42,879	234,500	277,379	42,879
39,500	46,445	6,945	377,500	300,656	(76,844)
-	-	-	95,000	52,672	(42,328)
-	-	-	826,000	798,027	(27,973)
438	(254)	(692)	5,438	17,492	12,054
<u>399,938</u>	<u>514,990</u>	<u>115,052</u>	<u>1,663,938</u>	<u>1,637,646</u>	<u>(26,292)</u>
327,935	289,475	38,460	916,520	832,259	84,261
13,000	21,479	(8,479)	23,260	33,514	(10,254)
8,500	8,885	(385)	39,500	28,429	11,071
15,000	10,826	4,174	21,000	15,760	5,240
46,500	66,759	(20,259)	196,400	207,049	(10,649)
125,750	166,834	(41,084)	190,750	223,033	(32,283)
-	-	-	72,000	61,223	10,777
87,750	96,302	(8,552)	92,250	98,122	(5,872)
30,000	39,391	(9,391)	185,000	155,524	29,476
9,065	13,138	(4,073)	50,565	36,504	14,061
<u>663,500</u>	<u>713,089</u>	<u>(49,589)</u>	<u>1,787,245</u>	<u>1,691,417</u>	<u>95,828</u>
(263,562)	(198,099)	65,463	(123,307)	(53,771)	69,536
-	558,955	(558,955)	-	776,007	(776,007)
<u>(263,562)</u>	<u>(757,054)</u>	<u>(493,492)</u>	<u>(123,307)</u>	<u>(829,778)</u>	<u>(706,471)</u>
475,212	475,212	-	475,212	475,212	-
-	-	-	-	2,737	2,737
(192,650)	(86,085)	106,565	(332,905)	(117,711)	215,194
<u>282,562</u>	<u>389,127</u>	<u>106,565</u>	<u>142,307</u>	<u>360,238</u>	<u>217,931</u>
\$ 19,000	\$ (367,927)	\$ (386,927)	\$ 19,000	\$ (469,540)	\$ (488,540)
-	-	-	-	-	-
(19,000)	(19,000)	(19,000)	(19,000)	(19,000)	(19,000)
<u>(19,000)</u>	<u>(19,000)</u>	<u>(19,000)</u>	<u>(19,000)</u>	<u>(19,000)</u>	<u>(19,000)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TALBOT COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - SANITARY DISTRICT
For the Year Ended June 30, 2012

	<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	\$ 945,740	\$ 946,795	\$ 1,055	\$ 226,000	\$ 229,460	\$ 3,460
Sewer connection charges	24,000	14,000	(10,000)	12,000	60,000	48,000
Residential benefit charges	-	-	-	-	60,384	60,384
Miscellaneous	30,000	1,578	(28,422)	-	100	100
Total operating revenues	999,740	962,373	(37,367)	238,000	349,944	111,944
OPERATING EXPENSES						
Salaries and related expenses	326,075	330,664	(4,589)	53,135	52,416	719
Professional fees	400	808	(408)	200	138	62
Office	5,050	3,980	1,070	1,550	1,141	409
Insurance	12,700	10,337	2,363	3,150	1,335	1,815
Contracted services	169,300	222,814	(53,514)	47,250	53,422	(6,172)
Repairs and maintenance	35,000	52,565	(17,565)	10,100	15,268	(5,168)
Other operating	15,000	22,903	(7,903)	7,500	1,781	5,719
Total operating expenses	563,525	644,071	(80,546)	122,885	125,501	(2,616)
Operating income (loss) before depreciation	436,215	318,302	(117,913)	115,115	224,443	109,328
Depreciation	6,115	592,922	(586,807)	20,715	118,202	(97,487)
Net operating income (loss)	430,100	(274,620)	(704,720)	94,400	106,241	11,841
NON-OPERATING REVENUES						
(EXPENSES)						
Intergovernmental revenues	-	-	-	-	-	-
Interest income	5,000	6,328	1,328	1,500	3,233	1,733
Interest expense	(34,250)	(25,917)	8,333	(23,100)	(21,177)	1,923
Net non-operating revenues (expenses)	(29,250)	(19,589)	9,661	(21,600)	(17,944)	3,656
Change in net assets	\$ 400,850	\$ (294,209)	\$ (695,059)	\$ 72,800	\$ 88,297	\$ 15,497
OTHER BUDGETED EXPENSES						
Debt service	(400,850)			(72,800)		
Total other budgeted expenses	(400,850)			(72,800)		
Budgeted net income (loss)	\$ -			\$ -		

