

TALBOT COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

Report Prepared By:

Talbot County, Maryland Finance Office



TALBOT COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2013
 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 - 12
Management's Discussion and Analysis	14 - 24
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	26 - 27
Statement of Activities	28 - 29
Fund Financial Statements:	
Balance Sheet - Governmental Funds	32
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	33
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Fund Types	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	35
Statement of Fund Net Position - Business-type Activities	36
Statement of Revenues, Expenses and Changes in Fund Net Position - Business-type Activities	37
Statement of Cash Flows - Business-type Activities	38 - 41
Statement of Fiduciary Net Position	42
Statement of Changes in Fiduciary Net Position	43
Notes to Financial Statements	46 - 75
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	78 - 88
Schedule of Funding Progress - Other Post-Employment Benefits	89
Notes to Required Supplementary Information	90
Other Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Capital Projects Fund	92

TALBOT COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2013
 TABLE OF CONTENTS
 (CONTINUED)

	Page(s)
FINANCIAL SECTION (CONTINUED)	
Schedule of Revenues and Changes in Fund Balances - Budget and Actual - Developmental Impact Fund	93
Schedule of Revenues and Changes in Fund Balances - Budget and Actual - Grants Fund	94
Schedule of Revenues and Expenditures - Budget and Actual - Talbot Family Network	95
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Recreation Facilities	96 - 97
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Sanitary District	98 - 101
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Easton Airport	102
Schedule of Revenues and Expenses - Budget and Actual - Enterprise Fund - Pool	103
Combining Balance Sheet - Other Governmental Funds	104
Combining Schedule of Revenues and Expenditures - Other Governmental Funds	105
Schedule of Revenues and Expenses - As Required by the GOC for LMB Offices on Behalf of the Children's Cabinet	106
Notes to Other Supplementary Information	107
 STATISTICAL SECTION (UNAUDITED)	
Net Position by Component, Last Ten Fiscal Years	109
Changes in Net Position, Last Ten Fiscal Years	110 - 111
Fund Balances, Governmental Funds, Last Ten Fiscal Years	112
Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years	113
Debt Service as a Percentage of Non Capital Expenditures Last Ten Fiscal Years	114
Assessed Value and Actual Value of Taxable Property, Last Ten Fiscal Years	115
Direct and Overlapping Property Tax Rates, Last Ten Years	116
Principal Property Tax Payers, Current Year and Nine Years Ago	117
Property Tax Levies and Collections, Last Ten Fiscal Years	118

TALBOT COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
for the FISCAL YEAR ENDED JUNE 30, 2013
TABLE OF CONTENTS
(CONTINUED)

	Page(s)
STATISTICAL SECTION (UNAUDITED)	
Income Tax Rates, Last Ten Tax Years	119
Income Tax Filers Summary Information, Last Ten Tax Years	120
Income Tax Filers, Net Taxable Income, and Liability by Adjusted Gross Income Level, Current Year and Nine Years Ago	121
Ratios of Outstanding Debt by Type, Last Ten Fiscal Years	122
Ratios of General Bonded Debt Outstanding, Last Ten Fiscal Years	123
Direct and Overlapping Governmental Activities Debt	124
Legal Debt Margin Information, Last Ten Fiscal Years	125
Demographic and Economic Statistics, Last Ten Fiscal Years	126
Principal Private Employers, Current Year and Nine Years Ago	127
Full-time Equivalent County Government Employees by Function, Last Ten Fiscal Years	128
Operating Indicators by Function, Last Ten Fiscal Years	129
Capital Asset Statistics by Function, Last Ten Fiscal Years	130

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF ELECTED AND APPOINTED OFFICIALS



TALBOT COUNTY, MARYLAND

COURT HOUSE

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

FINANCE OFFICE
PHONE: 410-770-8020

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

December 4, 2013

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, 2013 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 unmodified ("clean") opinion on the County's financial statements for the year ended June 30, 2013. 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, 2013, 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 land area of 171,000 acres, of which approximately 109,000 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 and FY 2013 Income tax revenues increased and the County anticipates increases for FY 2014. The County's housing market has stabilized. 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 both the State (7.5%) and National (7.6%) rates as evidenced by the June 2013 County rate of 7.6 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. For the first time since FY 2010, new positions (9) were added to the County workforce. Even with the addition of these positions, the County's FY 2014 full time workforce is 11 percent below the FY 2010 level; and any increases to the workforce will be closely monitored in the future.

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

Long Term Financial Planning. The County is planning to issue approximately \$2 million of debt in FY 2014; \$1.7 million for Talbot County's share of the Allied Health and Athletic facility at Chesapeake College and \$300 thousand for a sewer project at the Easton Airport. In FY 2014 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. The FY 2014 Capital Program initiated the first phase of a multi-year project to replace the

County's emergency radio system. The total cost of this system is projected to be approximately \$9-\$13 million.

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, 2013 Talbot County's unassigned fund balance was 27.2% of actual expenditures.

The County's FY 2013 actual Income tax revenues were 7.0% more than the amount originally budgeted. The FY 2014 budget anticipates a 12.4% increase in Income tax revenues from the FY 2013 actual collections. Part of this increase is due to the phase in of an income tax rate increase effective January 1, 2013.

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, 2012. 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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Talbot County
Maryland**

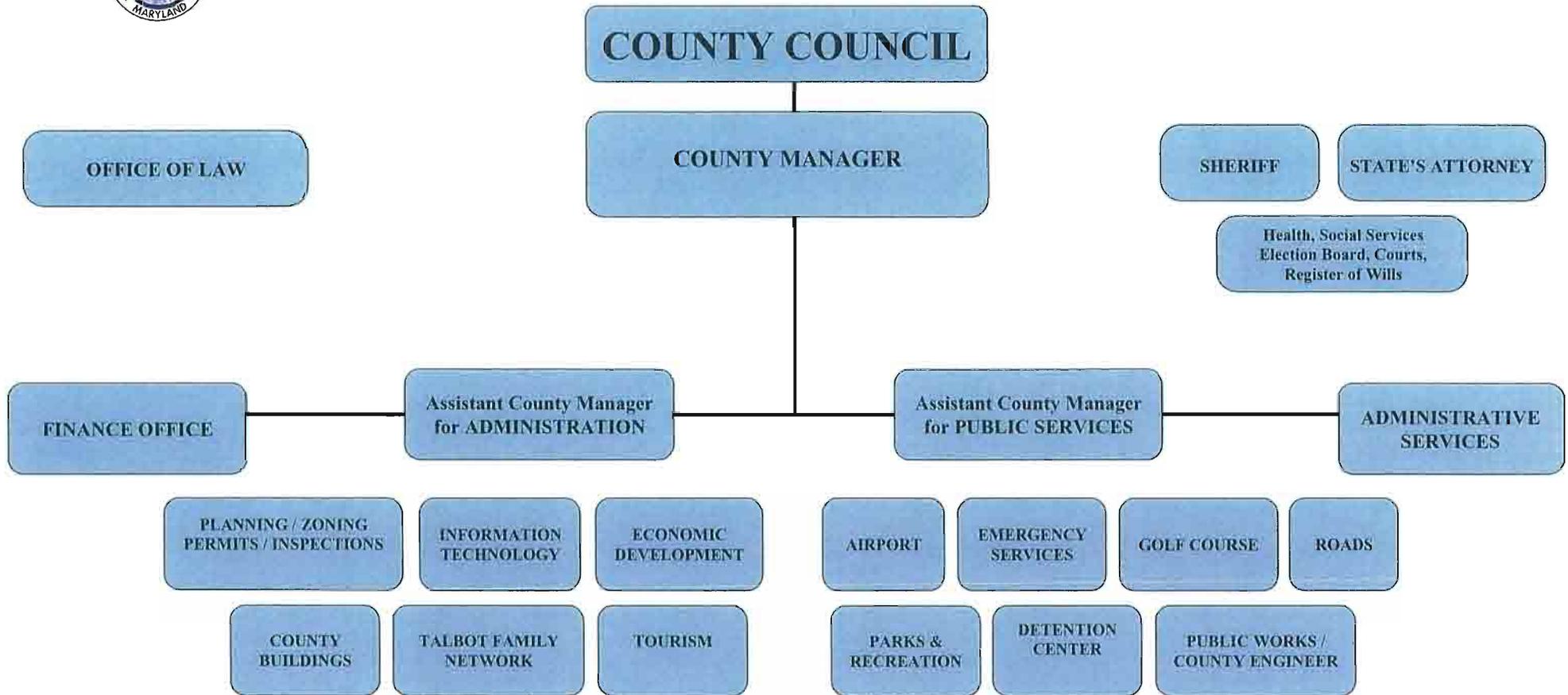
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



TALBOT COUNTY GOVERNMENT ORGANIZATIONAL CHART



Talbot County, Maryland

List of Elected and Appointed Officials

June 30, 2013

Elected Officials

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

Appointed Officials

County Manager	John C. Craig
Attorney	Michael L. Pullen
Assistant County Manager for Administration	Jessica Morris
Assistant County Manager for Public Services	Clay Stamp
Administrative Services Director	Cheril Thomas
Airport Manager	Michael Henry
Department of Corrections Director	Douglas Devenyns
Economic Development Director	Paige Bethke
Emergency Services Director	Clay Stamp
Facilities Manager	Brian Moore
Finance Director	Angela Lane
Golf Course Manager	Andrew Halverson
Information Technology Director	Parker Durham
Parks and Recreation Director	Preston Peper
Planning Officer/Permits & Inspections Director	Ernest "Sandy" Coyman
Public Works/County Engineer	Raymond Clarke
Roads Superintendent	Ricky Ball
Tourism Director	Cassandra Vanhooser

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

County Council of
Talbot County, Maryland
Easton, Maryland

Report on the Financial Statements

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 (the "County") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 statements were audited by other auditors 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 solely on the reports of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of

accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, 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 the County, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison 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 and other auditors 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures described above, and the report of the other auditors, the other supplementary information is fairly stated in all material respects in relation to the basic 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 any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2013, on our consideration of the County'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "YAM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland
December 4, 2013

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, 2013. 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, 2013, the assets of Talbot County exceeded liabilities by \$134.9 million (net position), an increase of \$2.3 million, or 1.7 percent, from the prior year. Approximately 60.1 percent of net position is attributable to the County's governmental activities. Total net position is comprised of \$134.4 million invested in capital assets, net of related debt, \$145 thousand in restricted net position and \$382 thousand in unrestricted net position. The County's unrestricted net position is a small amount 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, 2013 the County included \$30.4 million of bonds payable in liabilities for school construction projects and no corresponding capital assets.
- Income Tax revenues increased by \$2.9 million or 14.2 percent from FY 2012's actual collections. This is the second consecutive year that actual income tax revenues have been more than the prior year.
- As of June 30, 2013, the County's governmental funds reported combined fund balances of \$30.7 million, an increase of \$1.0 million, or 3.5 percent, from the prior year. Approximately 60.6 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 \$18.6 million at June 30, 2013. The unassigned fund balance for the General Fund of \$18.6 million is 26.5 percent of general fund revenues which is more than the Government Finance Officers Association's Best Practices recommendation that, at minimum, regardless of size, all governments maintain reserves equal to about 16 percent of revenues. 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, 2013 for the "rainy day fund" is \$10.3 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, 2013. 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 Position and the Statement of Activities are prepared using the accrual basis of accounting.

The Statement of Net Position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 26-29 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 Balances 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 32-35 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 36-41 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 42-43 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 46-75 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 position may serve over time as a useful indicator of a government's overall financial condition and position. In Talbot County, assets exceeded liabilities by \$134.9 million at the close of the most recent fiscal year, as shown in the schedule of net position below. Talbot County's net position is divided into three categories, *invested in capital assets*, (net of related debt), *restricted* and *unrestricted*. The largest portion of the County's net position reflects 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 small amount of unrestricted net position in governmental activities of \$523 thousand reflects the imbalance of liabilities without corresponding assets.

Restricted net position of \$145 thousand represents 0.1 percent of total net position. Restricted net position resources are subject to external restrictions on how they may be used. Unrestricted net position of the total government is \$382 thousand. See Note 14 for additional information on the County's unrestricted net position.

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

	Talbot County Government's Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 41,288,963	\$ 38,780,746	\$ 981,682	\$ 946,247	\$ 42,270,645	\$ 39,726,993
Capital Assets	80,921,986	79,513,768	65,231,988	68,009,952	146,153,974	147,523,720
Total Assets	122,210,949	118,294,514	66,213,670	68,956,199	188,424,619	187,250,713
Non Current Liabilities	29,762,060	32,159,189	10,348,522	11,260,198	40,110,582	43,419,387
Other Liabilities	11,393,232	9,528,151	1,984,371	1,662,649	13,377,603	11,190,800
Total Liabilities	41,155,292	41,687,340	12,332,893	12,922,847	53,488,185	54,610,187
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	80,387,586	78,931,013	54,021,693	55,881,195	134,409,279	134,812,208
Restricted	144,869	287,350	-	-	144,869	287,350
Unrestricted	523,202	(2,611,189)	(140,916)	152,157	382,286	(2,459,032)
Total Net Position	\$ 81,055,657	\$ 76,607,174	\$ 53,880,777	\$ 56,033,352	\$134,936,434	\$ 132,640,526

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

Talbot County's net position increased by \$2.3 million during the current fiscal year as the result of a \$4.4 million increase in governmental activities and a \$2.1 million decrease in business-type activities. The governmental activities increase is primarily due to increases in income, recordation and transfer tax revenues. The business-type activities decrease is the result of reductions in charges for services and in increased expenditures.

Talbot County Government's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,856,695	\$ 3,105,293	\$ 6,989,159	\$ 7,486,701	\$ 9,845,854	\$ 10,591,994
Operating Grants and Contributions	5,077,559	6,067,814	806,067	580,678	5,883,626	6,648,492
Capital Grants and Contributions	3,140,000	-	647,692	638,816	3,787,692	638,816
General Revenues:						
Property Taxes	32,741,855	30,002,020	-	-	32,741,855	30,002,020
Local Income Tax	23,140,754	20,269,343	-	-	23,140,754	20,269,343
Other Local Taxes	9,727,044	8,449,480	-	-	9,727,044	8,449,480
Investment Income	105,007	166,317	7,333	14,460	112,340	180,777
Miscellaneous	115,471	197,427	2,461	-	117,932	197,427
Total Revenues	76,904,385	68,257,694	8,452,712	8,720,655	85,357,097	76,978,349
Expenses:						
General Government	9,358,236	9,523,067	-	-	9,358,236	9,523,067
Public Safety	14,018,219	12,854,721	-	-	14,018,219	12,854,721
Public Works	4,509,239	4,601,524	-	-	4,509,239	4,601,524
Health	3,829,281	3,576,751	-	-	3,829,281	3,576,751
Social Services	838,625	1,147,850	-	-	838,625	1,147,850
Education	38,491,514	37,597,612	-	-	38,491,514	37,597,612
Recreation	642,770	738,616	-	-	642,770	738,616
Conservation of Natural Resources	218,361	226,264	-	-	218,361	226,264
Interest Charges	14,456	15,904	-	-	14,456	15,904
Recreation Facilities	-	-	2,624,390	2,582,398	2,624,390	2,582,398
Sanitary District	-	-	3,354,872	3,353,238	3,354,872	3,353,238
Airport	-	-	4,903,460	4,655,128	4,903,460	4,655,128
Pools	-	-	257,766	233,239	257,766	233,239
Total Expenses	71,920,701	70,282,309	11,140,488	10,824,003	83,061,189	81,106,312
Increase (Decrease) in Net Position before transfers	4,983,684	(2,024,615)	(2,687,776)	(2,103,348)	2,295,908	(4,127,963)
Transfers In (Out)	(535,201)	(575,428)	535,201	575,428	-	-
Increase (Decrease) in Net Position	4,448,483	(2,600,043)	(2,152,575)	(1,527,920)	2,295,908	(4,127,963)
Net Position – Beginning	76,607,174	79,207,217	56,033,352	57,561,272	132,640,526	136,768,489
Net Position – Ending	\$ 81,055,657	\$ 76,607,174	\$ 53,880,777	\$ 56,033,352	\$ 134,936,434	\$ 132,640,526

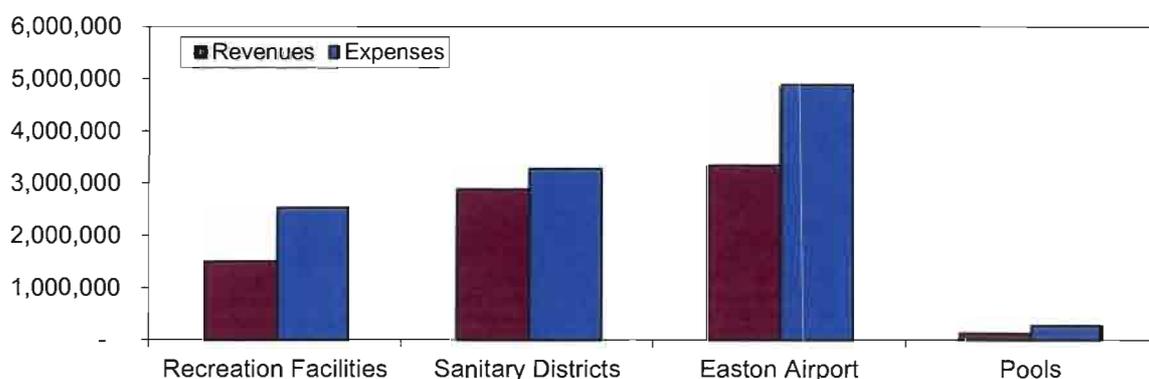
Governmental Activities. Governmental activities increased the County’s net position after transfers by \$4.4 million. Key elements of the increase in the net position of governmental activities are as follows:

- Income Tax revenues increased by \$2.9 million, a 14.2 percent increase from the prior year actual and were \$1.5 million more than originally budgeted for FY 2013.
- Property tax revenues increased by \$2.7 million, a 9.1 percent increase from the prior fiscal year and were \$151 thousand more than originally budgeted. An education supplement of 2.6 cents was added to the County’s property tax rate in FY 2013 in order to meet state mandates for the funding of education, which accounts for the majority of the increase.
- Transfer and recordation taxes increased by \$1.3 million, a 17.7 percent increase from the prior fiscal year actual collections were \$1.9 million more than originally budgeted for FY 2013. These increases indicate a stabilization of the local housing market.
- The FY 2013 budget, as adopted, planned for the use of \$1.5 million of reserved and unexpended funds from prior years (fund balance) and included a transfer from the Capital Projects fund of \$812 thousand. These funds were not needed in FY 2013.
- Governmental activities also included the transfer of \$535 thousand to various business-type activities, primarily for the operations of recreation facilities.

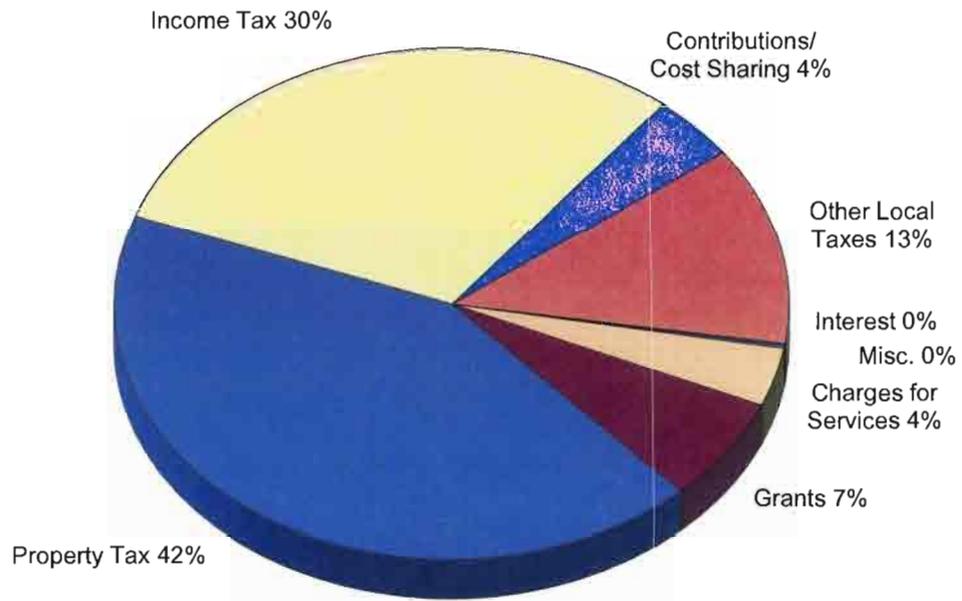
Business-type Activities. Business-type activities decreased Talbot County’s net position after transfers by \$2.1 million. The decrease is attributable to reductions in charges for services and in increased expenditures.

Fiscal year 2013 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

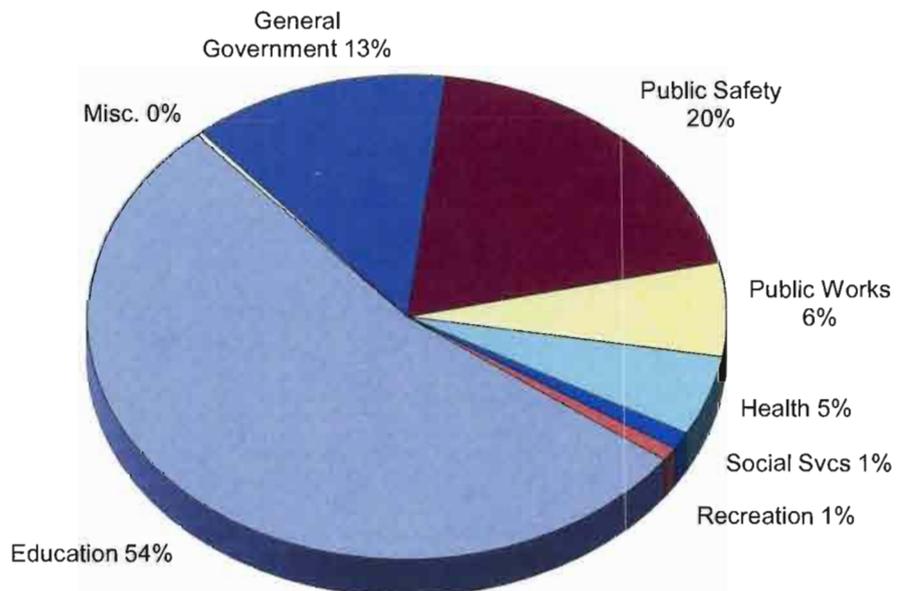
***Expenses and Program Revenues - Business-Type Activities
For the Year Ended June 30, 2013***



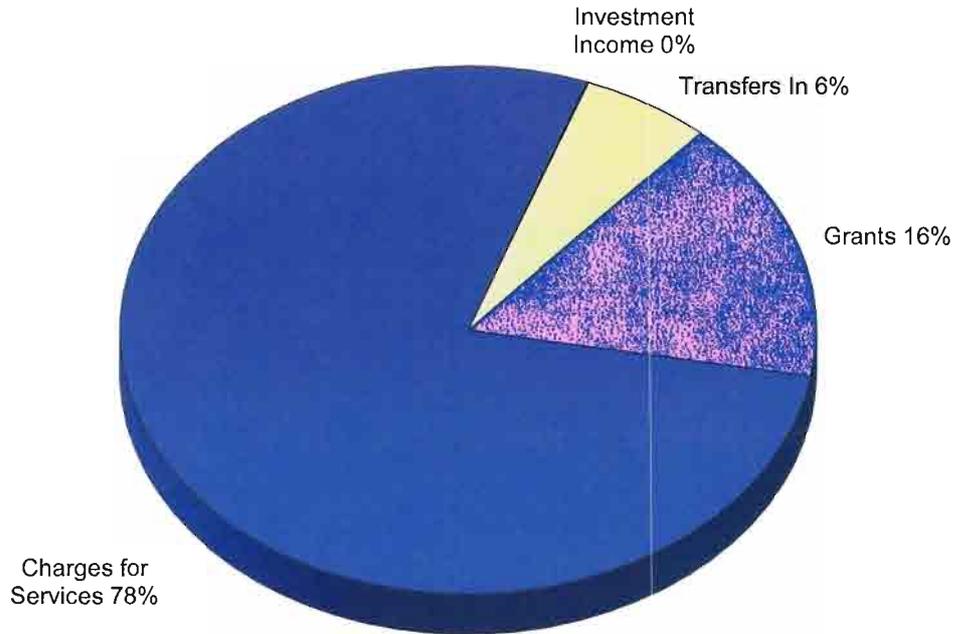
**Revenues by Source - Governmental Activities
For the Year Ended June 30, 2013**



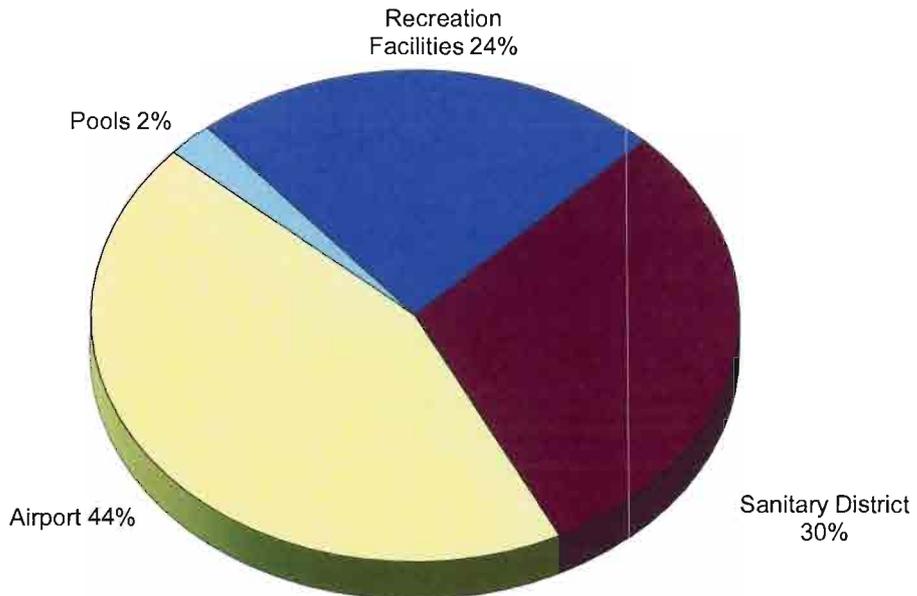
**Expenses - Governmental Activities
For the Year Ended June 30, 2013**



**Revenues by Source - Business-Type Activities
For the Year Ended June 30, 2013**



**Expenses - Business-Type Activities
For the Year Ended June 30, 2013**



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 \$30.7 million. Approximately 60.6 percent of this total (\$18.6 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 committed 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 \$19.5 million, and the unassigned fund balance was \$18.6 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 27.2 percent of total general fund expenditures, while total fund balance represents 28.5 percent of total general fund expenditures.

The fund balance of Talbot County's General Fund increased by \$2.6 million during FY 2013. This increase is due primarily to increases in tax revenues.

The fund balance of the County's Capital Projects Fund decreased by \$440 thousand during FY 2013. This decrease was due to expending funding provided in previous years on various capital projects.

Proprietary Funds. Talbot County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. The total net position of the proprietary funds at the end of the year totaled \$53.9 million. There is a deficit balance of \$141 thousand in unrestricted net position.

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, 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final actual results, exclusive of inter-fund transfers and other financing sources/uses, for the County totaled \$4.9 million. Operating revenues received were \$3.7 million more than original budgetary estimates and operating expenditures were \$1.2 less than original budgetary estimates. The major variances can be summarized as follows:

- **Revenues.** Revenues were \$3.7 million more than originally budgeted for the year. As discussed earlier, the major differences between the budgeted amounts and the actual revenues are as follows:

- Local Tax revenues received were \$3.7 million more than originally budgeted. This total includes \$1.5 million in income tax revenues, \$1.9 million in recordation and transfer taxes, \$151 thousand in property tax revenues and \$122 thousand in public accommodation tax revenues.
- **Expenditures.** Expenditures were \$1.2 million less than originally budgeted for the year. The major differences between the budgeted amounts and the actual expenditures are as follows:
 - 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 2013, \$806 thousand was unspent in this department.
 - Actual expenditures from the Employee Benefits department were \$375 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, 2013 totals \$146.2 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 \$1.4 million or .9 percent.

Capital assets are summarized as follows:

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 12,436,837	\$ 10,467,602	\$ 3,499,479	\$ 3,499,479	\$ 15,936,316	\$ 13,967,081
Construction in progress	2,902,871	3,930,547	1,278,459	1,613,020	4,181,330	5,543,567
Buildings and improvements	28,041,716	29,081,068	56,136,036	58,201,931	84,177,752	87,282,999
Non-deprec. infrastructure	25,449,891	23,191,321	-	-	25,449,891	23,191,321
Infrastructure	6,903,211	7,225,347	-	-	6,903,211	7,225,347
Furniture and equipment	5,187,460	5,617,883	4,318,014	4,695,522	9,505,474	10,313,405
Total	\$ 80,921,986	\$ 79,513,768	\$ 65,231,988	\$ 68,009,952	\$ 146,153,974	\$ 147,523,720

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 \$42.1 million, a net decrease of approximately \$3.2 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, \$11.2 million 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	
	2013	2012	2013	2012	2013	2012
General Debt	\$ 30,918,249	\$ 33,200,541	\$ 11,210,295	\$ 12,128,757	\$ 42,128,544	\$ 45,329,298

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 16 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 2014 approved budget for the General Fund is \$72,450,000 representing an increase of \$2.8 million or 4.0 percent from the FY 2013 approved budget.
- Real Property tax revenue is expected to generate \$551 thousand more than the FY 2013 actual collections.
- Income tax revenue is expected to generate \$2.9 million more than the FY 2013 actual collections. The County increased its Income tax rate to 2.40 percent effective January 1, 2013. The rate increase is expected to generate \$1.0 million of the increase in revenues in FY 2014. Additional income tax revenues are due to an improving economy in Maryland.
- There is no use of fund balance or transfers from other funds to balance the FY 2014 General Fund budget. The County has budgeted to add \$570 thousand to the General Fund fund balance.

All of these factors were considered in preparing the County's budget for FY 2014. The County is cognizant of the economic struggles of the past several years and will continue to carefully monitor expenditures.

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 POSITION
PRIMARY GOVERNMENT AS OF JUNE 30, 2013
COMPONENT UNITS AS OF JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and short-term investments	\$ 27,989,642	\$ 6,653,661	\$ 34,643,303
Investments	-	-	-
Receivables:			
Accounts receivable	572,126	320,931	893,057
Other	-	-	-
Intergovernmental:			
State	3,134,698	443,276	3,577,974
Federal	826,971	-	826,971
Prepaid items	143,711	4,176	147,887
Prepaid OPEB	1,919,257	-	1,919,257
Internal balances	6,118,679	(6,118,679)	-
Inventories	-	262,196	262,196
Advances to (from) other funds	583,879	(583,879)	-
Other assets	-	-	-
Nondepreciable capital assets	40,789,599	4,777,938	45,567,537
Depreciable capital assets, net	40,132,387	60,454,050	100,586,437
TOTAL ASSETS	122,210,949	66,213,670	188,424,619
LIABILITIES			
Accounts payable and accrued liabilities	4,710,772	939,155	5,649,927
Other payables	1,771,198	-	1,771,198
Unearned revenue	2,192,294	83,815	2,276,109
Long-term liabilities, due within one year			
Compensated absences	371,876	41,290	413,166
Bonds and notes payable	2,347,092	920,111	3,267,203
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year			
Compensated absences	441,511	58,338	499,849
Bonds and notes payable	29,320,549	10,290,184	39,610,733
Obligations under state retirement system	-	-	-
Other post-employment benefit obligation	-	-	-
TOTAL LIABILITIES	41,155,292	12,332,893	53,488,185
NET POSITION			
Net investment in capital assets	80,387,586	54,021,693	134,409,279
Restricted for:			
Social services (Talbot Family Network)	144,869	-	144,869
Food services	-	-	-
Programs	-	-	-
Unrestricted (deficit)	523,202	(140,916)	382,286
TOTAL NET POSITION	\$ 81,055,657	\$ 53,880,777	\$ 134,936,434

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

Component Units	
Board of Education	Library
\$ 5,922,475	\$ 59,925
-	1,406,690
24,812	49
74,879	-
72,213	-
462,483	-
-	1,150
-	-
-	-
26,402	-
-	-
-	88,767
377,446	49,921
63,727,483	965,276
<u>70,688,193</u>	<u>2,571,778</u>
4,244,090	22,657
71,929	88,767
1,200,320	3,580
169,590	-
106,578	-
32,337	-
198,630	-
270,764	-
474,325	-
17,858,425	507,163
<u>24,626,988</u>	<u>622,167</u>
63,727,587	1,015,197
-	-
194,715	-
-	1,311,448
(17,861,097)	(377,034)
<u>\$ 46,061,205</u>	<u>\$ 1,949,611</u>