<u>Tilghman District</u>			<u>Unionville District</u>		
<u>Revised</u>		<u>Variance With</u>	<u>Revised</u>		<u>Variance With</u>
<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
\$ 227,000	\$ 218,303	\$ (8,697)	\$ 103,100	\$ 104,901	\$ 1,801
1,490	-	(1,490)	-	39,000	39,000
19,000	20,207	1,207	-	-	-
510	366	(144)	-	78	78
<u>248,000</u>	<u>238,876</u>	<u>(9,124)</u>	<u>103,100</u>	<u>143,979</u>	<u>40,879</u>
134,439	133,737	702	25,410	25,285	125
250	264	(14)	200	85	115
2,820	2,656	164	1,275	695	580
7,700	2,111	5,589	2,100	632	1,468
42,300	67,709	(25,409)	24,000	27,366	(3,366)
8,400	13,421	(5,021)	3,600	11,097	(7,497)
-	21	(21)	1,200	907	293
<u>195,909</u>	<u>219,919</u>	<u>(24,010)</u>	<u>57,785</u>	<u>66,067</u>	<u>(8,282)</u>
52,091	18,957	(33,134)	45,315	77,912	32,597
22,066	155,338	(133,272)	6,625	140,363	(133,738)
<u>30,025</u>	<u>(136,381)</u>	<u>(166,406)</u>	<u>38,690</u>	<u>(62,451)</u>	<u>(101,141)</u>
-	-	-	-	-	-
4,500	3,008	(1,492)	1,500	1,820	320
(9,525)	(9,111)	414	(8,910)	(8,266)	644
<u>(5,025)</u>	<u>(6,103)</u>	<u>(1,078)</u>	<u>(7,410)</u>	<u>(6,446)</u>	<u>964</u>
<u>\$ 25,000</u>	<u>\$ (142,484)</u>	<u>\$ (167,484)</u>	<u>\$ 31,280</u>	<u>\$ (68,897)</u>	<u>\$ (100,177)</u>
<u>(25,000)</u>			<u>(31,280)</u>		
<u>(25,000)</u>			<u>(31,280)</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, 2012 (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	\$ 215,000	\$ 317,394	\$ 102,394	\$ -	\$ -	\$ -
Sewer connection charges	-	-	-	-	-	-
Residential benefit charges	-	94,174	94,174	-	-	-
Miscellaneous	20,000	-	(20,000)	38,210	5,000	(33,210)
Total operating revenues	235,000	411,568	176,568	38,210	5,000	(33,210)
OPERATING EXPENSES						
Salaries and related expenses	132,238	132,962	(724)	54,645	47,862	6,783
Professional fees	1,300	1,002	298	200	172	28
Office	1,300	1,215	85	-	-	-
Insurance	8,200	5,711	2,489	-	-	-
Contracted services	31,050	76,532	(45,482)	379,005	485,012	(106,007)
Repairs and maintenance	3,250	5,597	(2,347)	-	-	-
Other operating	-	883	(883)	-	13,041	(13,041)
Total operating expenses	177,338	223,902	(46,564)	433,850	546,087	(112,237)
Operating income (loss) before depreciation	57,662	187,666	130,004	(395,640)	(541,087)	(145,447)
Depreciation	17,662	211,638	(193,976)	-	1,978	(1,978)
Net operating income (loss)	40,000	(23,972)	(63,972)	(395,640)	(543,065)	(147,425)
NON-OPERATING REVENUES						
(EXPENSES)						
Intergovernmental revenues	-	-	-	395,640	500,461	104,821
Interest income	-	-	-	-	-	-
Interest expense	(40,000)	(11,904)	28,096	-	-	-
Net non-operating revenues (expenses)	(40,000)	(11,904)	28,096	395,640	500,461	104,821
Change in net assets	\$ -	\$ (35,876)	\$ (35,876)	\$ -	\$ (42,604)	\$ (42,604)
OTHER BUDGETED EXPENSES						
Debt service	\$ -	-	-	\$ -	-	-
Total other budgeted expenses	-	-	-	-	-	-
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>
\$ 199,000	\$ 198,231	\$ (769)	\$ 1,915,840	\$ 2,015,084	\$ 99,244
-	-	-	37,490	113,000	75,510
-	-	-	19,000	174,765	155,765
29,500	8,193	(21,307)	118,220	15,315	(102,905)
228,500	206,424	(22,076)	2,090,550	2,318,164	227,614
102,960	103,282	(322)	828,902	826,208	2,694
210	352	(142)	2,760	2,821	(61)
1,450	1,365	85	13,445	11,052	2,393
150	49	101	34,000	20,175	13,825
61,300	72,949	(11,649)	754,205	1,005,804	(251,599)
7,400	19,134	(11,734)	67,750	117,082	(49,332)
1,300	615	685	25,000	40,151	(15,151)
174,770	197,746	(22,976)	1,726,062	2,023,293	(297,231)
53,730	8,678	(45,052)	364,488	294,871	(69,617)
2,730	8,418	(5,688)	75,913	1,228,859	(1,152,946)
51,000	260	(50,740)	288,575	(933,988)	(1,222,563)
-	-	-	395,640	500,461	104,821
-	71	71	12,500	14,460	1,960
(21,000)	(24,711)	(3,711)	(136,785)	(101,086)	35,699
(21,000)	(24,640)	(3,640)	271,355	413,835	142,480
\$ 30,000	\$ (24,380)	\$ (54,380)	\$ 559,930	\$ (520,153)	\$ (1,080,083)
\$ (30,000)			\$ (559,930)		
(30,000)			(559,930)		
\$ -			\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - EASTON AIRPORT
For the Year Ended June 30, 2012**

	Revised <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
OPERATING REVENUES			
Charges - operations	\$ 275,039	\$ 301,176	\$ 26,137
Charges - fuel facility	2,318,550	2,478,551	160,001
Charges - hangars	554,720	524,626	(30,094)
Other operating	12,000	93,515	81,515
Total operating revenues	3,160,309	3,397,868	237,559
OPERATING EXPENSES			
Salaries and related expenses	336,771	324,659	12,112
Cost of sales - fuel	2,103,395	2,298,366	(194,971)
Professional fees	1,700	88,098	(86,398)
Office	21,100	17,361	3,739
Insurance	20,000	23,184	(3,184)
Repairs and maintenance	122,400	58,409	63,991
Utilities	44,500	48,792	(4,292)
Supplies and equipment	500	368	132
Other operating	16,700	15,857	843
Total operating expenses	2,667,066	2,875,094	(208,028)
Operating income (loss) before depreciation	493,243	522,774	29,531
Depreciation	162,960	1,697,203	(1,534,243)
Net operating income (loss)	330,283	(1,174,429)	(1,504,712)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	107,234	719,033	611,799
Loss on disposal of capital assets	-	(21,619)	(21,619)
Interest income	1,669	-	(1,669)
Interest expense	(108,875)	(61,212)	47,663
Net non-operating revenues (expenses)	28	636,202	636,174
Change in net assets	\$ 330,311	\$ (538,227)	\$ (868,538)
OTHER BUDGETED EXPENSES			
Debt service	\$ (161,827)		
Capital outlay	(168,484)		
Total other budgeted expenses	(330,311)		
Budgeted net income (loss)	\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - POOL
For the Year Ended June 30, 2012**

	Revised Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES			
Admissions	\$ 37,000	\$ 46,860	\$ 9,860
Other operating	46,200	86,163	39,963
Total operating revenues	83,200	133,023	49,823
OPERATING EXPENSES			
Salaries and related expenses	171,786	83,518	88,268
Professional fees	2,405	2,217	188
Office	4,903	420	4,483
Insurance	1,750	1,413	337
Repairs and maintenance	15,875	17,393	(1,518)
Utilities	13,245	12,813	432
Supplies and equipment	10,317	12,403	(2,086)
Other operating	5,200	4,910	290
Total operating expenses	225,481	135,087	90,394
Operating income (loss) before depreciation	(142,281)	(2,064)	140,217
Depreciation	-	98,152	(98,152)
Net operating income (loss)	(142,281)	(100,216)	42,065
NON-OPERATING REVENUES			
Transfer from general fund	164,281	100,216	(64,065)
Total non-operating revenues	164,281	100,216	(64,065)
Change in net assets	\$ 22,000	\$ -	\$ (22,000)
OTHER BUDGETED EXPENSES			
Capital outlay	\$ (22,000)		
Total other budgeted expenses	(22,000)		
Budgeted net income (loss)	\$ -		

TALBOT COUNTY, MARYLAND
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue Funds			
	Developmental Impact	Grants	Talbot Family Network	Total Other Governmental Funds
ASSETS				
Cash and short-term investments	\$ 1,754,184	\$ -	\$ 6,215	\$ 1,760,399
Cash and short-term investments - earned reinvestment	-	-	276,338	276,338
Certificate of deposit	511,807	-	-	511,807
Receivables:				
Accounts receivable	-	-	36,445	36,445
Intergovernmental:				
Federal	-	1,134,486	-	1,134,486
Total Assets	\$ 2,265,991	\$ 1,134,486	\$ 318,998	\$ 3,719,475
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 660,343	\$ 20,655	\$ 680,998
Due to other funds	-	468,983	-	468,983
Unearned revenue	-	6,449	10,993	17,442
Total Liabilities	-	1,135,775	31,648	1,167,423
FUND BALANCES				
Restricted for: Social Services	-	-	287,350	287,350
Committed for: Capital Projects	1,080,991	-	-	1,080,991
Assigned for: Future Budget	1,185,000	-	-	1,185,000
Unassigned	-	(1,289)	-	(1,289)
Total Fund Balances	2,265,991	(1,289)	287,350	2,552,052
Total Liabilities and Fund Balances	\$ 2,265,991	\$ 1,134,486	\$ 318,998	\$ 3,719,475

TALBOT COUNTY, MARYLAND

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2012**

	Special Revenue Funds			
	Developmental Impact	Grants	Talbot Family Network	Total Other Governmental Funds
REVENUES				
Intergovernmental - State				
Federal	\$ -	\$ 2,604,360	\$ -	\$ 2,604,360
State	-	74,350	263,288	337,638
Licenses and permits	343,915	-	-	343,915
Miscellaneous	-	18,443	-	18,443
Interest	9,606	-	1,857	11,463
Total revenues	353,521	2,697,153	265,145	3,315,819
EXPENDITURES				
General government	-	39,580	-	39,580
Public safety	-	53,953	-	53,953
Public works	-	202,888	-	202,888
Health and hospitals	-	1,541,986	-	1,541,986
Social services	-	60,035	525,573	585,608
Education	-	800,000	-	800,000
Total Expenditures	-	2,698,442	525,573	3,224,015
Excess of Revenues Over (Under) Expenditures	353,521	(1,289)	(260,428)	91,804
Net change in fund balances	353,521	(1,289)	(260,428)	91,804
Fund balances at beginning of year	1,912,470	-	547,778	2,460,248
Fund balances (deficit) at end of year	\$ 2,265,991	\$ (1,289)	\$ 287,350	\$ 2,552,052

TALBOT COUNTY, MARYLAND

SCHEDULE OF REVENUES AND EXPENDITURES -
AS REQUIRED BY THE GOC FOR LMB OFFICES
ON BEHALF OF THE CHILDREN'S CABINET
Year Ended June 30, 2012

REVENUES

Intergovernmental:		
Administration	\$	58,425
Community partnership		204,863
Interest		1,857
Total revenues		265,145

EXPENDITURES

Social services		
Community partnership programs:		
Administration		58,425
After school program		68,319
Healthy families		81,544
Home visiting		13,000
Voluntary family services		42,000
Total Community partnership programs		263,288
Non-community partnership programs:		
Home visiting		39,764
Universal Pre K		138,820
Wraparound child care		83,701
Total non-community partnership programs		262,285
Total Expenditures		525,573
Net change in fund balances	\$	(260,428)

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
- Grants Fund
- Talbot Family Network
- Recreation Facilities
- Sanitary District
- Easton Airport
- Pool Fund

Combining Balance Sheet - Other Governmental Funds

Combining Schedule of Revenues and Expenditures - Other Governmental Funds

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

Offices on Behalf of the Children's Cabinet

STATISTICAL SECTION

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

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

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

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

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

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

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

Schedule 1
Talbot County, Maryland
Net Assets by Component
(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>	<u>2011</u>	<u>2012</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	\$ 77,628,434	\$ 78,931,013
Restricted									547,778	287,350
Unrestricted	<u>21,900,817</u>	<u>24,467,804</u>	<u>33,050,665</u>	<u>43,576,637</u>	<u>53,678,457</u>	<u>48,711,869</u>	<u>40,028,210</u>	<u>14,736,372</u>	<u>1,031,005</u>	<u>(2,611,189)</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	\$ 79,207,217	\$ 76,607,174
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	\$ 57,872,067	\$ 55,881,195
Unrestricted	<u>2,766,537</u>	<u>2,010,982</u>	<u>1,962,310</u>	<u>408,598</u>	<u>1,819,349</u>	<u>940,871</u>	<u>(2,028,817)</u>	<u>(399,540)</u>	<u>(310,795)</u>	<u>152,157</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	\$ 57,561,272	\$ 56,033,352
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	\$ 135,500,501	\$ 134,812,208
Restricted									547,778	287,350
Unrestricted	<u>24,667,354</u>	<u>26,478,786</u>	<u>35,012,975</u>	<u>43,985,235</u>	<u>55,497,806</u>	<u>49,652,740</u>	<u>37,999,393</u>	<u>14,336,832</u>	<u>720,210</u>	<u>(2,459,032)</u>
Total primary government net assets	\$ 78,443,640	\$ 85,743,351	\$ 98,649,755	\$ 118,753,529	\$ 139,278,957	\$ 151,677,311	\$ 151,169,724	\$ 144,357,264	\$ 136,768,489	\$ 132,640,526