TALBOT COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
GOVERNMENTAL ACTIVITIES				
Current:				
General government	\$ 9,358,236	\$ 2,400,453	\$ 728,880	\$ -
Public safety	14,018,219	111,437	1,815,721	-
Public works	4,509,239	30,938	405,913	1,500,000
Health and hospitals	3,829,281	130,705	1,786,612	-
Social services	838,625	-	340,433	-
Education	38,491,514	80,295	-	-
Recreation	642,770	102,867	-	1,640,000
Conservation of natural resources	218,361	-	-	-
Interest on long-term debt	14,456	-	-	-
Total Governmental Activities	71,920,701	2,856,695	5,077,559	3,140,000
BUSINESS-TYPE ACTIVITIES				
Recreation facilities	2,624,390	1,490,032	-	-
Sanitary district	3,354,872	2,166,256	704,710	-
Easton airport	4,903,460	3,216,518	101,357	647,692
Pool	257,766	116,353	-	-
Total Business-Type Activities	11,140,488	6,989,159	806,067	647,692
Total Primary Government	\$ 83,061,189	\$ 9,845,854	\$ 5,883,626	\$ 3,787,692
COMPONENT UNITS				
Board of Education	\$ 66,353,803	\$ 744,298	\$ 58,658,714	\$ 1,201,291
Talbot County Free Library	1,723,231	-	1,499,485	-
Total Component Units	\$ 68,077,034	\$ 744,298	\$ 60,158,199	\$ 1,201,291

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 position
Net position, beginning of year
Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Board of Education	Library
\$ (6,228,903)	\$ -	\$ (6,228,903)	\$ -	\$ -
(12,091,061)	-	(12,091,061)	-	-
(2,572,388)	-	(2,572,388)	-	-
(1,911,964)	-	(1,911,964)	-	-
(498,192)	-	(498,192)	-	-
(38,411,219)	-	(38,411,219)	-	-
1,100,097	-	1,100,097	-	-
(218,361)	-	(218,361)	-	-
(14,456)	-	(14,456)	-	-
<u>(60,846,447)</u>	<u>-</u>	<u>(60,846,447)</u>	<u>-</u>	<u>-</u>
-	(1,134,358)	(1,134,358)	-	-
-	(483,906)	(483,906)	-	-
-	(937,893)	(937,893)	-	-
-	(141,413)	(141,413)	-	-
<u>-</u>	<u>(2,697,570)</u>	<u>(2,697,570)</u>	<u>-</u>	<u>-</u>
<u>\$ (60,846,447)</u>	<u>\$ (2,697,570)</u>	<u>\$ (63,544,017)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (5,749,500)	\$ -
-	-	-	-	(223,746)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,749,500)</u>	<u>\$ (223,746)</u>
\$ 32,741,855	\$ -	\$ 32,741,855	\$ -	\$ -
23,140,754	-	23,140,754	-	-
47,184	-	47,184	-	-
5,493,728	-	5,493,728	-	-
3,024,512	-	3,024,512	-	-
1,096,821	-	1,096,821	-	-
64,799	-	64,799	-	-
105,007	7,333	112,340	10,020	-
115,471	2,461	117,932	36,756	-
65,830,131	9,794	65,839,925	46,776	-
(535,201)	535,201	-	-	-
65,294,930	544,995	65,839,925	46,776	-
4,448,483	(2,152,575)	2,295,908	(5,702,724)	(223,746)
76,607,174	56,033,352	132,640,526	51,763,929	2,173,357
<u>\$ 81,055,657</u>	<u>\$ 53,880,777</u>	<u>\$ 134,936,434</u>	<u>\$ 46,061,205</u>	<u>\$ 1,949,611</u>

This page is intentionally left blank.

Fund Financial Statements

TALBOT COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General <u>Fund</u>	Capital <u>Projects</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS				
Cash and short-term investments	\$ 16,939,742	\$ 9,649,601	\$ 1,400,299	\$ 27,989,642
Receivables:				
Accounts receivable	415,008	154,847	2,271	572,126
Intergovernmental:				
State	3,105,844	-	28,854	3,134,698
Federal	63,835	-	763,136	826,971
Prepaid items	143,711	-	-	143,711
Due from other funds	6,404,166	-	-	6,404,166
Advances to other funds	583,879	-	-	583,879
	<hr/>			
Total Assets	\$ 27,656,185	\$ 9,804,448	\$ 2,194,560	\$ 39,655,193
	<hr/>			
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,184,998	\$ 12,615	\$ 513,159	\$ 4,710,772
Other payables	1,771,198	-	-	1,771,198
Due to other funds	-	-	285,487	285,487
Unearned revenue	2,176,719	-	15,575	2,192,294
	<hr/>			
Total Liabilities	8,132,915	12,615	814,221	8,959,751
	<hr/>			
FUND BALANCES				
Nonspendable	143,711	-	-	143,711
Restricted for:				
Social Services	-	-	144,869	144,869
Committed for:				
Capital projects	-	9,791,833	326,759	10,118,592
Assigned for:				
Future budget	-	-	910,000	910,000
Capital projects	761,814	-	-	761,814
Unassigned	18,617,745	-	(1,289)	18,616,456
	<hr/>			
Total Fund Balances	19,523,270	9,791,833	1,380,339	30,695,442
	<hr/>			
Total Liabilities and Fund Balances	\$ 27,656,185	\$ 9,804,448	\$ 2,194,560	\$ 39,655,193
	<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 POSITION
June 30, 2013

Total Governmental Funds Balances		\$ 30,695,442
Amounts reported for governmental activities in the statement of net position are different because:		
Prepayment of post retirement benefits		1,919,257
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		80,921,986
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	(31,667,641)	
Compensated absences	<u>(813,387)</u>	
		<u>(32,481,028)</u>
Net Position of Governmental Activities		<u>\$ 81,055,657</u>

TALBOT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2013

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes	\$ 32,741,855	\$ -	\$ -	\$ 32,741,855
Local income taxes	23,140,754	-	-	23,140,754
Other local taxes	9,727,044	-	-	9,727,044
Licenses and permits	557,961	-	151,143	709,104
Intergovernmental:				
Federal	349,778	29,750	2,079,178	2,458,706
State	1,451,517	65,698	1,101,638	2,618,853
Contributions/cost sharing	-	1,500,000	-	1,500,000
Other grants	-	-	6,268	6,268
Service charges	2,135,969	-	-	2,135,969
Fines and forfeitures	5,354	-	-	5,354
Miscellaneous	39,485	-	75,986	115,471
Interest	90,343	9,532	5,132	105,007
Total Revenues	<u>70,240,060</u>	<u>1,604,980</u>	<u>3,419,345</u>	<u>75,264,385</u>
EXPENDITURES				
Current				
General government	5,466,572	247,460	132,839	5,846,871
Public safety	11,187,366	-	1,052,642	12,240,008
Public works	3,278,869	1,780,783	-	5,059,652
Health and hospitals	2,033,364	3,045	1,786,612	3,823,021
Social services	408,646	-	429,979	838,625
Education	40,798,789	-	3,986	40,802,775
Recreation	201,959	349,035	-	550,994
Conservation of natural resources	218,361	-	-	218,361
Employee benefits	3,247,384	-	-	3,247,384
Miscellaneous	95,150	-	-	95,150
Intergovernmental	822,434	-	-	822,434
Debt service interest	14,456	-	-	14,456
Debt service principal	48,355	-	-	48,355
Contingencies	97,297	-	-	97,297
Total Expenditures	<u>67,919,002</u>	<u>2,380,323</u>	<u>3,406,058</u>	<u>73,705,383</u>
Excess of Revenues Over (Under) Expenditures	<u>2,321,058</u>	<u>(775,343)</u>	<u>13,287</u>	<u>1,559,002</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out) to other funds:				
Pool - operating appropriation	(142,231)	-	-	(142,231)
Recreation - operating appropriation	(392,970)	-	-	(392,970)
General fund	850,000	-	(850,000)	-
Capital projects	-	335,000	(335,000)	-
Total Other Financing Sources (Uses)	<u>314,799</u>	<u>335,000</u>	<u>(1,185,000)</u>	<u>(535,201)</u>
Net Change in Fund Balances	2,635,857	(440,343)	(1,171,713)	1,023,801
Fund Balances at Beginning of Year	16,887,413	10,232,176	2,552,052	29,671,641
Fund Balances at End of Year	<u>\$ 19,523,270</u>	<u>\$ 9,791,833</u>	<u>\$ 1,380,339</u>	<u>\$ 30,695,442</u>

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, 2013

Net change in fund balances - total Governmental Funds \$ 1,023,801

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.

Capital outlays	3,716,763
Current year depreciation	<u>(3,767,898)</u>

Total	(51,135)
-------	----------

Loss on disposal of equipment	(180,647)
-------------------------------	-----------

Contributed capital asset	1,640,000
---------------------------	-----------

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

Principal payments on long-term debt	2,282,292
--------------------------------------	-----------

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	(282,642)
Change in compensated absences	(60,510)

Change in net position of Governmental Activities	<u><u>\$ 4,448,483</u></u>
---------------------------------------------------	----------------------------

TALBOT COUNTY, MARYLAND
STATEMENT OF FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
June 30, 2013

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and short-term investments	\$ 4,050	\$ 790,814	\$ 150,183	\$ -	\$ 945,047
Cash and short-term investments - capital projects	5,708,614	-	-	-	5,708,614
Accounts receivable:					
Accounts receivable, customers	15,786	161,397	137,887	5,861	320,931
Intergovernmental:					
State	-	416,460	26,816	-	443,276
Prepaid items	4,176	-	-	-	4,176
Inventories	45,195	-	217,001	-	262,196
Total Current Assets	5,777,821	1,368,671	531,887	5,861	7,684,240
NONCURRENT ASSETS					
Land	450,000	2,463,801	585,678	-	3,499,479
Construction in progress	404,540	65,298	808,621	-	1,278,459
Buildings and improvements	15,877,334	40,577,721	38,865,398	1,660,648	96,981,101
Furniture and equipment	1,549,890	4,153,131	1,419,303	140,700	7,263,024
Less: accumulated depreciation	(8,972,374)	(15,537,852)	(18,098,730)	(1,181,119)	(43,790,075)
Total Noncurrent Assets	9,309,390	31,722,099	23,580,270	620,229	65,231,988
Total Assets	15,087,211	33,090,770	24,112,157	626,090	72,916,228
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts payable	176,962	516,739	213,431	32,023	939,155
Compensated absences	9,482	21,295	10,190	323	41,290
Due to other funds	3,632,071	2,106,546	103,471	276,591	6,118,679
Unearned revenues	8,850	19,000	32,386	23,579	83,815
Advances from other funds	-	-	583,879	-	583,879
Current maturities of long-term debt	210,992	555,817	153,302	-	920,111
Total Current Liabilities	4,038,357	3,219,397	1,096,659	332,516	8,686,929
NONCURRENT LIABILITIES					
Compensated absences	14,400	26,409	17,529	-	58,338
Long-term debt, less current maturities	2,321,008	7,053,154	916,022	-	10,290,184
Total Noncurrent Liabilities	2,335,408	7,079,563	933,551	-	10,348,522
Total Liabilities	6,373,765	10,298,960	2,030,210	332,516	19,035,451
<u>NET POSITION</u>					
Net investment in capital assets	6,777,390	24,113,128	22,510,946	620,229	54,021,693
Unrestricted (deficit)	1,936,056	(1,321,318)	(428,999)	(326,655)	(140,916)
Total Net Position	\$ 8,713,446	\$ 22,791,810	\$ 22,081,947	\$ 293,574	\$ 53,880,777

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

TALBOT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2013

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
OPERATING REVENUES					
Airport - operations	\$ -	\$ -	\$ 309,196	\$ -	\$ 309,196
Airport - fuel facility	-	-	2,246,419	-	2,246,419
Airport - hangars	-	-	530,081	-	530,081
Sewer service charges	-	1,987,170	-	-	1,987,170
Sewer connection charges	-	13,490	-	-	13,490
Residential benefit charges	-	20,191	-	-	20,191
Wind/solar renewable energy	-	132,395	-	-	132,395
Admissions	137,625	-	-	48,875	186,500
Room rents	46,619	-	-	-	46,619
Ice revenue	229,423	-	-	-	229,423
Pro shop and concessions	314,211	-	-	-	314,211
Cart rentals	50,986	-	-	-	50,986
Greens fees	699,399	-	-	-	699,399
Other operating	11,769	13,010	130,822	67,478	223,079
Total Operating Revenues	1,490,032	2,166,256	3,216,518	116,353	6,989,159
OPERATING EXPENSES					
Salaries and related expenses	855,566	809,271	322,812	94,170	2,081,819
Cost of sales - fuel	-	-	2,069,731	-	2,069,731
Professional fees	37,686	5,702	436,479	2,493	482,360
Office	33,739	14,388	17,950	662	66,739
Insurance	15,517	19,933	15,194	1,172	51,816
Contracted services	-	865,398	-	-	865,398
Repairs and maintenance	222,651	255,482	102,368	45,535	626,036
Utilities	215,442	-	53,093	10,953	279,488
Supplies and equipment	66,862	-	480	10,219	77,561
Lessons and programs	83,374	-	-	-	83,374
Concessions	191,493	-	-	-	191,493
Depreciation	752,079	1,226,173	1,821,827	89,029	3,889,108
Other operating	43,149	69,426	10,463	3,533	126,571
Total Operating Expenses	2,517,558	3,265,773	4,850,397	257,766	10,891,494
Operating Income (Loss)	(1,027,526)	(1,099,517)	(1,633,879)	(141,413)	(3,902,335)
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	704,710	101,357	-	806,067
Gain on disposal of capital assets	2,061	-	400	-	2,461
Interest income	-	7,333	-	-	7,333
Interest expense	(106,832)	(89,099)	(53,063)	-	(248,994)
Total Non-Operating Revenues (Expenses)	(104,771)	622,944	48,694	-	566,867
CAPITAL CONTRIBUTIONS					
Intergovernmental revenues	-	-	647,692	-	647,692
Loss Before Transfers	(1,132,297)	(476,573)	(937,493)	(141,413)	(2,687,776)
Transfers In	392,970	-	-	142,231	535,201
Change in Net Position	(739,327)	(476,573)	(937,493)	818	(2,152,575)
Net Position, Beginning of Year	9,452,773	23,268,383	23,019,440	292,756	56,033,352
Net Position, End of Year	\$ 8,713,446	\$ 22,791,810	\$ 22,081,947	\$ 293,574	\$ 53,880,777

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, 2013

	Major Funds		
	Recreation Facilities	Sanitary District	Easton Airport
Cash flows from operating activities:			
Cash received from customers	\$ 1,471,038	\$ 2,132,185	\$ 3,064,001
Cash received from other revenues	11,769	13,010	130,822
Cash payments for salaries and related expenses	(847,704)	(810,017)	(320,043)
Cash payments to suppliers	(914,014)	(43,723)	(2,414,879)
Cash payments for contracted services	-	(865,398)	-
Other receipts (payments)	252,641	133,393	103,471
Net cash provided (used) by operating activities	(26,270)	559,450	563,372
Cash flows from noncapital financing activities:			
Transfers from other funds	392,970	-	-
Intergovernmental revenues	-	469,078	161,296
Net cash provided by noncapital financing activities	392,970	469,078	161,296
Cash flows from capital and related financing activities:			
Intergovernmental revenues	-	-	647,692
Principal paid on long-term notes and bonds	(223,046)	(553,118)	(142,298)
Interest paid on long-term notes and bonds	(106,832)	(89,099)	(53,063)
Proceeds from sale of capital assets	-	-	400
Acquisition and construction of capital assets	(32,772)	(295,361)	(1,108,911)
Net cash used by capital and related financing activities	(362,650)	(937,578)	(656,180)
Cash flows from investing activities:			
Interest income on investments	-	7,333	-
Repayment of advances from other funds	-	-	(71,850)
Redemption of certificates of deposit	-	156,396	20,705
Net cash provided (used) by investing activities	-	163,729	(51,145)
Increase in Cash and Cash Equivalents	4,050	254,679	17,343
Cash and Cash Equivalents at Beginning of Year	5,708,614	536,135	132,840
Cash and Cash Equivalents at End of Year	\$ 5,712,664	\$ 790,814	\$ 150,183

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

<u>Nonmajor Fund</u>			
	<u>Pool</u>		<u>Totals</u>
\$	51,395	\$	6,718,619
	67,478		223,079
	(93,847)		(2,071,611)
	(51,948)		(3,424,564)
	-		(865,398)
	(95,365)		394,140
			<hr/>
	(122,287)		974,265
			<hr/>
	142,231		535,201
	-		630,374
			<hr/>
	142,231		1,165,575
			<hr/>
	-		647,692
	-		(918,462)
	-		(248,994)
	-		400
	(19,944)		(1,456,988)
			<hr/>
	(19,944)		(1,976,352)
			<hr/>
	-		7,333
	-		(71,850)
	-		177,101
			<hr/>
	-		112,584
			<hr/>
	-		276,072
			<hr/>
	-		6,377,589
			<hr/>
\$	-	\$	6,653,661
			<hr/> <hr/>

TALBOT COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2013 (continued)

	Major Funds		
	Recreation Facilities	Sanitary District	Easton Airport
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (1,027,526)	\$ (1,099,517)	\$ (1,633,879)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	752,079	1,226,173	1,821,827
Write-off of construction in progress costs	-	-	347,905
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable, customers	(9,230)	(21,061)	(37,033)
Decrease (increase) in prepaid	858	-	-
Decrease (increase) in inventories	6,952	-	(26,067)
Increase (decrease) in accounts payable	(11,911)	321,208	(30,959)
Increase (decrease) in compensated absences	7,862	(746)	2,769
Increase (decrease) in due to other funds	252,641	133,393	103,471
Increase (decrease) in unearned revenue	2,005	-	15,338
Net cash provided (used) by operating activities	<u>\$ (26,270)</u>	<u>\$ 559,450</u>	<u>\$ 563,372</u>

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

<u>Nonmajor Fund</u>		
<u>Pool</u>		<u>Totals</u>
\$ (141,413)	\$	(3,902,335)
89,029		3,889,108
-		347,905
2,520		(64,804)
-		858
-		(19,115)
22,619		300,957
323		10,208
(95,365)		394,140
-		17,343
<u>\$ (122,287)</u>	<u>\$</u>	<u>974,265</u>

TALBOT COUNTY, MARYLAND

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND**

June 30, 2013

	<u>Other Post-Employment Benefits Trust Fund</u>
<u>ASSETS</u>	
Certificates of deposit	\$ 7,005,762
Interest receivable	<u>62</u>
Total Assets	<u>7,005,824</u>
<u>NET POSITION</u>	
Held in trust for other post-employment benefits	<u>\$ 7,005,824</u>

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

TALBOT COUNTY, MARYLAND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2013

	<u>Other Post-Employment Benefits Trust Fund</u>
ADDITIONS:	
Contributions	
Investment income	<u>\$ 5,824</u>
Total contributions	<u>5,824</u>
Change in net position	5,824
Net position held in trust for other post-employment benefits beginning of year	<u>7,000,000</u>
Net position held in trust for other post-employment benefits end of year	<u>\$ 7,005,824</u>

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

This page is intentionally left blank.

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 position 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 position 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. Fiduciary funds are not included within the government-wide financial statements.

The statement of net position 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 position, 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 position.

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 position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. 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 position 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 position 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 Position

Net position represents the difference between assets plus deferred inflows of resources and liabilities plus deferred outflows of resources. Net investment in capital assets 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 position is 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 position is 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 imposed by the County Council. The Council may establish, modify, or rescind a fund balance commitment with a vote by the Council.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

N. Fund Balance Reserves (continued)

Assigned – Amounts designated by the County Council to be used for specific purposes, but are neither restricted nor committed. Section 202 of the Talbot County Charter outlines the specific powers delegated to the Council.

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 position. The only interfund balances which remain on the government-wide statement of net position 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, 2013, the County Primary Government had deposits of \$17,134,646 with local banks (carrying value \$16,643,303). Of those deposits, \$250,000 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, 2013, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$9,425 as of June 30, 2013.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 3. Deposits and Investments (continued)

Board of Education

At June 30, 2013, the reported amount of the Board's bank deposits was \$7,086,506 and the bank balance was \$8,234,926. These balances include \$1,164,031 of trust and agency cash and MLGIP of \$4,329,785 reported below. The cash in the bank was covered by federal depository insurance or by collateral held by the pledging bank's trust department in the Board's name.

Library

At June 30, 2013, the Library had deposits totaling \$83,572 (carrying value \$59,925), 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 95 §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 semi-annual 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, 2013, the County had investments in MLGIP of \$18,000,000, 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 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, 2013, the County had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (months)
MLGIP	\$ 18,000,000	< 2

Board of Education

The Board is also authorized to invest in the Maryland Local Government Investment Pool (MLGIP), where deposits are recorded at cost. Due to the nature of the MLGIP investment it is considered a cash equivalent. MLGIP is not covered by FDIC, but it is collateralized by United States Treasury instruments. The Maryland State Treasurer oversees the MLGIP. At June 30, 2013, the Board had investments in MLGIP of \$4,329,785.

**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, 2013, 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, 2013 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	\$ 6,404,166	\$ -
Special Revenue Fund - Grants Fund	Transfers	-	285,487
Enterprise Fund - Recreation Facilities	Transfers	-	3,632,071
Enterprise Fund - Sanitary District	Transfers	-	2,106,546
Enterprise Fund - Airport	Transfers	-	103,471
Enterprise Fund - Pool	Transfers	-	276,591
		<u>\$ 6,404,166</u>	<u>\$ 6,404,166</u>

The amounts payable from the Special Revenue Fund – Grants Fund and all Enterprise Funds to the General Fund are to cover temporary cash shortages.

Advances to/from other funds balances as of June 30, 2013 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	\$ 583,879	\$ -
Enterprise Fund - Airport	Construction projects	-	583,879
		<u>\$ 583,879</u>	<u>\$ 583,879</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, 2013 was \$583,879, 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, 2013 is as follows:

	Balance June 30, 2012	Additions	Transfers and Reductions	Balance June 30, 2013
Primary Government				
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$ 10,467,602	\$ 1,969,235	\$ -	\$ 12,436,837
Infrastructure - road base	23,191,321	1,220,955	1,037,615	25,449,891
Construction in progress	3,930,547	327,975	(1,355,651)	2,902,871
Total Nondepreciable Capital Assets	37,589,470	3,518,165	(318,036)	40,789,599
Depreciable Capital Assets:				
Buildings and improvements	40,973,535	264,608	19,939	41,258,082
Infrastructure	12,284,378	588,017	(22,816)	12,849,579
Furniture and equipment	20,213,049	985,973	(299,087)	20,899,935
Total capital assets being depreciated	73,470,962	1,838,598	(301,964)	75,007,596
Less accumulated depreciation for:				
Buildings and improvements	11,892,467	1,323,899	-	13,216,366
Infrastructure	5,059,031	1,035,133	(147,796)	5,946,368
Furniture and equipment	14,595,166	1,408,866	(291,557)	15,712,475
Total accumulated depreciation	31,546,664	3,767,898	(439,353)	34,875,209
Total Depreciable Capital Assets, Net	41,924,298	(1,929,300)	137,389	40,132,387
Total Governmental Activities, Net	\$ 79,513,768	\$ 1,588,865	\$ (180,647)	\$ 80,921,986
	Balance June 30, 2012	Additions	Transfers and Reductions	Balance June 30, 2013
Business-Type Activities:				
Nondepreciable Capital Assets:				
Land	\$ 3,499,479	\$ -	\$ -	\$ 3,499,479
Construction in progress	1,613,020	117,762	(452,323)	1,278,459
Total Nondepreciable Capital Assets	5,112,499	117,762	(452,323)	4,777,938
Depreciable Capital Assets:				
Buildings and improvements	95,610,597	1,281,782	88,722	96,981,101
Furniture and equipment	7,320,311	64,644	(121,931)	7,263,024
Total Depreciable Capital Assets	102,930,908	1,346,426	(33,209)	104,244,125
Less accumulated depreciation for:				
Buildings and improvements	37,408,666	3,450,366	(13,967)	40,845,065
Furniture and equipment	2,624,789	438,742	(118,521)	2,945,010
Total accumulated depreciation	40,033,455	3,889,108	(132,488)	43,790,075
Total Depreciable Capital Assets, Net	62,897,453	(2,542,682)	99,279	60,454,050
Total Business-Type Activities, Net	\$ 68,009,952	\$ (2,424,920)	\$ (353,044)	\$ 65,231,988

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 874,571
Public Safety	1,006,097
Public Works	1,531,893
Health & Hospitals	6,260
Recreation	<u>349,077</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 3,767,898</u>

A summary of changes in capital assets for the component units at June 30, 2013 is as follows:

	Balance June 30, 2012	Additions	Transfers and Reductions	Balance June 30, 2013
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>1,269,528</u>	-	<u>(892,082)</u>	<u>377,446</u>
Depreciable Capital Assets:				
Buildings and improvements	92,455,608	1,959,433	-	94,415,041
Furniture and equipment	22,916,087	827,898	(213,150)	23,530,835
Total capital assets being depreciated	<u>115,371,695</u>	<u>2,787,331</u>	<u>(213,150)</u>	<u>117,945,876</u>
Less accumulated depreciation for:				
Buildings and improvements	32,639,190	2,142,335	-	34,781,525
Furniture and equipment	17,748,662	1,900,091	(211,885)	19,436,868
Total accumulated depreciation	<u>50,387,852</u>	<u>4,042,426</u>	<u>(211,885)</u>	<u>54,218,393</u>
Total Depreciable Capital Assets, Net	<u>\$ 64,983,843</u>	<u>\$ (1,255,095)</u>	<u>\$ (1,265)</u>	<u>\$ 63,727,483</u>
Library				
Nondepreciable Capital Assets:				
Land	\$ 49,921	\$ -	\$ -	\$ 49,921
Depreciable Capital Assets:				
Buildings and improvements	559,721	-	-	559,721
Furniture and equipment	1,591,502	113,700	(307,896)	1,397,306
Total capital assets being depreciated	<u>2,151,223</u>	<u>113,700</u>	<u>(307,896)</u>	<u>1,957,027</u>
Less accumulated depreciation	<u>1,063,234</u>	<u>236,413</u>	<u>(307,896)</u>	<u>991,751</u>
Total Depreciable Capital Assets, Net	<u>\$ 1,087,989</u>	<u>\$ (122,713)</u>	<u>\$ -</u>	<u>\$ 965,276</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, 2013:

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	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%.	\$ 20,455,000	\$ -	\$ 960,000	\$ 19,495,000	\$ 1,005,000
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.	127,400	-	9,100	118,300	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%.	117,066	-	8,272	108,794	8,669
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%.	325,000	-	35,000	290,000	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%.	1,720,000	-	115,000	1,605,000	120,000
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%.	10,456,075	-	1,154,920	9,301,155	1,169,323
	33,200,541	-	2,282,292	30,918,249	2,347,092
Unamortized bond premium	826,716	-	77,324	749,392	-
Compensated absences	752,877	706,924	646,414	813,387	371,876
TOTAL GOVERNMENTAL ACTIVITIES	\$34,780,134	\$ 706,924	\$3,006,030	\$32,481,028	\$ 2,718,968

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	Amount Due in One Year
Business-type Activities:					
Recreation Facilities					
Public Improvement and Refunding Bonds of 2006; original issue \$2,545,000, payable annually in principal payments ranging from \$90,000 to \$180,000 through February 1, 2026; interest payable semi-annually at rates from 4% to 4.375%.	\$ 1,970,000	\$ -	\$ 105,000	\$ 1,865,000	\$ 110,000
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%.	625,355	-	53,910	571,445	54,312
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%.	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%.	140,138	-	44,583	95,555	46,680
Total Recreation Facilities	<u>\$ 2,755,046</u>	<u>\$ -</u>	<u>\$ 223,046</u>	<u>\$ 2,532,000</u>	<u>\$ 210,992</u>

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	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%.	\$ 205,000	\$ -	\$ 25,000	\$ 180,000	\$ 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%.	7,498,017	-	501,425	6,996,592	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%.	319,838	-	21,542	298,296	24,002
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%.	139,234	-	5,151	134,083	5,390
Total Sanitary District	<u>\$ 8,162,089</u>	<u>\$ -</u>	<u>\$ 553,118</u>	<u>\$ 7,608,971</u>	<u>\$ 555,817</u>

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013	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%.	\$ 70,000	\$ -	\$ 10,000	\$ 60,000	\$ 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%.	260,000	-	35,000	225,000	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%.	65,000	-	30,000	35,000	35,000
Public Facilities Bonds of 2002; original issue \$1,055,000, payable annually in principal payments ranging from \$30,000 to \$77,000 through March 15, 2022; interest payable semi-annually at rates from 3.0% to 5.37%.	350,001	-	25,000	325,001	30,000
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%.	303,570	-	26,170	277,400	26,365
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.	163,051	-	16,128	146,923	16,937
Total Easton Airport	1,211,622	-	142,298	1,069,324	153,302
Compensated absences	89,420	79,446	69,238	99,628	41,290
TOTAL BUSINESS-TYPE ACTIVITIES	\$12,218,177	\$ 79,446	\$ 987,700	\$11,309,923	\$ 961,401

The bonds outstanding at June 30, 2013 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	(147,181)
Total	\$ 86,765

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

Business-Type Activities

Year Ending June 30	
2014	\$ 50,106
2015	50,106
	100,212
Less amounts representing interest	(4,657)
Present value of future minimum lease payments	\$ 95,555

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 \$18,700. 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, 2013 is \$243,759.

	Balance at June 30, 2012	Additions	Reductions	Balance at June 30, 2013
Component Units				
Board of Education				
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	\$ -	\$ 82,889	\$ 279,444
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.	191,175	-	191,175	-
Note payable to Branch Bank & Trust Co. principal and interest payments of \$2,009 are payable monthly through September 5, 2017; interest payable at 2.11% per annum; collateralized by school bus.	-	114,282	16,384	97,898
TOTAL BOARD OF EDUCATION	\$ 553,508	\$ 114,282	\$ 290,448	\$ 377,342

**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,			
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	2,710,305	831,525	3,541,830
2019 - 2023	10,792,221	2,775,186	13,567,407
2024 - 2028	7,462,300	872,425	8,334,725
Total Governmental Activities	\$ 30,918,249	\$ 8,693,244	\$ 39,611,493

Enterprise Fund - Recreational Facilities (excluding capital leases)

Fiscal year Ending June 30,			
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	193,495	70,820	264,315
2019 - 2023	1,015,538	233,810	1,249,348
2024 - 2028	525,000	46,248	571,248
Total Recreational Facilities	\$ 2,436,445	\$ 701,124	\$ 3,137,569

Enterprise Fund - Sanitary District

Fiscal year Ending June 30,			
2014	\$ 555,817	\$ 57,296	\$ 613,113
2015	564,232	52,850	617,082
2016	567,727	48,117	615,844
2017	571,306	43,301	614,607
2018	574,973	38,397	613,370
2019 - 2023	2,811,639	122,158	2,933,797
2024 - 2028	1,941,724	33,085	1,974,809
2029 - 2033	21,553	1,105	22,658
Total Sanitary District	\$ 7,608,971	\$ 396,309	\$ 8,005,280

**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,			
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	136,751	24,246	160,997
2019 - 2023	401,280	39,931	441,211
Total Easton Airport	\$ 1,069,324	\$ 217,996	\$ 1,287,320

Component Units

Board of Education

Fiscal year Ending June 30,			
2014	\$ 106,578	\$ 5,995	\$ 112,573
2015	108,514	4,059	112,573
2016	110,485	2,088	112,573
2017	45,760	462	46,222
2018	6,005	21	6,026
Total Board of Education	\$ 377,342	\$ 12,625	\$ 389,967

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

\$ 506,662

**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>		
2014	\$	32,337
2015		33,953
2016		35,651
2017		37,434
2018		39,305
2019 - 2023		228,046
2024 - 2028		291,050
2029 - 2033		371,463
2034 - 2036		270,479
Sub-Total		1,339,718
Less amounts representing interest		(833,056)
Liability as of June 30, 2013	\$	506,662

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 2013 is established by annual actuarial valuations. The current rate is 13.29% of covered payroll for teachers and 12.29% 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, 2013 were \$2,987,207 and \$108,132 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, 2013, 2012, and 2011, payroll covered under the various state plans, and contributions paid are as follows:

	2013	2012	2011
Total payroll	\$ 47,259,887	\$ 45,023,269	\$ 46,355,511
Payroll covered under the plans	43,025,040	41,711,347	42,750,177
Actual % contributed of required contributions	100%	100%	100%
Contributions paid:			
County payments	994,080	1,205,123	1,269,354
Board of Education payments	1,389,615	815,161	725,295
State On-Behalf payments:			
Board of Education	2,987,207	3,882,631	3,756,748
Library	108,132	101,327	95,844