Schedule 2
Talbot County, Maryland
Changes in Net Assets
(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>	<u>2011</u>	<u>2012</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	\$ 10,183,649	\$ 9,523,067
Public safety	7,004,515	8,579,829	10,277,842	10,921,003	11,161,287	12,911,154	13,731,318	13,185,294	13,657,735	12,854,721
Public works	2,496,544	2,925,889	4,642,392	4,981,242	4,637,883	4,085,559	4,831,967	4,249,569	4,334,793	4,601,524
Health and hospitals	1,379,364	1,355,972	1,449,359	1,531,391	1,880,034	1,964,816	2,338,752	2,410,440	3,120,074	3,576,751
Social services	2,953,069	1,609,871	1,696,493	1,814,939	1,402,948	1,404,799	1,484,690	1,499,755	1,224,920	1,147,850
Education	33,340,191	29,268,117	30,704,758	31,966,292	39,858,261	45,950,955	46,271,163	39,811,132	39,715,193	37,597,612
Recreation	296,404	345,504	542,531	1,275,345	2,577,757	894,668	885,695	864,772	748,414	738,616
Conservation of natural resources	209,727	231,996	210,248	244,923	295,659	274,430	302,516	269,891	255,489	226,264
Miscellaneous	1,409,577	1,522,465	-	-	-	-	-	-	-	-
Interest on long-term debt	155,585	157,743	124,966	113,108	100,461	86,132	71,418	55,936	23,388	15,904
Total governmental activities expenses	<u>53,631,288</u>	<u>50,992,719</u>	<u>54,628,759</u>	<u>58,463,706</u>	<u>67,361,701</u>	<u>76,049,490</u>	<u>80,068,970</u>	<u>71,865,058</u>	<u>73,263,655</u>	<u>70,282,309</u>
Business-type activities:										
Recreation facilities	2,137,153	2,147,153	2,140,155	2,494,818	3,217,842	3,825,521	3,258,076	2,958,425	3,162,507	2,582,398
Sanitary district	1,337,094	1,414,081	1,468,246	1,485,046	1,649,537	2,910,842	3,396,151	2,759,881	2,952,404	3,353,238
Airport	2,204,071	2,434,808	2,832,127	3,438,045	3,468,909	4,089,080	4,280,559	3,855,297	4,712,248	4,655,128
Pool	282,896	276,819	314,780	350,962	343,182	397,365	397,202	329,445	267,306	233,239
Total business-type activities expenses	<u>5,961,214</u>	<u>6,272,861</u>	<u>6,755,308</u>	<u>7,768,871</u>	<u>8,679,470</u>	<u>11,222,808</u>	<u>11,331,988</u>	<u>9,903,048</u>	<u>11,094,465</u>	<u>10,824,003</u>
Total primary government expenses	<u>\$ 59,592,502</u>	<u>\$ 57,265,580</u>	<u>\$ 61,384,067</u>	<u>\$ 66,232,577</u>	<u>\$ 76,041,171</u>	<u>\$ 87,272,298</u>	<u>\$ 91,400,958</u>	<u>\$ 81,768,106</u>	<u>\$ 84,358,120</u>	<u>\$ 81,106,312</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	\$ 2,133,251	\$ 2,392,795
Public safety	492,915	700,872	767,105	586,274	568,421	565,415	487,375	318,213	465,453	213,574
Public works	-	-	181,792	408,874	1,089,966	321,330	233,621	152,197	30,693	162,353
Health and hospitals	42,531	69,496	68,644	57,058	63,159	75,854	89,123	89,939	70,199	118,979
Education	-	-	391,810	631,900	532,531	292,956	189,303	267,153	112,872	115,776
Recreation	35,320	65,631	114,412	150,279	135,440	124,690	133,934	144,521	75,602	101,816
Operating grants and contributions	<u>7,245,332</u>	<u>6,332,123</u>	<u>7,790,739</u>	<u>8,397,525</u>	<u>10,045,423</u>	<u>10,108,796</u>	<u>9,192,985</u>	<u>3,134,627</u>	<u>5,877,037</u>	<u>6,067,814</u>
Total governmental activities program revenues	<u>8,583,024</u>	<u>8,885,942</u>	<u>11,190,963</u>	<u>12,484,386</u>	<u>14,729,894</u>	<u>13,787,715</u>	<u>12,565,389</u>	<u>6,190,169</u>	<u>8,765,107</u>	<u>9,173,107</u>

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
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	1,473,218	1,637,646
Sanitary district	1,072,726	1,015,001	1,110,847	1,061,865	1,151,340	1,803,762	2,100,885	2,045,673	2,103,019	2,318,164
Easton airport	1,807,185	1,856,821	2,330,429	2,904,517	2,824,353	3,075,162	2,898,388	2,519,061	3,015,851	3,397,868
Pool	276,852	86,424	80,220	93,161	87,769	79,302	77,082	87,317	113,324	133,023
Capital grants and contributions	-	1,647,042	833,848	4,895,190	6,416,909	7,269,502	2,297,603	5,282,059	6,431,135	1,219,494
Total business-type activities program revenues	4,149,118	5,924,625	5,799,070	10,202,202	12,178,458	13,954,633	8,849,456	11,380,925	13,136,547	8,706,195
Total primary government program revenues	\$ 12,732,142	\$ 14,810,567	\$ 16,990,033	\$ 22,686,588	\$ 26,908,352	\$ 27,742,348	\$ 21,414,845	\$ 17,571,094	\$ 21,901,654	\$ 17,879,302
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)	\$ (64,498,548)	\$ (61,109,202)
Business-type activities	(1,812,096)	(348,236)	(956,238)	2,433,331	3,498,988	2,731,825	(2,482,532)	1,477,877	2,042,082	(2,117,808)
Total primary government net expense	\$ (46,860,360)	\$ (42,455,013)	\$ (44,394,034)	\$ (43,545,989)	\$ (49,132,819)	\$ (59,529,950)	\$ (69,986,113)	\$ (64,197,012)	\$ (62,456,466)	\$ (63,227,010)
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	\$ 29,154,652	\$ 30,002,020
Local income tax	13,115,496	15,429,138	19,492,772	23,825,934	28,794,974	31,626,307	31,635,555	19,260,503	18,551,894	20,269,343
Other local taxes	6,577,034	9,909,957	13,681,174	13,647,096	12,002,501	9,949,967	7,097,837	6,831,278	6,792,369	8,449,480
Interest	588,344	299,144	795,404	1,870,166	3,049,507	3,405,782	2,470,720	980,562	221,952	166,317
Miscellaneous	3,855,478	2,840,639	718,241	324,881	622,980	456,406	739,625	1,927,226	136,104	197,427
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)	(1,235,256)	(575,428)
Total governmental activities	43,627,524	49,492,606	55,933,371	60,541,419	67,958,072	64,460,168	68,183,310	55,660,435	53,621,715	58,509,159
Business-type activities:										
Interest	87,770	45,093	103,292	145,109	139,807	115,854	98,421	60,046	10,720	14,460
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	1,235,256	575,428
Total business-type activities	881,760	262,118	1,367,067	3,108,344	1,700,175	7,468,136	1,295,216	1,724,117	1,245,976	589,888
Total primary government	\$ 44,509,284	\$ 49,754,724	\$ 57,300,438	\$ 63,649,763	\$ 69,658,247	\$ 71,928,304	\$ 69,478,526	\$ 57,384,552	\$ 54,867,691	\$ 59,099,047
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)	\$ (10,876,833)	\$ (2,600,043)
Business-type activities	(930,336)	(86,118)	410,829	5,541,675	5,199,163	10,199,961	(1,187,316)	3,201,994	3,288,058	(1,527,920)
Total primary government	\$ (2,351,076)	\$ 7,299,711	\$ 12,906,404	\$ 20,103,774	\$ 20,525,428	\$ 12,398,354	\$ (507,587)	\$ (6,812,460)	\$ (7,588,775)	\$ (4,127,963)