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 2013 payment was \$30,978. The payments reflect a pattern which increases by 5% per year for the next 24 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 2013, the County paid for coverage of 76 eligible retirees, family members, and dependents at a total cost to the County of \$441,967 and eligible retirees contributed \$92,282. 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 2013, the Library contributed \$2,287 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, 2013. 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>				
2011	\$ 2,167,000	\$ 349,278	16.12 %	\$ 4,502,080
2012	724,609	7,428,588	1025.19 %	(2,201,899)
2013	724,609	441,967	60.99 %	(1,919,257)
<u>Board of Education</u>				
2011	\$ 4,039,000	\$ 263,425	6.52 %	\$ 11,904,000
2012	4,308,000	1,307,000	30.34 %	13,987,425
2013	5,274,000	1,403,000	26.60 %	17,858,425
<u>Library</u>				
2011	\$ 100,000	\$ 5,000	5.00 %	\$ 284,000
2012	113,919	2,388	2.10 %	395,531
2013	113,919	2,287	2.01 %	507,163

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, 2013 was calculated as follows:

	County	Board of Education	Library
Annual required contribution (ARC)	\$ 562,139	\$ 5,274,000	\$ 118,350
Interest on net OPEB obligation	310,170	559,000	11,360
Adjustment to the ARC	<u>(147,700)</u>	<u>(559,000)</u>	<u>(15,791)</u>
Annual OPEB cost	724,609	5,274,000	113,919
Pay as you go	<u>(441,967)</u>	<u>(1,403,000)</u>	<u>(2,287)</u>
Net OPEB change	282,642	3,871,000	111,632
Net OPEB obligation (asset), beginning of year	<u>(2,201,899)</u>	<u>13,987,425</u>	<u>395,531</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (1,919,257)</u></u>	<u><u>\$ 17,858,425</u></u>	<u><u>\$ 507,163</u></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>							
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%
2013	July 1, 2011	7,005,762	11,825,089	59.24%	4,819,327	10,441,819	46.2%
<u>Board of Education</u>							
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%
2013	July 1, 2013	-	58,837,000	0.00%	58,837,000	31,804,861	185.0%
<u>Library</u>							
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%
2013	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 which assumes a 3% inflation rate, 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, 2013 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, 2013 was 26 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, 2013. Under the modified accrual basis of revenue recognition, property taxes not received within the "available" period should be deferred. Unearned revenue at June 30, 2013 consisted of the following:

	County	Board of Education
Federal and state grants	\$ 10,526	\$ 1,166,742
Other sources	2,265,583	33,578
	<u>\$ 2,276,109</u>	<u>\$ 1,200,320</u>

Note 11. Commitments and Contingencies

Primary Government

Landfills Closure and Post-closure Costs

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 are 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, 2013, total closure and post closure care costs were estimated at approximately \$23.6 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, 2013, a portion of these costs, \$9.8 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, 2012. MES expects to satisfy these requirements as of June 30, 2013 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.

Legal Actions

The County believes it is probable that income tax refunds of approximately \$1,500,000 related to the *Maryland State Comptroller of the Treasury v. Bryan Wynne* case, which was recently appealed to the U.S. Supreme Court, will have to be issued in the future. As such, a liability has been recorded for this amount at June 30, 2013. This case is an appeal of a January 2013 ruling by the Maryland Court of Appeals which reversed the decision of a lower court and found that the State has to allow a credit for income taxes paid to other jurisdictions against both the state tax and the local (county) tax. Currently the credit is only applied at the State level.

The County is also currently in the process of appealing a verdict against the County for breach of contract regarding a personnel matter. The County believes the verdict will be overturned on appeal; however it is possible that the verdict will be upheld. Should the verdict be upheld, the settlement due by the County will be approximately \$183,000.

In addition, there are other various claims and suits pending against the County that arise in the normal course of the County's activities. In the opinion of legal counsel and management, the ultimate disposition of these various claims and suits will have no material adverse impact on the financial condition of the County or affect the County's ability to perform its obligations to the holders of its bonds.

Construction Commitments

The County had not entered into any contracts for the design, construction, or renovation of facilities at June 30, 2013.

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.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 12. Risk Management (continued)

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.

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. The Board participates in 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, 2013, MABE had total pool surplus of approximately \$18 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

The Board participates in 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.

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

Note 13. Deficits

At June 30, 2013, the Sanitary District Fund, the Easton Airport Fund, and the Pool Fund had deficits in unrestricted net position of \$1,321,318, \$428,999, and \$326,655, respectively. These deficits are expected to be eliminated through normal operations.

At June 30, 2013, 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 Position

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, 2013, the outstanding balance of these bonds and notes payables was \$30,383,849 and the effect of this non-capital debt has been reflected in the unrestricted net position of the County.

Note 15. Subsequent Events

Board of Education

On July 17, 2013, the Board approved a lease purchase of four school buses over five years. The total cost of the lease, including interest is \$515,449, which is payable in sixty equal monthly installments of \$8,591.

This page is intentionally left blank.

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, 2013

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
REVENUES				
TAXES - LOCAL				
LOCAL PROPERTY TAXES				
Real property	\$ 30,124,000	\$ 30,124,000	\$ 30,209,458	\$ 85,458
Real property education supplement	1,899,000	1,899,000	1,910,595	11,595
Railroad and public utilities	600,000	600,000	647,836	47,836
Prior Years	-	-	(8,652)	(8,652)
Penalties and interest	163,000	163,000	198,516	35,516
Total property taxes	32,786,000	32,786,000	32,957,753	171,753
Less: Discounts allowed on taxes	(195,000)	(195,000)	(215,898)	(20,898)
Net property taxes	32,591,000	32,591,000	32,741,855	150,855
LOCAL INCOME TAXES	21,635,000	21,635,000	23,140,754	1,505,754
OTHER LOCAL TAXES				
Admissions and amusements	45,000	45,000	47,184	2,184
Recordation	4,365,000	4,365,000	5,493,728	1,128,728
Transfer	2,250,000	2,250,000	3,024,512	774,512
Public accommodations	975,000	975,000	1,096,821	121,821
Mobile manufactured home	63,000	63,000	64,799	1,799
Total other local taxes	7,698,000	7,698,000	9,727,044	2,029,044
Total local taxes	61,924,000	61,924,000	65,609,653	3,685,653
LICENSES AND PERMITS				
Beer, wine and liquor licenses	175,000	175,000	170,290	(4,710)
Alcoholic beverages fines	2,000	2,000	400	(1,600)
Traders licenses	35,000	35,000	35,095	95
Animal tags and fines	2,500	2,500	5,141	2,641
Stormwater permits	3,000	3,000	19,350	16,350
Flood plain permits	700	700	805	105
Boat ramp permits and violations	185,000	185,000	136,209	(48,791)
Marriage licenses	2,500	2,500	3,485	985
Plumbing permits	12,000	12,000	9,565	(2,435)
Zoning fines	-	-	5,850	5,850
Plumbing licenses	8,000	8,000	7,480	(520)
HVAC inspections	10,000	10,000	7,083	(2,917)
Slot machine licenses	1,250	1,250	-	(1,250)
Electrical licenses	16,000	16,000	20,228	4,228
Building permits	175,000	175,000	136,980	(38,020)
Total licenses and permits	627,950	627,950	557,961	(69,989)

TALBOT COUNTY, MARYLAND

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

**For the Year Ended June 30, 2013
(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	\$ 99,500	\$ 99,500	\$ 109,139	\$ 9,639
Byrne - corrections grant	8,000	8,000	-	(8,000)
HMEP grant	10,500	10,500	9,110	(1,390)
FEMA	10,000	10,000	141,034	131,034
Emergency management - DHS	52,500	52,500	34,408	(18,092)
Community emergency response team	5,000	5,000	4,781	(219)
Foster care court improvement	-	-	28,511	28,511
Byrne - problem solving court	-	-	6,427	6,427
Byrne - e-citation program	-	-	16,368	16,368
Total Federal revenues	185,500	185,500	349,778	164,278
FROM THE STATE OF MARYLAND				
Police protection	55,220	55,220	55,257	37
Sex offender grant	16,000	16,000	14,405	(1,595)
School bus safety grant	16,000	16,000	14,000	(2,000)
Highway safety - DOT	-	-	8,493	8,493
Motor carrier - State Highway	-	-	4,139	4,139
Fire and rescue	215,000	215,000	243,297	28,297
911 grants and numbers system board	262,500	262,500	258,973	(3,527)
Community right to know grant	7,800	7,800	5,709	(2,091)
Community service	23,000	23,000	23,000	-
Addictions program grant	-	-	8,374	8,374
Circuit Court - Family Services	227,431	227,431	124,421	(103,010)
Problem solving court grant	149,224	149,224	87,124	(62,100)
Critical areas	16,000	16,000	16,000	-
Highway user revenues	225,000	225,000	287,984	62,984
Recordation	15,000	15,000	24,647	9,647
Department of Natural Resources	-	-	114,131	114,131
Public landing grants	21,000	21,000	22,481	1,481
Tourism	40,000	40,000	70,425	30,425
Maryland DBED grant	-	-	15,000	15,000
DSS-Legal fees	70,000	70,000	53,442	(16,558)
Security filing fees	500	500	215	(285)
Total state revenues	1,359,675	1,359,675	1,451,517	91,842
Total intergovernmental	1,545,175	1,545,175	1,801,295	256,120

TALBOT COUNTY, MARYLAND

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

**For the Year Ended June 30, 2013
(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
SERVICE CHARGES				
GENERAL GOVERNMENT CHARGES				
Zoning fees and certificates	\$ 16,300	\$ 16,300	\$ 20,571	\$ 4,271
Subdivision applications	10,000	10,000	24,742	14,742
Administrative variance	4,000	4,000	5,400	1,400
Board of appeals	7,500	7,500	6,800	(700)
Site plan reviews	4,500	4,500	1,691	(2,809)
Forest conservation fees	3,000	3,000	3,425	425
Critical area preservation	15,000	15,000	32,217	17,217
Bed & breakfast license/home occupation	1,000	1,000	850	(150)
Short term rental fees	8,000	8,000	13,550	5,550
Wireless communication license	8,000	8,000	-	(8,000)
Mobile home fees	225	225	-	(225)
Roadside vendors and produce stand	1,100	1,100	2,600	1,500
Weed and litter enforcement	1,000	1,000	2,550	1,550
Weed control spraying	30,000	30,000	40,304	10,304
Economic development/tourism	95,000	95,000	182,290	87,290
Election filing and voter lists	1,000	1,000	437	(563)
Sheriff's fees	30,000	30,000	32,426	2,426
Emergency medical services	1,400,000	1,400,000	1,314,192	(85,808)
MIEMSS-EMS communications	125,000	125,000	125,000	-
Hazmat fees	45,000	45,000	4,443	(40,557)
Other charges	750	750	415	(335)
Total general government	1,806,375	1,806,375	1,813,903	7,528
PUBLIC SAFETY CHARGES				
Boarding of local prisoners	15,000	15,000	13,680	(1,320)
Weekenders fees	2,000	2,000	2,695	695
Live-in, work-out fees	10,000	10,000	4,244	(5,756)
Home detention program	5,000	5,000	5,905	905
Federal prisoner program	127,000	127,000	74,720	(52,280)
Inmate sick call service	500	500	-	(500)
Community service fees	7,500	7,500	3,925	(3,575)
Total public safety charges	167,000	167,000	105,169	(61,831)

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2013

(Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
SERVICE CHARGES (continued)				
HEALTH				
Mosquito control fees	\$ 143,000	\$ 143,000	\$ 130,705	\$ (12,295)
RECREATION CHARGES				
Boat slips	67,500	67,500	66,954	(546)
Program fees	-	-	430	430
Other recreation	30,000	30,000	18,808	(11,192)
Total recreation	97,500	97,500	86,192	(11,308)
Total service charges	2,213,875	2,213,875	2,135,969	(77,906)
FINES AND FORFEITURES	-	-	5,354	5,354
MISCELLANEOUS				
Rents	40,000	40,000	20,241	(19,759)
Other	51,000	51,000	19,244	(31,756)
Total miscellaneous	91,000	91,000	39,485	(51,515)
INTEREST	100,000	100,000	90,343	(9,657)
TOTAL REVENUES	66,502,000	66,502,000	70,240,060	3,738,060
OTHER FINANCING SOURCES				
Transfers:				
Capital projects	812,000	812,000	-	(812,000)
Developmental impact	850,000	850,000	850,000	-
Reserved and unexpended funds	1,487,600	1,487,600	-	(1,487,600)
Total other financing sources	3,149,600	3,149,600	850,000	(2,299,600)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 69,651,600	\$ 69,651,600	\$ 71,090,060	\$ 1,438,460

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2013

(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	43,200	43,200	39,133	4,067
Total legislative	116,200	116,200	112,133	4,067
JUDICIAL				
Circuit Court:				
Salaries	119,675	119,675	112,951	6,724
Other operating	27,350	27,350	25,138	2,212
Capital outlay	-	-	6,793	(6,793)
Court Stenographer:				
Salaries	30,475	30,475	30,005	470
Other operating	225	225	46	179
Petit Jury				
Salaries	15,000	15,000	15,018	(18)
Other operating	9,000	9,000	5,271	3,729
Family Services:				
Salaries and fringe benefits	56,731	56,731	56,871	(140)
Other operating	170,700	170,700	95,561	75,139
Problem Solving Court:				
Salaries and fringe benefits	89,027	89,027	79,459	9,568
Other operating	60,197	60,197	7,896	52,301
Teen Court:				
Salaries and fringe benefits	-	-	305	(305)
Other operating	-	-	6,255	(6,255)
Orphan's Court:				
Salaries	17,672	17,672	17,672	-
Other operating	600	600	545	55
State's Attorney:				
Salaries	415,521	415,521	419,089	(3,568)
Other operating	33,176	33,176	41,966	(8,790)
Child Support:				
Salaries and fringe benefits	171,158	171,158	171,901	(743)
Other operating	10,505	10,505	5,294	5,211
Victim Witness Program:				
Salaries	102,484	102,484	103,983	(1,499)
Other operating	5,064	5,064	3,442	1,622
Law Library:				
Salaries	2,977	2,977	3,000	(23)
Other operating	100	100	-	100
Total judicial	1,337,637	1,337,637	1,208,461	129,176

TALBOT COUNTY, MARYLAND

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

**For the Year Ended June 30, 2013
(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	\$ 386,110	\$ 386,110	\$ 383,943	\$ 2,167
Other operating	25,177	25,177	34,090	(8,913)
Capital outlay	8,000	8,000	-	8,000
Total executive	419,287	419,287	418,033	1,254
ELECTIONS				
Board of Supervisors of Elections:				
Salaries and fringe benefits	173,819	173,819	166,573	7,246
Other operating	107,200	107,200	94,934	12,266
Registration and elections				
Salaries and fringe benefits	47,300	47,300	38,529	8,771
Other operating	4,000	4,000	-	4,000
Total elections	332,319	332,319	300,036	32,283
FINANCIAL ADMINISTRATION				
Finance Office:				
Salaries	425,941	425,941	432,549	(6,608)
Other operating	144,150	144,150	134,099	10,051
MD State Department of Assessments and Taxation	300,000	300,000	299,610	390
Liquor License Commissioners:				
Salaries	10,106	10,106	10,106	-
Other operating	2,850	2,850	595	2,255
Total financial administration	883,047	883,047	876,959	6,088
LAW				
County Attorney:				
Salaries	171,677	171,677	191,653	(19,976)
Other operating	29,150	29,150	22,292	6,858
Total law	200,827	200,827	213,945	(13,118)
PLANNING AND ZONING				
Planning Office:				
Salaries	439,156	439,156	402,241	36,915
Other operating	30,350	30,350	39,648	(9,298)
Board of Appeals:				
Salaries	63,221	63,221	62,319	902
Other operating	12,550	12,550	12,173	377
Total planning and zoning	545,277	545,277	516,381	28,896

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2013

(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	\$ 199,190	\$ 199,190	\$ 201,983	\$ (2,793)
Other operating	320,456	320,456	347,936	(27,480)
Library Maintenance	90,300	90,300	114,834	(24,534)
Information Technology:				
Salaries	184,012	184,012	185,391	(1,379)
Other operating	97,922	97,922	90,286	7,636
Capital outlay	80,200	80,200	71,988	8,212
Insurance	93,000	93,000	72,779	20,221
Total general services	1,065,080	1,065,080	1,085,197	(20,117)
ECONOMIC DEVELOPMENT				
Office of Economic Development:				
Salaries and fringe benefits	86,978	86,978	87,055	(77)
Other operating	12,700	12,700	13,465	(765)
Capital outlay	-	-	30,000	(30,000)
Arts Council	7,000	7,000	7,000	-
Tourism:				
Salaries and fringe benefits	101,313	101,313	108,908	(7,595)
Other operating	256,550	256,550	470,096	(213,546)
Historic Preservation Commission	500	500	843	(343)
Other	18,060	18,060	18,060	-
Total economic development	483,101	483,101	735,427	(252,326)
Total general government	5,382,775	5,382,775	5,466,572	(83,797)
PUBLIC SAFETY				
SHERIFF				
Salaries	1,492,971	1,492,971	1,478,435	14,536
Other operating	340,370	340,370	296,168	44,202
Capital outlay	127,700	127,700	171,641	(43,941)
Total sheriff	1,961,041	1,961,041	1,946,244	14,797
MUNICIPAL INSTITUTIONS				
Detention Center:				
Salaries	1,545,033	1,545,033	1,538,068	6,965
Other operating	1,048,110	1,048,110	961,477	86,633
Capital outlay	12,000	12,000	14,055	(2,055)
Total municipal institutions	2,605,143	2,605,143	2,513,600	91,543

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2013

(Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
PUBLIC SAFETY (continued)				
OTHER PUBLIC SAFETY				
School Crossing Guards	\$ 50,083	\$ 50,083	\$ 50,083	\$ -
Animal Control Program	328,252	328,252	328,204	48
Emergency Management:				
Salaries	726,440	726,440	780,078	(53,638)
Other operating	408,103	408,103	407,088	1,015
Capital outlay	37,200	37,200	88,982	(51,782)
Volunteer Fire Companies	1,261,509	1,261,509	1,301,279	(39,770)
Emergency Medical Services:				
Salaries and fringe benefits	2,764,071	2,764,071	2,796,788	(32,717)
Other operating	411,225	411,225	491,084	(79,859)
Capital outlay	320,000	320,000	268,931	51,069
Hazardous Materials:				
Salaries and fringe benefits	11,250	11,250	-	11,250
Other operating	33,750	33,750	15,039	18,711
Capital outlay	-	-	1,500	(1,500)
Total other public safety	6,351,883	6,351,883	6,529,056	(177,173)
PROTECTIVE INSPECTION				
Electrical Inspection:				
Salaries	5,525	5,525	6,545	(1,020)
Other operating	1,350	1,350	1,272	78
Building and Plumbing Inspection:				
Salaries	170,700	170,700	171,109	(409)
Other operating	18,550	18,550	19,540	(990)
Total protective inspection	196,125	196,125	198,466	(2,341)
Total public safety	11,114,192	11,114,192	11,187,366	(73,174)
PUBLIC WORKS				
PUBLIC WORKS - GENERAL				
Salaries	349,703	349,703	366,943	(17,240)
Other operating	28,722	28,722	18,945	9,777
Capital outlay	-	-	110,357	(110,357)
Total public works - general	378,425	378,425	496,245	(117,820)
PUBLIC LANDINGS AND WHARVES				
Salaries	125,183	125,183	101,156	24,027
Other operating	48,745	48,745	35,102	13,643
Capital outlay	-	-	3,667	(3,667)
Total public landings and wharves	173,928	173,928	139,925	34,003
SOLID WASTE DISPOSAL				
Salaries and fringe benefits	85,839	85,839	85,496	343
Other operating	500,750	500,750	562,947	(62,197)
Total solid waste disposal	586,589	586,589	648,443	(61,854)

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2013

(Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
PUBLIC WORKS (continued)				
HIGHWAYS AND STREETS				
Salaries and fringe benefits	\$ 1,199,922	\$ 1,199,922	\$ 1,105,736	\$ 94,186
Other operating	844,968	844,968	673,032	171,936
Capital outlay	227,000	227,000	215,488	11,512
Total highways and streets	2,271,890	2,271,890	1,994,256	277,634
Total public works	3,410,832	3,410,832	3,278,869	131,963
HEALTH AND HOSPITALS				
Health department	1,278,976	1,278,976	1,280,758	(1,782)
School health	543,348	543,348	543,348	-
Addictions counseling	76,800	76,800	76,800	-
Mosquito control	145,800	145,800	132,458	13,342
Total health and hospitals	2,044,924	2,044,924	2,033,364	11,560
SOCIAL SERVICES				
Social services legal	91,250	91,250	53,445	37,805
Neighborhood Service Center	70,034	70,034	70,034	-
Delmarva Community Services	90,500	90,500	90,500	-
Senior Services	163,155	163,155	163,155	-
Social Services	12,912	12,912	16,112	(3,200)
St. Martin's Ministries	7,000	7,000	7,000	-
Senior Center bus passes	8,400	8,400	8,400	-
Total social services	443,251	443,251	408,646	34,605
EDUCATION				
Board of Education:				
Operating appropriation	34,331,551	34,331,551	34,331,551	-
Teacher pensions	628,456	628,456	628,456	-
Real property education supplement	-	-	11,595	(11,595)
Debt Service	3,361,658	3,361,658	3,354,393	7,265
Capital outlay	-	-	23,186	(23,186)
Library:				
Operating appropriation	874,989	874,989	874,989	-
Community College:				
Operating appropriation	1,306,601	1,306,601	1,306,601	-
Capital outlay	77,000	77,000	77,000	-
Debt Service	65,249	65,249	64,187	1,062

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2013

(Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
EDUCATION (continued)				
Chesapeake Developmental Center	\$ 41,435	\$ 41,435	\$ 41,435	\$ -
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	75,951	75,951	75,882	69
Other operating	9,445	9,445	9,514	(69)
Total education	40,772,335	40,772,335	40,798,789	(26,454)
RECREATION				
Parks and Recreation:				
Salaries	120,183	120,183	86,922	33,261
Other operating	164,875	164,875	115,037	49,838
Total recreation	285,058	285,058	201,959	83,099
CONSERVATION OF NATURAL RESOURCES				
Agricultural Extension Service	142,528	142,528	142,514	14
Agricultural Preservation				
Operating appropriation	-	-	516	(516)
Other	-	-	2,400	(2,400)
Weed Control:				
Salaries and fringe benefits	57,972	57,972	57,738	234
Other operating	26,059	26,059	15,193	10,866
Total conservation of natural resources	226,559	226,559	218,361	8,198
INTERGOVERNMENTAL				
Payments to Municipalities:				
Fire, rescue and ambulance fund	20,000	20,000	16,023	3,977
Bank stock	7,535	7,535	7,535	-
Public accommodations tax	721,500	721,500	798,876	(77,376)
Total intergovernmental	749,035	749,035	822,434	(73,399)
EMPLOYEE BENEFITS				
Retirement and pension contributions:				
Employees retirement	650,000	650,000	640,341	9,659
Social security tax	546,000	546,000	537,331	8,669
Health insurance	2,103,000	2,103,000	1,792,972	310,028
Health insurance waiver	62,000	62,000	64,000	(2,000)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2013

(Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
EMPLOYEE BENEFITS (continued)				
Unemployment insurance	\$ 50,000	\$ 50,000	\$ 20,607	\$ 29,393
Group life insurance	30,000	30,000	32,891	(2,891)
Disability insurance	26,000	26,000	21,547	4,453
Substance abuse testing	6,000	6,000	4,370	1,630
Workers' compensation	130,000	130,000	111,040	18,960
Employee training	15,000	15,000	17,084	(2,084)
Other operating	4,000	4,000	5,201	(1,201)
Total employee benefits	3,622,000	3,622,000	3,247,384	374,616
MISCELLANEOUS	82,000	82,000	95,150	(13,150)
DEBT SERVICE				
Principal on long-term debt	48,355	48,355	48,355	-
Interest on long-term debt	14,595	14,595	14,456	139
Total debt service	62,950	62,950	62,811	139
RESERVE FOR CONTINGENCIES	903,488	903,488	97,297	806,191
TOTAL EXPENDITURES	69,099,399	69,099,399	67,919,002	1,180,397
OTHER FINANCING USES				
Transfers:				
Pool - Operating appropriation	159,231	159,231	142,231	17,000
Recreation - Operating appropriation	392,970	392,970	392,970	-
Total other financing uses	552,201	552,201	535,201	17,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	69,651,600	69,651,600	68,454,203	1,197,397
Net change in fund balances	\$ -	\$ -	\$ 2,635,857	\$ 2,635,857

TALBOT COUNTY, MARYLAND

**SCHEDULE OF FUNDING PROGRESS - OTHER
POST-EMPLOYMENT BENEFITS
June 30, 2013**

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>							
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%
2013	July 1, 2011	7,005,762	11,825,089	59.24%	4,819,327	10,441,819	46.2%
<u>Board of Education</u>							
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%
2013	July 1, 2013	-	58,837,000	0.00%	58,837,000	31,804,861	185.0%
<u>Library</u>							
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%
2013	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.

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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - Federal	\$ 320,000	\$ 320,000	\$ 29,750	\$ (290,250)
Intergovernmental - State	-	-	65,698	65,698
Contribution/cost sharing	-	-	1,500,000	1,500,000
Interest	-	-	9,532	9,532
Total revenues	320,000	320,000	1,604,980	1,284,980
EXPENDITURES				
General government	235,000	235,000	247,460	(12,460)
Public works	400,000	400,000	1,780,783	(1,380,783)
Health and hospitals	100,000	100,000	3,045	96,955
Recreation	2,000,000	2,000,000	349,035	1,650,965
Total expenditures	2,735,000	2,735,000	2,380,323	354,677
OTHER FINANCING SOURCES (USES)				
Designated fund balance	2,892,000	2,892,000	-	(2,892,000)
Transfer to general fund	(812,000)	(812,000)	-	812,000
Transfer from developmental impact	335,000	335,000	335,000	-
Total other financing sources (uses)	2,415,000	2,415,000	335,000	(2,080,000)
Net Change in Fund Balance	\$ -	\$ -	\$ (440,343)	\$ (440,343)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
DEVELOPMENTAL IMPACT FUND
For the Year Ended June 30, 2013**

	<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	\$ 23,235	\$ (16,765)
Public works	35,000	35,000	30,938	(4,062)
Education				
Public schools	100,000	100,000	65,523	(34,477)
Library	20,000	20,000	12,186	(7,814)
Community College	4,000	4,000	2,586	(1,414)
Recreation	25,000	25,000	16,675	(8,325)
Appropriated fund balance	959,000	959,000	-	(959,000)
Interest	2,000	2,000	4,625	2,625
Total revenues	1,185,000	1,185,000	155,768	(1,029,232)
OTHER FINANCING SOURCES (USES)				
Transfers:				
General fund	(850,000)	(850,000)	(850,000)	-
Capital projects	(335,000)	(335,000)	(335,000)	-
Total other financing sources (uses)	(1,185,000)	(1,185,000)	(1,185,000)	-
Net Change in Fund Balance	\$ -	\$ -	\$ (1,029,232)	\$ (1,029,232)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2013

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
REVENUES				
Intergovernmental - Federal	\$ 2,324,000	\$ 2,324,000	\$ 2,079,178	\$ (244,822)
Intergovernmental - State	117,961	117,961	896,594	778,633
Other grants	-	-	6,268	6,268
Contribution	-	-	75,986	75,986
Total revenues	2,441,961	2,441,961	3,058,026	616,065
EXPENDITURES				
General government	55,000	55,000	132,839	(77,839)
Public safety	25,000	25,000	1,052,642	(1,027,642)
Health and hospitals	2,225,000	2,225,000	1,786,612	438,388
Social services	136,961	136,961	81,947	55,014
Education	-	-	3,986	(3,986)
Total expenditures	2,441,961	2,441,961	3,058,026	(616,065)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
TALBOT FAMILY NETWORK
For the Year Ended June 30, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - State	\$ 419,822	\$ 419,822	\$ 205,044	\$ (214,778)
Interest	-	-	507	507
Total revenues	419,822	419,822	205,551	(214,271)
EXPENDITURES				
Social services	419,822	419,822	348,032	71,790
Net Change in Fund Balance	\$ -	\$ -	\$ (142,481)	\$ (142,481)

TALBOT COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - RECREATION FACILITIES
For the Year Ended June 30, 2013

	Hog Neck Golf Course		
	<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
OPERATING REVENUES			
Program fees and admissions	\$ -	\$ -	\$ -
Room rents	-	-	-
Ice revenues	-	-	-
Pro shop and concessions	265,000	282,016	17,016
Cart rentals	95,000	50,986	(44,014)
Green fees	826,000	699,399	(126,601)
Other operating	5,000	9,729	4,729
Total operating revenues	1,191,000	1,042,130	(148,870)
OPERATING EXPENSES			
Salaries and related expenses	555,495	573,114	(17,619)
Professional fees	10,000	8,264	1,736
Office	26,000	28,023	(2,023)
Insurance	6,000	3,629	2,371
Repairs and maintenance	152,505	150,984	1,521
Utilities	66,100	54,372	11,728
Supplies and equipment	75,000	66,862	8,138
Lessons and programs	4,000	3,722	278
Pro shop and concessions	117,000	161,005	(44,005)
Other operating	25,150	30,521	(5,371)
Total operating expenses	1,037,250	1,080,496	(43,246)
Operating income (loss) before depreciation	153,750	(38,366)	(192,116)
Depreciation	-	195,851	(195,851)
Net operating income (loss)	153,750	(234,217)	(387,967)
NON-OPERATING REVENUES (EXPENSES)			
Transfers from general fund	-	-	-
Gain on disposal of capital assets	-	2,061	2,061
Interest expense	(143,750)	(25,541)	118,209
Net non-operating revenues	(143,750)	(23,480)	120,270
Change in net position	\$ 10,000	\$ (257,697)	\$ (267,697)
OTHER BUDGETED EXPENSES			
Capital outlay	\$ (10,000)		
Total other budgeted expenses	(10,000)		
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
\$ 203,000	\$ 137,625	\$ (65,375)	\$ 203,000	\$ 137,625	\$ (65,375)
28,000	46,619	18,619	28,000	46,619	18,619
196,750	229,423	32,673	196,750	229,423	32,673
31,750	32,195	445	296,750	314,211	17,461
-	-	-	95,000	50,986	(44,014)
-	-	-	826,000	699,399	(126,601)
500	2,040	1,540	5,500	11,769	6,269
460,000	447,902	(12,098)	1,651,000	1,490,032	(160,968)
310,105	282,452	27,653	865,600	855,566	10,034
12,000	29,422	(17,422)	22,000	37,686	(15,686)
8,000	5,716	2,284	34,000	33,739	261
15,000	11,888	3,112	21,000	15,517	5,483
46,500	71,667	(25,167)	199,005	222,651	(23,646)
122,500	161,070	(38,570)	188,600	215,442	(26,842)
-	-	-	75,000	66,862	8,138
77,000	79,652	(2,652)	81,000	83,374	(2,374)
30,000	30,488	(488)	147,000	191,493	(44,493)
8,550	12,628	(4,078)	33,700	43,149	(9,449)
629,655	684,983	(55,328)	1,666,905	1,765,479	(98,574)
(169,655)	(237,081)	(67,426)	(15,905)	(275,447)	(259,542)
-	556,228	(556,228)	-	752,079	(752,079)
(169,655)	(793,309)	(623,654)	(15,905)	(1,027,526)	(1,011,621)
392,970	392,970	-	392,970	392,970	-
-	-	-	-	2,061	2,061
(188,315)	(81,291)	107,024	(332,065)	(106,832)	225,233
204,655	311,679	107,024	60,905	288,199	227,294
\$ 35,000	\$ (481,630)	\$ (516,630)	\$ 45,000	\$ (739,327)	\$ (784,327)
\$ (35,000)			\$ (45,000)		
(35,000)			(45,000)		
\$ -			\$ -		

TALBOT COUNTY, MARYLAND
SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - SANITARY DISTRICT
For the Year Ended June 30, 2013