Schedule 3
Talbot County, Maryland
Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified 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>	<u>2011*</u>	<u>2012*</u>
General Fund										
Reserved	\$ -	\$ 22,051	\$ 7,681	\$ 42,293	\$ 2,509,615	\$ 913,869	\$ 966,200	\$ 105,269	\$ -	\$ -
Unreserved										
Designated	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	9,588,567	14,118,491	17,993,526	25,387,252	23,095,026	25,439,870	22,625,265	16,992,681	-	-
Non spendable	-	-	-	-	-	-	-	-	56,271	94,005
Committed	-	-	-	-	-	-	-	-	7,000,000	-
Assigned	-	-	-	-	-	-	-	-	1,350,000	1,487,600
Unassigned	-	-	-	-	-	-	-	-	15,517,033	15,305,808
Total General Fund	\$ 13,788,567	\$ 19,340,542	\$ 27,924,007	\$ 32,715,412	\$ 41,417,137	\$ 41,707,353	\$ 41,235,208	\$ 33,045,700	\$ 23,923,304	\$ 16,887,413
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	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	720,150	594,188	1,707,767	2,859,426	4,839,284	24,295	2,391,733	2,805,745	-	-
Undesignated - Special Revenue Funds	-	-	-	63,711	337,033	801,305	-	-	-	-
Restricted	-	-	-	-	-	-	-	-	547,778	287,350
Committed	-	-	-	-	-	-	-	-	16,971,966	10,501,167
Assigned	-	-	-	-	-	-	-	-	1,000,000	1,997,000
Unassigned	-	-	-	-	-	-	-	-	-	(1,289)
Total all other governmental funds	\$ 8,491,758	\$ 5,527,421	\$ 5,571,728	\$ 11,351,554	\$ 12,790,145	\$ 32,944,663	\$ 25,282,664	\$ 23,699,634	\$ 18,519,744	\$ 12,784,228
Total Governmental Funds	\$ 22,280,325	\$ 24,867,963	\$ 33,495,735	\$ 44,066,966	\$ 54,207,282	\$ 74,652,016	\$ 66,517,872	\$ 56,745,334	\$ 42,443,048	\$ 29,671,641

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Property tax	\$ 20,285,162	\$ 21,230,753	\$ 22,509,555	\$ 23,824,569	\$ 25,051,218	\$ 26,371,828	\$ 27,436,368	\$ 28,324,937	\$ 29,154,652	\$ 30,002,020
Income tax	13,115,496	15,429,138	19,492,772	23,825,934	28,794,974	31,626,307	31,635,555	19,260,503	18,551,894	20,269,343
Other local taxes	9,234,107	12,063,661	13,681,174	13,647,096	12,002,501	9,949,967	7,097,837	6,831,278	6,792,369	8,449,480
Licenses and permits	559,035	657,060	1,434,242	2,163,301	2,634,811	1,451,225	1,031,899	1,079,221	754,521	921,714
Intergovernmental:										
Federal	1,005,838	1,017,047	2,161,763	897,727	1,166,795	986,313	1,440,141	862,601	3,204,079	3,255,988
State	6,239,496	5,315,076	5,628,976	7,499,800	8,878,628	9,122,483	7,752,844	2,272,026	2,672,958	2,811,826
Service charges	1,337,694	1,874,539	1,965,982	1,918,108	2,035,151	2,220,939	2,336,814	1,967,453	2,129,649	2,178,232
Fines and forfeitures	21,830	22,220	11,241	5,452	14,509	6,755	3,691	8,868	3,900	5,347
Miscellaneous	617,536	742,247	707,000	324,881	622,980	456,406	739,625	1,927,226	136,104	197,427
Interest Income	588,344	299,143	795,404	1,870,166	3,049,507	3,405,782	2,470,720	980,562	221,952	166,317
Total revenues	53,004,538	58,650,884	68,388,109	75,977,034	84,251,074	85,598,005	81,945,494	63,514,675	63,622,078	68,257,694
Expenditures										
General Government	5,803,654	7,225,024	5,603,724	5,584,396	5,191,173	5,958,766	12,998,191	5,704,039	8,000,023	8,964,591
Public Safety	6,940,735	7,757,238	9,135,164	9,157,464	9,994,797	11,246,960	11,633,072	11,048,315	11,736,551	10,525,791
Public Works	4,361,390	3,209,637	4,492,762	6,126,343	5,528,800	6,371,000	6,148,333	3,563,248	4,592,005	4,554,963
Health and hospitals	1,375,601	1,352,209	1,445,596	1,526,270	1,872,922	3,963,933	2,331,749	2,404,180	3,113,814	3,570,491
Social services	2,937,003	1,594,320	1,681,193	1,778,837	1,401,182	1,390,590	1,468,953	1,484,019	1,209,401	1,033,099
Education	31,627,468	28,777,258	29,644,623	31,029,594	38,998,222	44,676,973	44,485,803	38,135,444	38,808,462	36,421,420
Debt service interest - Educ	1,128,080	1,095,167	1,060,135	901,243	891,193	1,273,144	1,751,927	1,701,468	1,393,224	2,143,416
Debt service principal - Educ	953,302	1,002,888	1,044,951	988,345	1,124,548	1,162,079	2,027,389	2,138,863	2,278,475	1,253,516
Recreation	492,123	518,026	491,528	1,104,324	2,992,661	2,497,017	1,279,319	491,376	329,191	286,009
Conservation of natural resources	206,433	231,996	210,248	244,923	295,659	274,430	313,771	269,891	255,489	226,264
Employee Benefits	1,409,577	1,522,465	2,303,921	2,579,628	2,748,331	2,644,213	2,926,325	3,116,961	3,460,899	10,461,176
Miscellaneous	45,590	125,035	58,960	209,365	94,132	233,696	122,362	130,043	216,666	77,239
Intergovernmental	451,785	492,908	544,538	701,132	860,102	860,442	750,180	722,861	761,613	820,446
Debt service interest	155,585	157,743	124,966	113,108	100,461	86,132	71,418	55,936	23,388	15,904
Debt service principal	330,842	341,299	291,241	306,022	318,022	333,097	345,390	363,245	381,392	59,651
Contingencies	563,881	623,008	363,013	66,850	135,445	157,807	228,661	306,253	440,569	39,697
Total expenditures	58,783,049	56,026,221	58,496,562	62,417,844	72,547,650	83,130,279	88,882,843	71,636,142	77,001,162	80,453,673
Excess of revenues over (under) expenditures	(5,778,511)	2,624,663	9,891,547	13,559,190	11,703,424	2,467,726	(6,937,349)	(8,121,467)	(13,379,084)	(12,195,979)
Other Financing Sources (Uses)										
Proceeds from long-term debt	-	180,000	-	2,325,000	-	25,020,000	-	13,000	12,281,271	-
Payment to refunded debt escrow agent	-	-	-	(2,361,732)	-	-	-	-	(12,650,858)	-
Bond premium	-	-	-	-	-	307,130	-	-	681,641	-
Transfers in (out)										
Pools	(119,100)	(139,720)	(125,275)	(119,526)	(148,960)	(152,776)	(144,014)	(79,561)	(164,281)	(100,216)
Recreation	(674,890)	(77,305)	(1,138,500)	(2,831,701)	(1,414,148)	(7,197,346)	(1,052,781)	(1,584,510)	(1,070,975)	(475,212)
Total other financing sources (uses)	(793,990)	(37,025)	(1,263,775)	(2,987,959)	(1,563,108)	17,977,008	(1,196,795)	(1,651,071)	(923,202)	(575,428)
Net change in fund balances	\$ (6,572,501)	\$ 2,587,638	\$ 8,627,772	\$ 10,571,231	\$ 10,140,316	\$ 20,444,734	\$ (8,134,144)	\$ (9,772,538)	\$ (14,302,286)	\$ (12,771,407)
Debt service as a percentage of noncapital expenditures	4.78%	5.11%	4.65%	3.98%	3.68%	3.83%	5.40%	6.14%	5.74%	4.64%

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 Property ^b			Total Estimated Market Value
	Assessed Value	Estimated Market Value	Tax Rate ^c	Assessed Value	Estimated Market Value	Tax Rate ^c	
2012	\$ 9,710,928,300	\$ 9,710,928,300	0.448	\$ 59,151,090	\$ 59,151,090	1.120	\$ 9,770,079,390
2011	10,093,360,351	10,093,360,351	0.432	58,123,220	58,123,220	1.080	10,151,483,571
2010	10,076,574,525	10,076,574,525	0.432	56,285,760	56,285,760	1.080	10,132,860,285
2009	9,079,721,565	9,079,721,565	0.449	54,920,220	54,920,220	1.123	9,134,641,785
2008	7,849,685,172	7,849,685,172	0.475	54,664,610	54,664,610	1.188	7,904,349,782
2007	6,664,737,183	6,664,737,183	0.500	55,889,230	55,889,230	1.250	6,720,626,413
2006	5,802,305,273	5,802,305,273	0.520	50,485,530	50,485,530	1.300	5,852,790,803
2005	4,668,045,168	4,668,045,168	0.540	51,646,400	51,646,400	1.350	4,719,691,568
2004	4,225,258,553	4,225,258,553	0.553	54,126,210	54,126,210	1.383	4,279,384,763
2003	3,838,437,925	3,838,437,925	0.553	58,610,730	58,610,730	1.383	3,897,048,655

Source: State of Maryland, Department of Assessments and Taxation

Notes:

^a Real Property is reassessed every three years. Real Property is assessed at market value.

^b Public Utility Personal Property is assessed at market 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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
County Direct Rates										
General	\$ 0.553	\$ 0.553	\$ 0.540	\$ 0.520	\$ 0.500	\$ 0.475	\$ 0.449	\$ 0.432	\$ 0.432	\$ 0.448
Town Rates										
Easton	0.44	0.453	0.440	0.430	0.480	0.520	0.520	0.5200	0.5200	0.520
Oxford	0.26	0.280	0.300	0.300	0.290	0.280	0.256	0.2438	0.2306	0.220
Queen Anne	0.18	0.180	0.180	0.180	0.180	0.180	0.180	0.1800	0.1800	0.180
St. Michaels	0.58	0.640	0.640	0.640	0.640	0.640	0.640	0.6400	0.6400	0.580
Trappe	0.30	0.300	0.300	0.300	0.300	0.300	0.300	0.3000	0.2900	0.290

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

Notes:

Real property is assessed at full cash value.

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

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

<u>Taxpayer</u>	<u>Fiscal Year 2012</u>			<u>Fiscal Year 2003</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>
William Hill Manor, Inc.	\$ 15,213,633	1	0.15%			
Perry Cabin Acquisitions Corp.	14,086,400	2	0.14%	\$ 7,453,466	3	0.19%
Lowe's Home Centers, Inc.	13,821,933	3	0.14%			
Easton Shoppes Business Trust	13,332,000	4	0.13%	10,745,700	1	0.28%
Individual	11,447,600	5	0.11%			
Remco Properties, LLC	10,138,600	6	0.10%			
Target Corporation	9,894,400	7	0.10%			
Individual	9,649,520	8	0.10%			
Wal Mart Stores, Inc. #1715	8,902,500	9	0.09%	6,174,132	9	0.16%
Individual	8,774,600	10	0.09%			
Eastern Shore Retirement Assoc.				10,498,632	2	0.27%
Cal-Mar Associates				7,191,066	4	0.19%
Hampden Investment Properties LLC				6,830,100	5	0.18%
Easton Marketplace LLC				6,615,100	6	0.17%
Tidewater Inn				6,391,838	7	0.17%
Black & Decker, Inc.				6,233,300	8	0.16%
Tred Avon LLC				5,994,900	10	0.16%
Total	\$ 115,261,186		1.19%	\$ 74,128,234		1.93%

Source: Talbot County Finance Office

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections/(Refunds/ Adjustments) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2012	\$ 29,426,822	\$ 29,384,626	99.86%	\$ -	\$ 29,384,626	99.86%
2011	28,628,850	28,599,021	99.90%	17,892	28,616,913	99.96%
2010	27,801,093	27,801,093	100.00%	(17,417)	27,783,676	99.94%
2009	26,909,600	26,898,002	99.96%	(31,611)	26,866,391	99.84%
2008	25,789,640	25,775,727	99.95%	2,593	25,778,320	99.96%
2007	24,484,233	24,452,320	99.87%	(4,651)	24,447,669	99.85%
2006	23,255,337	23,233,396	99.91%	(775)	23,232,621	99.90%
2005	21,921,706	21,889,134	99.85%	(688)	21,888,446	99.85%
2004	20,578,116	20,553,632	99.88%	(9,052)	20,544,580	99.84%
2003	19,505,902	19,462,848	99.78%	(2,207)	19,460,641	99.77%