	<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	\$ 972,395	\$ 961,943	\$ (10,452)	\$ 226,000	\$ 229,415	\$ 3,415
Sewer connection charges	24,000	-	(24,000)	12,000	-	(12,000)
Residential benefit charges	-	-	-	-	-	-
Wind/solar renewable energy	-	-	-	-	-	-
Miscellaneous	60,000	12,374	(47,626)	2,500	154	(2,346)
Total operating revenues	1,056,395	974,317	(82,078)	240,500	229,569	(10,931)
OPERATING EXPENSES						
Salaries and related expenses	325,245	328,974	(3,729)	53,191	51,817	1,374
Professional fees	400	612	(212)	200	157	43
Office	5,050	5,644	(594)	1,500	1,697	(197)
Insurance	10,700	10,104	596	2,600	1,312	1,288
Contracted services	236,300	195,108	41,192	66,600	55,461	11,139
Repairs and maintenance	25,600	115,462	(89,862)	10,100	67,134	(57,034)
Other operating	8,000	35,143	(27,143)	2,000	5,792	(3,792)
Total operating expenses	611,295	691,047	(79,752)	136,191	183,370	(47,179)
Operating income (loss) before depreciation	445,100	283,270	(161,830)	104,309	46,199	(58,110)
Depreciation	8,550	591,339	(582,789)	3,959	122,398	(118,439)
Net operating income (loss)	436,550	(308,069)	(744,619)	100,350	(76,199)	(176,549)
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	-	-	-	266,620	266,620
Interest income	-	3,000	3,000	1,500	1,775	275
Interest expense	(25,350)	(23,844)	1,506	(20,750)	(19,774)	976
Net non-operating revenues (expenses)	(25,350)	(20,844)	4,506	(19,250)	248,621	267,871
Change in net position	\$ 411,200	\$ (328,913)	\$ (740,113)	\$ 81,100	\$ 172,422	\$ 91,322
OTHER BUDGETED EXPENSES						
Debt service	\$ (411,200)			\$ (81,100)		
Total other budgeted expenses	(411,200)			(81,100)		
Budgeted net income (loss)	\$ -			\$ -		

<u>Tilghman District</u>			<u>Unionville District</u>		
<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>	<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
\$ 234,000	\$ 230,728	\$ (3,272)	\$ 103,100	\$ 104,953	\$ 1,853
-	1,490	1,490	-	-	-
19,000	20,191	1,191	-	-	-
-	-	-	-	-	-
10,000	353	(9,647)	2,500	108	(2,392)
<u>263,000</u>	<u>252,762</u>	<u>(10,238)</u>	<u>105,600</u>	<u>105,061</u>	<u>(539)</u>
134,146	132,862	1,284	25,415	25,092	323
-	172	(172)	200	97	103
3,050	3,245	(195)	1,250	793	457
7,700	2,467	5,233	1,550	532	1,018
60,600	65,746	(5,146)	26,500	22,824	3,676
10,400	33,205	(22,805)	5,600	10,119	(4,519)
-	36	(36)	1,000	2,242	(1,242)
<u>215,896</u>	<u>237,733</u>	<u>(21,837)</u>	<u>61,515</u>	<u>61,699</u>	<u>(184)</u>
47,104	15,029	(32,075)	44,085	43,362	(723)
13,604	154,681	(141,077)	750	139,930	(139,180)
<u>33,500</u>	<u>(139,652)</u>	<u>(173,152)</u>	<u>43,335</u>	<u>(96,568)</u>	<u>(139,903)</u>
-	-	-	-	-	-
-	1,418	1,418	-	944	944
<u>(8,500)</u>	<u>(8,032)</u>	<u>468</u>	<u>(8,100)</u>	<u>(7,887)</u>	<u>213</u>
<u>(8,500)</u>	<u>(6,614)</u>	<u>1,886</u>	<u>(8,100)</u>	<u>(6,943)</u>	<u>1,157</u>
<u>\$ 25,000</u>	<u>\$ (146,266)</u>	<u>\$ (171,266)</u>	<u>\$ 35,235</u>	<u>\$ (103,511)</u>	<u>\$ (138,746)</u>
<u>\$ (25,000)</u>			<u>\$ (35,235)</u>		
<u>(25,000)</u>			<u>(35,235)</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, 2013 (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	\$ 225,000	\$ 264,414	\$ 39,414	\$ -	\$ -	\$ -
Sewer connection charges	-	-	-	-	-	-
Residential benefit charges	-	-	-	-	-	-
Wind/solar renewable energy	-	132,395	132,395	-	-	-
Miscellaneous	100,000	-	(100,000)	-	-	-
Total operating revenues	325,000	396,809	71,809	-	-	-
OPERATING EXPENSES						
Salaries and related expenses	132,793	126,528	6,265	46,535	41,166	5,369
Professional fees	1,300	110	1,190	200	245	(45)
Office	1,500	1,108	392	-	133	(133)
Insurance	6,700	4,766	1,934	-	-	-
Contracted services	52,630	71,990	(19,360)	508,265	398,078	110,187
Repairs and maintenance	8,250	13,208	(4,958)	-	-	-
Other operating	3,000	861	2,139	-	23,437	(23,437)
Total operating expenses	206,173	218,571	(12,398)	555,000	463,059	91,941
Operating income (loss) before depreciation	118,827	178,238	59,411	(555,000)	(463,059)	91,941
Depreciation	43,827	210,351	(166,524)	-	-	-
Net operating income (loss)	75,000	(32,113)	(107,113)	(555,000)	(463,059)	91,941
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	-	-	555,000	438,090	(116,910)
Interest income	-	122	122	-	-	-
Interest expense	(75,000)	(5,644)	69,356	-	-	-
Net non-operating revenues (expenses)	(75,000)	(5,522)	69,478	555,000	438,090	(116,910)
Change in net position	\$ -	\$ (37,635)	\$ (37,635)	\$ -	\$ (24,969)	\$ (24,969)
OTHER BUDGETED EXPENSES						
Debt service	-	-	-	\$ -	-	-
Total other budgeted expenses	-	-	-	-	-	-
Budgeted net income (loss)	\$ -	-	-	\$ -	-	-

Martingham District			Combined Totals		
Revised Final Budget	Actual	Variance With Final Budget	Revised Final Budget	Actual	Variance With Final Budget
\$ 198,000	\$ 195,717	\$ (2,283)	\$ 1,958,495	\$ 1,987,170	\$ 28,675
-	12,000	12,000	36,000	13,490	(22,510)
-	-	-	19,000	20,191	1,191
-	-	-	-	132,395	132,395
-	21	21	175,000	13,010	(161,990)
198,000	207,738	9,738	2,188,495	2,166,256	(22,239)
102,823	102,832	(9)	820,148	809,271	10,877
210	4,309	(4,099)	2,510	5,702	(3,192)
1,400	1,768	(368)	13,750	14,388	(638)
150	752	(602)	29,400	19,933	9,467
32,025	56,191	(24,166)	982,920	865,398	117,522
8,200	16,354	(8,154)	68,150	255,482	(187,332)
500	1,915	(1,415)	14,500	69,426	(54,926)
145,308	184,121	(38,813)	1,931,378	2,039,600	(108,222)
52,692	23,617	(29,075)	257,117	126,656	(130,461)
1,692	7,474	(5,782)	72,382	1,226,173	(1,153,791)
51,000	16,143	(34,857)	184,735	(1,099,517)	(1,284,252)
-	-	-	555,000	704,710	149,710
-	74	74	1,500	7,333	5,833
(21,000)	(23,918)	(2,918)	(158,700)	(89,099)	69,601
(21,000)	(23,844)	(2,844)	397,800	622,944	225,144
\$ 30,000	\$ (7,701)	\$ (37,701)	\$ 582,535	\$ (476,573)	\$ (1,059,108)
\$ (30,000)			\$ (582,535)		
(30,000)			(582,535)		
\$ -			\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - EASTON AIRPORT
For the Year Ended June 30, 2013**

	Revised Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES			
Charges - operations	\$ 331,177	\$ 309,196	\$ (21,981)
Charges - fuel facility	2,620,376	2,246,419	(373,957)
Charges - hangars	595,261	530,081	(65,180)
Other operating	15,000	130,822	115,822
Total operating revenues	3,561,814	3,216,518	(345,296)
OPERATING EXPENSES			
Salaries and related expenses	327,398	322,812	4,586
Cost of sales - fuel	2,408,792	2,069,731	339,061
Professional fees	1,700	436,479	(434,779)
Office	20,300	17,950	2,350
Insurance	21,000	15,194	5,806
Repairs and maintenance	126,438	102,368	24,070
Utilities	48,700	53,093	(4,393)
Supplies and equipment	500	480	20
Other operating	11,400	10,463	937
Total operating expenses	2,966,228	3,028,570	(62,342)
Operating income (loss) before depreciation	595,586	187,948	(407,638)
Depreciation	427,475	1,821,827	(1,394,352)
Net operating income (loss)	168,111	(1,633,879)	(1,801,990)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	225,000	749,049	524,049
Gain on disposal of capital assets	-	400	400
Interest income	750	-	(750)
Interest expense	(78,661)	(53,063)	25,598
Net non-operating revenues (expenses)	147,089	696,386	549,297
Change in net position	\$ 315,200	\$ (937,493)	\$ (1,252,693)
OTHER BUDGETED EXPENSES			
Debt service	\$ (221,862)		
Capital outlay	(93,338)		
Total other budgeted expenses	(315,200)		
Budgeted net income (loss)	\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - POOL
For the Year Ended June 30, 2013**

	Revised <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
OPERATING REVENUES			
Admissions	\$ 37,000	\$ 48,875	\$ 11,875
Other operating	49,316	67,478	18,162
Total operating revenues	86,316	116,353	30,037
OPERATING EXPENSES			
Salaries and related expenses	171,732	94,170	77,562
Professional fees	2,405	2,493	(88)
Office	1,420	662	758
Insurance	1,750	1,172	578
Repairs and maintenance	15,875	45,535	(29,660)
Utilities	14,865	10,953	3,912
Supplies and equipment	10,300	10,219	81
Other operating	5,200	3,533	1,667
Total operating expenses	223,547	168,737	54,810
Operating income (loss) before depreciation	(137,231)	(52,384)	84,847
Depreciation	-	89,029	(89,029)
Net operating income (loss)	(137,231)	(141,413)	(4,182)
NON-OPERATING REVENUES			
Transfer from general fund	159,231	142,231	(17,000)
Total non-operating revenues	159,231	142,231	(17,000)
Change in net position	\$ 22,000	\$ 818	\$ (21,182)
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, 2013

	Special Revenue Funds			
	Developmental Impact	Grants	Talbot Family Network	Total Other Governmental Funds
ASSETS				
Cash and short-term investments	\$ 1,236,759	\$ -	\$ 21,036	\$ 1,257,795
Cash and short-term investments - earned reinvestment	-	-	142,504	142,504
Receivables:				
Accounts receivable	-	-	2,271	2,271
Intergovernmental:				
Federal	-	763,136	-	763,136
State	-	28,854	-	28,854
Total Assets	\$ 1,236,759	\$ 791,990	\$ 165,811	\$ 2,194,560
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ 501,343	\$ 11,816	\$ 513,159
Due to other funds	-	285,487	-	285,487
Unearned revenue	-	6,449	9,126	15,575
Total Liabilities	-	793,279	20,942	814,221
FUND BALANCES				
Restricted for: Social Services	-	-	144,869	144,869
Committed for: Capital Projects	326,759	-	-	326,759
Assigned for: Future Budget	910,000	-	-	910,000
Unassigned	-	(1,289)	-	(1,289)
Total Fund Balances (Deficit)	1,236,759	(1,289)	144,869	1,380,339
Total Liabilities and Fund Balances	\$ 1,236,759	\$ 791,990	\$ 165,811	\$ 2,194,560

TALBOT COUNTY, MARYLAND

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2013**

	Special Revenue Funds			
	Developmental Impact	Grants	Talbot Family Network	Total Other Governmental Funds
REVENUES				
Intergovernmental				
Federal	\$ -	\$ 2,079,178	\$ -	\$ 2,079,178
State	-	896,594	205,044	1,101,638
Other grants	-	6,268	-	6,268
Licenses and permits	151,143	-	-	151,143
Miscellaneous	-	75,986	-	75,986
Interest	4,625	-	507	5,132
Total revenues	155,768	3,058,026	205,551	3,419,345
EXPENDITURES				
General government	-	132,839	-	132,839
Public safety	-	1,052,642	-	1,052,642
Health and hospitals	-	1,786,612	-	1,786,612
Social services	-	81,947	348,032	429,979
Education	-	3,986	-	3,986
Total Expenditures	-	3,058,026	348,032	3,406,058
Excess of Revenues Over (Under) Expenditures	155,768	-	(142,481)	13,287
OTHER FINANCING SOURCES (USES)				
Transfers in (out) to other funds:				
General fund	(850,000)	-	-	(850,000)
Capital projects fund	(335,000)	-	-	(335,000)
Total Other Financing Sources (Uses)	(1,185,000)	-	-	(1,185,000)
Net change in fund balances	(1,029,232)	-	(142,481)	(1,171,713)
Fund balances (deficit) at beginning of year	2,265,991	(1,289)	287,350	2,552,052
Fund balances (deficit) at end of year	\$ 1,236,759	\$ (1,289)	\$ 144,869	\$ 1,380,339

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, 2013

REVENUES

Intergovernmental:

Community partnership

\$ 205,044

Interest

507

Total revenues

205,551

EXPENDITURES

Social services

Community partnership programs:

After school program

55,000

Healthy families

82,424

Home visiting

25,620

Voluntary family services

42,000

Total Community partnership programs

205,044

Non-community partnership programs:

Administration

62,339

Mini grants

11,378

Wraparound child care

69,271

Total non-community partnership programs

142,988

Total Expenditures

348,032

Net change in fund balances

\$ (142,481)

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 I
Talbot County, Maryland
Net Position by Component
(accrual basis of accounting)

	Fiscal Year									
	<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>	<u>2013</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 80,387,586
Restricted								547,778	287,350	144,869
Unrestricted	<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>	<u>523,202</u>
Total governmental activities net position	\$ 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	\$ 81,055,657
Business-type activities										
Net investment in capital assets	\$ 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	\$ 54,021,693
Unrestricted	<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>	<u>(140,916)</u>
Total business-type activities net position	\$ 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	\$ 53,880,777
Primary government										
Net investment in capital assets	\$ 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	\$ 134,409,279
Restricted								\$ 547,778	\$ 287,350	\$ 144,869
Unrestricted	<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>	<u>382,286</u>
Total primary government net position	<u>\$ 85,743,351</u>	<u>\$ 98,649,755</u>	<u>\$ 118,753,529</u>	<u>\$ 139,278,957</u>	<u>\$ 151,677,311</u>	<u>\$ 151,169,724</u>	<u>\$ 144,357,264</u>	<u>\$ 136,768,489</u>	<u>\$ 132,640,526</u>	<u>\$ 134,936,434</u>

Schedule 2
Talbot County, Maryland
Changes in Net Position
(accrual basis of accounting)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 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	\$ 9,358,236
Public safety	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	14,018,219
Public works	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	4,509,239
Health and hospitals	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	3,829,281
Social services	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	838,625
Education	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	38,491,514
Recreation	345,504	542,531	1,275,345	2,577,757	894,668	885,695	864,772	748,414	738,616	642,770
Conservation of natural resources	231,996	210,248	244,923	295,659	274,430	302,516	269,891	255,489	226,264	218,361
Miscellaneous	1,522,465	-	-	-	-	-	-	-	-	-
Interest on long-term debt	157,743	124,966	113,108	100,461	86,132	71,418	55,936	23,388	15,904	14,456
Total governmental activities expenses	<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>	<u>71,920,701</u>
Business-type activities:										
Recreation facilities	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	2,624,390
Sanitary district	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	3,354,872
Airport	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	4,903,460
Pool	276,819	314,780	350,962	343,182	397,365	397,202	329,445	267,306	233,239	257,766
Total business-type activities expenses	<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>	<u>11,140,488</u>
Total primary government expenses	<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>	<u>\$ 83,061,189</u>
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 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	\$ 2,400,453
Public safety	700,872	767,105	586,274	568,421	565,415	487,375	318,213	465,453	213,574	111,437
Public works	-	181,792	408,874	1,089,966	321,330	233,621	152,197	30,693	162,353	30,938
Health and hospitals	69,496	68,644	57,058	63,159	75,854	89,123	89,939	70,199	118,979	130,705
Education	-	391,810	631,900	532,531	292,956	189,303	267,153	112,872	115,776	80,295
Recreation	65,631	114,412	150,279	135,440	124,690	133,934	144,521	75,602	101,816	102,867
Operating/Capital grants and contributions	6,332,123	7,790,739	8,397,525	10,045,423	10,108,796	9,192,985	3,134,627	5,877,037	6,067,814	8,217,559
Total governmental activities program revenues	<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>	<u>11,074,254</u>