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
2011	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.50%	2.25%
2010	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2009	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2008	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2007	2.00%	3.00%	4.00%	4.75%						2.25%
2006	2.00%	3.00%	4.00%	4.75%						2.25%
2005	2.00%	3.00%	4.00%	4.75%						2.25%
2004	2.00%	3.00%	4.00%	4.75%						2.25%
2003	2.00%	3.00%	4.00%	4.75%						1.79%
2002	2.00%	3.00%	4.00%	4.75%						1.79%

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

Notes:

*Individual Filing Status

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

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

Tax Year	Number of Taxable Returns	Maryland Adjusted Gross Income	Net Taxable Income	Net State Income Tax	Local Income Tax	Total Tax Liability	Talbot County Income Tax Direct Rate
2010	13,970	\$ 1,231,712,157	\$ 966,801,287	\$ 43,848,608	\$ 21,476,332	\$ 65,324,940	2.25%
2009	13,615	1,152,941,209	892,490,578	41,524,166	19,813,516	61,337,682	2.25%
2008	14,129	1,275,092,494	997,801,625	45,438,942	22,225,752	67,664,694	2.25%
2007	15,098	1,637,948,218	1,327,023,177	55,858,849	29,601,486	85,460,335	2.25%
2006	14,912	1,479,509,503	1,198,242,460	50,575,137	26,704,974	77,280,111	2.25%
2005	14,598	1,291,510,360	1,044,209,152	45,179,814	23,253,365	68,433,179	2.25%
2004	13,838	1,019,237,035	814,647,762	35,470,358	18,097,797	53,568,155	2.25%
2003	13,465	885,849,882	693,793,965	29,853,475	12,237,862	42,091,337	1.79%
2002	13,209	840,433,946	646,451,786	28,141,244	11,400,412	39,541,656	1.79%
2001	13,402	859,877,248	677,836,887	30,101,156	11,831,961	41,933,117	1.77%

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

Notes:

See Schedule 11 for detailed breakout of adjusted gross income.

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

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

	Tax Year 2010					
	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	188	1.3%	\$ 305,153,055	31.6%	\$ 6,865,943	32.0%
\$200,000 - 499,999	657	4.7%	163,566,819	16.9%	3,680,254	17.1%
\$100,000 - 199,999	1,823	13.0%	191,447,584	19.8%	4,307,572	20.1%
\$50,000 - 99,999	3,616	25.9%	181,664,394	18.8%	4,087,888	19.0%
\$25,000 - 49,999	4,024	28.8%	92,328,633	9.5%	1,942,453	9.0%
\$5,000 - 24,999	3,592	25.7%	32,532,744	3.4%	589,943	2.7%
Under \$5,000	70	0.5%	108,058	0.0%	2,279	0.0%
Totals	13,970	100.0%	\$ 966,801,287	100.0%	\$ 21,476,332	100.0%

	Tax Year 2001					
	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	521	3.9%	\$ 253,587,976	37.4%	\$ 4,488,507	37.9%
\$100,000 - 199,999	1,112	8.3%	119,017,626	17.6%	2,106,611	17.8%
\$50,000 - 99,999	3,022	22.5%	158,694,517	23.4%	2,808,885	23.7%
\$25,000 - 49,999	3,980	29.7%	100,589,487	14.8%	1,763,082	14.9%
\$5,000 - 24,999	4,664	34.8%	45,774,386	6.8%	662,072	5.6%
Under \$5,000	103	0.8%	172,895	0.0%	2,804	0.0%
Totals	13,402	100.0%	\$ 677,836,887	100.0%	\$ 11,831,961	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			
2012	\$ 33,200,541	\$ 11,969,066	\$ 159,691	\$ 45,329,298	2.19%	\$ 1,192.09
2011	35,403,608	12,809,338	210,316	48,423,262	2.34%	1,273.46
2010	38,873,216	13,596,277	70,269	52,539,762	2.54%	1,390.60
2009	41,372,747	13,582,399	129,153	55,084,299	2.69%	1,519.06
2008	43,777,276	14,074,978	180,211	58,032,465	2.75%	1,607.01
2007	20,283,936	13,541,483	273,950	34,099,369	1.67%	945.18
2006	21,757,660	8,262,807	281,747	30,302,214	1.55%	840.26
2005	23,053,302	4,038,642	-	27,091,944	1.52%	760.18
2004	24,389,494	4,271,029	-	28,660,523	1.68%	814.44
2003	25,711,180	4,493,625	-	30,204,805	2.00%	873.95

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

Notes:

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

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

See Schedule 16 for population and personal income data.

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

Fiscal Year	General Obligation Bonds^a	Total Taxable Assessable Base^b	Percentage of Total Taxable Assessable Base	Population^c	Debt Per Capita
2012	\$ 45,169,607	9,770,079,390	0.46%	*	\$ 1,187.89
2011	48,212,946	10,151,483,571	0.47%	38,025	1,267.93
2010	52,469,493	10,132,860,285	0.52%	37,782	1,388.74
2009	54,955,146	9,134,641,785	0.60%	36,262	1,515.50
2008	57,852,254	7,904,349,782	0.73%	36,112	1,602.02
2007	33,825,419	6,720,626,413	0.50%	36,077	937.59
2006	30,020,467	5,852,790,803	0.51%	36,063	832.45
2005	27,091,944	4,719,691,568	0.57%	35,639	760.18
2004	28,660,523	4,279,384,763	0.67%	35,191	814.44
2003	30,204,805	3,897,048,655	0.78%	34,561	873.95

Sources:

^aTalbot County Finance Office

^bState of Maryland, Department of Assessments and Taxation

^cU.S. Census Bureau.

* Information not yet available; 2012 debt per capita is calculated using 2011 census data.

Schedule 14
 Talbot County, Maryland
 Direct and Overlapping Governmental Activities Debt
 As of June 30, 2012

<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	2,213,307,073	22.79%	\$ 7,567,041	\$ 9,010,000	\$ 16,577,041
Oxford	439,824,350	4.53%	1,503,709	-	1,503,709
Queen Anne	8,920,841	0.09%	30,499	-	30,499
St. Michaels	315,270,566	3.25%	1,077,874	-	1,077,874
Trappe	104,356,870	1.07%	356,784	280,317	637,101
Unincorporated	<u>6,629,248,600</u>	<u>68.27%</u>	<u>22,664,634</u>	<u>-</u>	<u>22,664,634</u>
Total	<u><u>9,710,928,300</u></u>	<u><u>100.00%</u></u>	<u><u>33,200,541</u></u>	<u><u>\$ 9,290,317</u></u>	<u><u>\$ 42,490,858</u></u>

Sources:

^a State of Maryland, Department of Assessments and Taxation

^b Municipal Town Clerks

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

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Taxable Assessable Base *	\$ 3,611,888	\$ 3,979,685	\$ 4,392,502	\$ 5,500,025	\$ 6,353,469	\$ 7,508,763	\$ 8,695,733	\$ 9,633,030	\$ 10,093,360	\$ 9,710,928
Debt Limit, 15% of Assessable Base	541,783	596,953	658,875	825,004	953,020	1,126,314	1,304,360	1,444,955	1,514,004	1,456,639
Amount of Debt Applicable to Limit										
General Obligation Bonds	25,711	24,389	23,053	30,020	20,284	43,777	41,373	38,873	35,404	33,201
Legal Debt Margin	<u>\$ 516,072</u>	<u>\$ 572,563</u>	<u>\$ 635,822</u>	<u>\$ 794,984</u>	<u>\$ 932,736</u>	<u>\$ 1,082,537</u>	<u>\$ 1,262,987</u>	<u>\$ 1,406,082</u>	<u>\$ 1,478,600</u>	<u>\$ 1,423,439</u>
Total net debt applicable to the limit as a percentage of debt limit	4.75%	4.09%	3.50%	3.64%	2.13%	3.89%	3.17%	2.69%	2.34%	2.28%

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
2012	*	*	*	4,547	7.3%
2011	38,025	*	*	4,504	7.2%
2010	37,782	2,072,002	54,701	4,495	7.8%
2009	36,262	2,049,065	56,507	4,419	7.4%
2008	36,112	2,110,997	58,457	4,396	4.4%
2007	36,077	2,041,855	56,597	4,398	3.5%
2006	36,063	1,961,009	54,377	4,482	3.5%
2005	35,639	1,783,541	50,045	4,505	3.7%
2004	35,191	1,706,746	48,500	4,459	2.9%
2003	34,561	1,509,115	43,665	4,498	4.0%

Sources:

^a U.S. Census Bureau.

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

^c Maryland State Department of Education.

^d Maryland Department of Labor, Licensing and Regulation.

* Information not yet available.

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

<u>Employer</u>	<u>CY 2011</u>			<u>CY 2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Shore Health Systems/EMH	2,100	1	12.01%	1,000	1	5.33%
Shore Bankshares	320	2	1.83%			
Harim USA	307	3	1.76%			
William Hill Manor	300	4	1.72%	185	6	0.99%
Wal-Mart	215	5	1.72%			
Genesis Healthcare/The Pines	186	6	1.23%	186	5	0.99%
Aphena Pharma	170	7	1.06%			
Soltera Defense Solutions	138	8	0.79%			
Chesapeake Publishing	135	9	0.97%	165	7	0.88%
Giant Food	135	10	0.77%			
Allen Family Foods				700	2	3.73%
Cadmus Prof. Communications				340	3	1.81%
Chesapeake Building Components				200	4	1.07%
Celeste Industries				140	8	0.75%
Salisbury Pewter				70	9	0.37%
Orion Safety Products				70	10	0.37%
	<u>4,006</u>		<u>22.91%</u>	<u>4,133</u>		<u>22.04%</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government	49.6	50.1	57.8	60.9	65.8	66.7	68.4	66.0	63.0	60.3
Public Safety	103.1	112.8	117.3	123.3	128.7	139.6	151.1	151.3	152.0	146.7
Public Works	35.2	33.0	34.4	36.5	39.9	44.7	48.3	50.5	46.0	42.5
Social Services	10.8	5.6	5.3	5.0	4.0	4.8	4.0	3.4	3.0	0.8
Recreation	45.2	47.1	46.9	47.8	51.1	52.4	51.8	46.0	34.0	32.8
Airport	<u>5.0</u>	<u>5.1</u>	<u>5.0</u>	<u>5.1</u>	<u>5.0</u>	<u>5.0</u>	<u>4.9</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
Total	<u>248.9</u>	<u>253.7</u>	<u>266.7</u>	<u>278.6</u>	<u>294.5</u>	<u>313.3</u>	<u>328.5</u>	<u>322.2</u>	<u>303.0</u>	<u>288.1</u>

Sources: Talbot County Finance Office.

Notes:

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

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

Function/Program	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Government										
Building Permits issued	656	909	999	1,034	626	529	388	316	308	267
Value of new construction (000's)	64,013	70,601	130,073	62,002	76,505	58,812	36,505	31,116	36,974	27,067
Public Safety										
Detention Center										
Avg. daily population	102	98	106	101	106	106	90	92	104	85
Bookings	876	782	833	850	764	989	821	807	771	1,020
9-1-1 Calls Answered										
Fire	1,388	1,339	1,370	1,409	1,462	1,557	1,427	1,724	1,705	1,975
Emergency Medical Services	3,144	3,861	4,568	4,525	4,767	4,330	4,334	4,408	4,330	4,458
Sheriff	5,592	6,230	10,983	15,053	10,939	12,592	14,891	15,191	13,627	13,923
Other Police	5,000	4,323	4,778	6,682	6,578	7,289	7,755	7,399	7,383	8,367
Education										
Students	4,498	4,459	4,505	4,482	4,398	4,396	4,419	4,495	4,504	4,547
Teachers Instructional	313	312	298	295	300	301	308	304	316	312
Recreation Facilities										
Boat ramp permits	3,992	3,705	4,357	4,482	3,635	6,673	6,288	6,848	6,724	6,689
Golf rounds	23,507	37,217	39,142	40,080	43,110	30,140	33,670	22,781	27,969	31,467
Public Works										
Centerline miles of road maintained	369	369	369	370	372	372	372	372	372	374
Wastewater treated (mgd)	0.423	0.540	0.550	0.490	0.561	0.450	0.415	0.558	0.481	0.477
Airport										
Based aircraft	148	148	158	158	170	185	147	143	146	146
Gallons of fuel sold	730,500	715,161	760,910	817,497	809,242	690,904	679,857	614,612	646,268	633,071

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

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

<u>Function/Program</u>	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Public Safety										
Detention center capacity	140	140	140	140	140	140	140	140	140	145
Fire stations	7	7	7	7	7	7	7	7	7	7
Emergency Medical Services Stations	3	4	4	5	5	5	5	5	5	5
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	13	13	13	17	17	17
Park acreage	190	190	190	190	632	632	672	672	672	672
Public Landings & Wharves	28	28	29	29	29	29	29	29	30	30
Boat Slips	102	102	102	113	113	113	113	117	117	136
Public Pools	2	2	2	2	2	2	2	2	2	2
Public Works										
Centerline miles of county roads	369	369	369	370	372	372	372	372	372	374
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	2	2	2	2	2	3	3	3	3	3
Miles of mains	33	33	33	33	33	38	38	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.