	Fiscal Year									
	<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>	<u>2013</u>
Program Revenues (continued)										
Business-type activities:										
Charges for services										
Recreation facilities	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	1,490,032
Sanitary district	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	2,166,256
Easton airport	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	3,216,518
Pool	86,424	80,220	93,161	87,769	79,302	77,082	87,317	113,324	133,023	116,353
Operating/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	1,453,759
Total business-type activities program revenues	<u>5,924,625</u>	<u>5,799,070</u>	<u>10,202,202</u>	<u>12,178,458</u>	<u>13,954,633</u>	<u>8,849,456</u>	<u>11,380,925</u>	<u>13,136,547</u>	<u>8,706,195</u>	<u>8,442,918</u>
Total primary government program revenues	<u>\$ 14,810,567</u>	<u>\$ 16,990,033</u>	<u>\$ 22,686,588</u>	<u>\$ 26,908,352</u>	<u>\$ 27,742,348</u>	<u>\$ 21,414,845</u>	<u>\$ 17,571,094</u>	<u>\$ 21,901,654</u>	<u>\$ 17,879,302</u>	<u>\$ 19,517,172</u>
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (60,846,447)
Business-type activities	<u>(348,236)</u>	<u>(956,238)</u>	<u>2,433,331</u>	<u>3,498,988</u>	<u>2,731,825</u>	<u>(2,482,532)</u>	<u>1,477,877</u>	<u>2,042,082</u>	<u>(2,117,808)</u>	<u>(2,697,570)</u>
Total primary government net expense	<u>\$ (42,455,013)</u>	<u>\$ (44,394,034)</u>	<u>\$ (43,545,989)</u>	<u>\$ (49,132,819)</u>	<u>\$ (59,529,950)</u>	<u>\$ (69,986,113)</u>	<u>\$ (64,197,012)</u>	<u>\$ (62,456,466)</u>	<u>\$ (63,227,010)</u>	<u>\$ (63,544,017)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 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	\$ 32,741,855
Local income tax	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	23,140,754
Other local taxes	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	9,727,044
Interest	299,144	795,404	1,870,166	3,049,507	3,405,782	2,470,720	980,562	221,952	166,317	105,007
Miscellaneous	2,840,639	718,241	324,881	622,980	456,406	739,625	1,927,226	136,104	197,427	115,471
Transfers in (out)	<u>(217,025)</u>	<u>(1,263,775)</u>	<u>(2,951,227)</u>	<u>(1,563,108)</u>	<u>(7,350,122)</u>	<u>(1,196,795)</u>	<u>(1,664,071)</u>	<u>(1,235,256)</u>	<u>(575,428)</u>	<u>(535,201)</u>
Total governmental activities	<u>49,492,606</u>	<u>55,933,371</u>	<u>60,541,419</u>	<u>67,958,072</u>	<u>64,460,168</u>	<u>68,183,310</u>	<u>55,660,435</u>	<u>53,621,715</u>	<u>58,509,159</u>	<u>65,294,930</u>
Business-type activities:										
Interest	45,093	103,292	145,109	139,807	115,854	98,421	60,046	10,720	14,460	7,333
Miscellaneous	-	-	12,008	(2,740)	2,160	-	-	-	-	2,461
Transfers in (out)	<u>217,025</u>	<u>1,263,775</u>	<u>2,951,227</u>	<u>1,563,108</u>	<u>7,350,122</u>	<u>1,196,795</u>	<u>1,664,071</u>	<u>1,235,256</u>	<u>575,428</u>	<u>535,201</u>
Total business-type activities	<u>262,118</u>	<u>1,367,067</u>	<u>3,108,344</u>	<u>1,700,175</u>	<u>7,468,136</u>	<u>1,295,216</u>	<u>1,724,117</u>	<u>1,245,976</u>	<u>589,888</u>	<u>544,995</u>
Total primary government	<u>\$ 49,754,724</u>	<u>\$ 57,300,438</u>	<u>\$ 63,649,763</u>	<u>\$ 69,658,247</u>	<u>\$ 71,928,304</u>	<u>\$ 69,478,526</u>	<u>\$ 57,384,552</u>	<u>\$ 54,867,691</u>	<u>\$ 59,099,047</u>	<u>\$ 65,839,925</u>
Change in Net Position										
Governmental activities	\$ 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)	\$ 4,448,483
Business-type activities	<u>(86,118)</u>	<u>410,829</u>	<u>5,541,675</u>	<u>5,199,163</u>	<u>10,199,961</u>	<u>(1,187,316)</u>	<u>3,201,994</u>	<u>3,288,058</u>	<u>(1,527,920)</u>	<u>(2,152,575)</u>
Total primary government	<u>\$ 7,299,711</u>	<u>\$ 12,906,404</u>	<u>\$ 20,103,774</u>	<u>\$ 20,525,428</u>	<u>\$ 12,398,354</u>	<u>\$ (507,587)</u>	<u>\$ (6,812,460)</u>	<u>\$ (7,588,775)</u>	<u>\$ (4,127,963)</u>	<u>\$ 2,295,908</u>

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

	Fiscal Year									
	<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>	<u>2013*</u>
General Fund										
Reserved	\$ 22,051	\$ 7,681	\$ 42,293	\$ 2,509,615	\$ 913,869	\$ 966,200	\$ 105,269	\$ -	\$ -	\$ -
Unreserved										
Designated	5,200,000	9,922,800	7,285,867	15,812,496	15,353,614	17,643,743	15,947,750	-	-	-
Undesignated	14,118,491	17,993,526	25,387,252	23,095,026	25,439,870	22,625,265	16,992,681	-	-	-
Non spendable										
Prepaid	-	-	-	-	-	-	-	56,271	94,005	143,711
Committed	-	-	-	-	-	-	-	7,000,000	-	-
Assigned	-	-	-	-	-	-	-	1,350,000	1,487,600	761,814
Unassigned	-	-	-	-	-	-	-	15,517,033	15,305,808	18,617,745
Total General Fund	<u>\$ 19,340,542</u>	<u>\$ 27,924,007</u>	<u>\$ 32,715,412</u>	<u>\$ 41,417,137</u>	<u>\$ 41,707,353</u>	<u>\$ 41,235,208</u>	<u>\$ 33,045,700</u>	<u>\$ 23,923,304</u>	<u>\$ 16,887,413</u>	<u>\$ 19,523,270</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	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	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	144,869
Committed	-	-	-	-	-	-	-	16,971,966	10,501,167	10,118,592
Assigned	-	-	-	-	-	-	-	1,000,000	1,997,000	910,000
Unassigned	-	-	-	-	-	-	-	-	(1,289)	(1,289)
Total all other governmental funds	<u>\$ 5,527,421</u>	<u>\$ 5,571,728</u>	<u>\$ 11,351,554</u>	<u>\$ 12,790,145</u>	<u>\$ 32,944,663</u>	<u>\$ 25,282,664</u>	<u>\$ 23,699,634</u>	<u>\$ 18,519,744</u>	<u>\$ 12,784,228</u>	<u>\$ 11,172,172</u>
Total Governmental Funds	<u>\$ 24,867,963</u>	<u>\$ 33,495,735</u>	<u>\$ 44,066,966</u>	<u>\$ 54,207,282</u>	<u>\$ 74,652,016</u>	<u>\$ 66,517,872</u>	<u>\$ 56,745,334</u>	<u>\$ 42,443,048</u>	<u>\$ 29,671,641</u>	<u>\$ 30,695,442</u>

*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									
	<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>	<u>2013</u>
Revenues										
Property tax	\$ 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	\$ 32,741,855
Income tax	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	23,140,754
Other local taxes	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	9,727,044
Licenses and permits	657,060	1,434,242	2,163,301	2,634,811	1,451,225	1,031,899	1,079,221	754,521	921,714	709,104
Intergovernmental:										
Federal	1,017,047	2,161,763	897,727	1,166,795	986,313	1,440,141	862,601	3,204,079	3,255,988	2,458,706
State	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	2,618,853
Contributions/Cost Sharing										1,500,000
Other Grants										6,268
Service charges	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	2,135,969
Fines and forfeitures	22,220	11,241	5,452	14,509	6,755	3,691	8,868	3,900	5,347	5,354
Miscellaneous	742,247	707,000	324,881	622,980	456,406	739,625	1,927,226	136,104	197,427	115,471
Interest Income	299,143	795,404	1,870,166	3,049,507	3,405,782	2,470,720	980,562	221,952	166,317	105,007
Total revenues	<u>58,650,884</u>	<u>68,388,109</u>	<u>75,977,034</u>	<u>84,251,074</u>	<u>85,598,005</u>	<u>81,945,494</u>	<u>63,514,675</u>	<u>63,622,078</u>	<u>68,257,694</u>	<u>75,264,385</u>
Expenditures										
General Government	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	5,846,871
Public Safety	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	12,240,008
Public Works	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	5,059,652
Health and hospitals	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	3,823,021
Social services	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	838,625
Education	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	37,384,195
Debt service interest - Educ	1,095,167	1,060,135	901,243	891,193	1,273,144	1,751,927	1,701,468	1,393,224	1,253,516	1,184,643
Debt service principal - Educ	1,002,888	1,044,951	988,345	1,124,548	1,162,079	2,027,389	2,138,863	2,278,475	2,143,416	2,233,937
Recreation	518,026	491,528	1,104,324	2,992,661	2,497,017	1,279,319	491,376	329,191	286,009	550,994
Conservation of natural resources	231,996	210,248	244,923	295,659	274,430	313,771	269,891	255,489	226,264	218,361
Employee Benefits	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	3,247,384
Miscellaneous	125,035	58,960	209,365	94,132	233,696	122,362	130,043	216,666	77,239	95,150
Intergovernmental	492,908	544,538	701,132	860,102	860,442	750,180	722,861	761,613	820,446	822,434
Debt service interest	157,743	124,966	113,108	100,461	86,132	71,418	55,936	23,388	15,904	14,456
Debt service principal	341,299	291,241	306,022	318,022	333,097	345,390	363,245	381,392	59,651	48,355
Contingencies	623,008	363,013	66,850	135,445	157,807	228,661	306,253	440,569	39,697	97,297
Total expenditures	<u>56,026,221</u>	<u>58,496,562</u>	<u>62,417,844</u>	<u>72,547,650</u>	<u>83,130,279</u>	<u>88,882,843</u>	<u>71,636,142</u>	<u>77,001,162</u>	<u>80,453,673</u>	<u>73,705,383</u>
Excess of revenues over (under) expenditures	<u>2,624,663</u>	<u>9,891,547</u>	<u>13,559,190</u>	<u>11,703,424</u>	<u>2,467,726</u>	<u>(6,937,349)</u>	<u>(8,121,467)</u>	<u>(13,379,084)</u>	<u>(12,195,979)</u>	<u>1,559,002</u>
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	(139,720)	(125,275)	(119,526)	(148,960)	(152,776)	(144,014)	(79,561)	(164,281)	(100,216)	(142,231)
Recreation	(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)	(392,970)
Total other financing sources (uses)	<u>(37,025)</u>	<u>(1,263,775)</u>	<u>(2,987,959)</u>	<u>(1,563,108)</u>	<u>17,977,008</u>	<u>(1,196,795)</u>	<u>(1,651,071)</u>	<u>(923,202)</u>	<u>(575,428)</u>	<u>(535,201)</u>
Net change in fund balances	<u>\$ 2,587,638</u>	<u>\$ 8,627,772</u>	<u>\$ 10,571,231</u>	<u>\$ 10,140,316</u>	<u>\$ 20,444,734</u>	<u>\$ (8,134,144)</u>	<u>\$ (9,772,538)</u>	<u>\$ (14,302,286)</u>	<u>\$ (12,771,407)</u>	<u>\$ 1,023,801</u>

Schedule 5
Talbot County, Maryland
Debt Service as a Percentage of Non Capital Expenditures
Last Ten Fiscal Years

	Fiscal Year									
	<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>	<u>2013</u>
Total expenditures	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	73,705,383
Less Capital Outlay Expenditures	<u>5,195,999</u>	<u>4,296,937</u>	<u>4,381,951</u>	<u>6,447,135</u>	<u>8,684,330</u>	<u>11,186,721</u>	<u>2,281,158</u>	<u>5,990,743</u>	<u>4,978,811</u>	<u>3,716,763</u>
Non-Capital Expenditures	50,830,222	54,199,625	58,035,893	66,100,515	74,445,949	77,696,122	69,354,984	71,010,419	75,474,862	69,988,620
Debt Service Expenditures										
Principal	1,344,187	1,336,192	1,294,367	1,442,570	1,495,176	2,372,779	2,502,108	2,659,867	2,203,067	2,282,292
Interest	<u>1,252,910</u>	<u>1,185,101</u>	<u>1,014,351</u>	<u>991,654</u>	<u>1,359,276</u>	<u>1,823,345</u>	<u>1,757,404</u>	<u>1,416,612</u>	<u>1,269,420</u>	<u>1,199,099</u>
Total Debt Service Expenditures	2,597,097	2,521,292	2,308,718	2,434,224	2,854,452	4,196,124	4,259,512	4,076,479	3,472,487	3,481,391
Debt service as a percentage of Non-capital expenditures	5.11%	4.65%	3.98%	3.68%	3.83%	5.40%	6.14%	5.74%	4.60%	4.97%

Schedule 6
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	
2013	\$ 9,278,557,414	\$ 9,278,557,414	\$ 0.491	\$ 59,473,730	\$ 59,473,730	\$ 1.2275	\$ 9,338,031,144
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

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 7

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

Fiscal Year Ending June 30	Talbot County Direct Real Property Tax Rate							Weighted Average Tax Rate	Overlapping Real Property Tax Rates						Total				
	Unincorporated Area of County	Easton	Oxford	Queen Anne	St. Michaels	Trappe	Easton		Oxford	Queen Anne	St. Michaels	Trappe	Unincorporated Area of County		Easton	Oxford	Queen Anne	St. Michaels	Trappe
2013	\$ 0.491	0.361	0.377	0.433	0.367	0.406	0.447	0.520	0.2438	0.180	0.520	0.290	\$ 0.491	0.881	0.6208	0.613	0.887	0.696	
2012	\$ 0.448	0.319	0.335	0.391	0.325	0.364	0.405	0.520	0.220	0.180	0.580	0.290	\$ 0.448	0.839	0.5550	0.571	0.905	0.654	
2011	\$ 0.432	0.302	0.318	0.374	0.308	0.347	0.389	0.520	0.2306	0.180	0.640	0.290	\$ 0.432	0.822	0.5486	0.554	0.948	0.637	
2010	\$ 0.432	0.303	0.319	0.375	0.309	0.348	0.389	0.520	0.2438	0.180	0.640	0.300	\$ 0.432	0.823	0.5628	0.555	0.949	0.648	
2009	\$ 0.449	0.321	0.337	0.393	0.327	0.368	0.407	0.520	0.256	0.180	0.640	0.300	\$ 0.449	0.841	0.5930	0.573	0.967	0.668	
2008	\$ 0.475	0.349	0.365	0.420	0.355	0.395	0.434	0.520	0.280	0.180	0.640	0.300	\$ 0.475	0.869	0.6450	0.600	0.995	0.695	
2007	\$ 0.500	0.385	0.400	0.450	0.390	0.430	0.464	0.480	0.290	0.180	0.640	0.300	\$ 0.500	0.865	0.6900	0.630	1.030	0.730	
2006	\$ 0.520	0.415	0.450	0.480	0.440	0.480	0.488	0.430	0.300	0.180	0.640	0.300	\$ 0.520	0.845	0.7500	0.660	1.080	0.780	
2005	\$ 0.540	0.445	0.480	0.510	0.480	0.510	0.513	0.440	0.300	0.180	0.640	0.300	\$ 0.540	0.885	0.7800	0.690	1.120	0.810	
2004	\$ 0.553	0.473	0.510	0.540	0.505	0.540	0.531	0.453	0.280	0.180	0.640	0.300	\$ 0.553	0.926	0.7900	0.720	1.145	0.840	

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 8
Talbot County, Maryland
Principal Property Tax Payers,
Current Year and Nine Years Ago

Taxpayer	Fiscal Year 2013			Fiscal Year 2004		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
William Hill Manor, Inc.	\$ 15,424,100	1	0.17%			
Perry Cabin Acquisitions Corp.	14,086,400	2	0.15%	\$ 8,310,332	3	0.20%
Easton Shoppes Business Trust	13,332,000	3	0.14%	10,745,700	1	0.25%
Lowe's Home Centers, Inc.	12,799,300	4	0.14%			
Individual	11,447,600	5	0.12%			
Target Corporation	10,143,400	6	0.11%			
Remco Properties, LLC	10,138,600	7	0.11%			
Wal Mart Stores, Inc. #1715	8,902,500	8	0.10%	6,237,000	8	0.15%
Tred Avon LLC	8,735,000	9	0.09%	5,994,900	9	0.14%
Individual	8,517,300	10	0.09%			
Eastern Shore Retirement Assoc.				10,690,100	2	0.25%
Cal-Mar Associates				7,299,432	4	0.17%
Hampden Investment Properties LLC				7,167,600	5	0.17%
Easton Marketplace LLC				6,615,100	6	0.16%
Tidewater Inn				6,424,000	7	0.15%
Easton Exchange				4,900,000	10	0.12%
Total	\$ 113,526,200		1.22%	\$ 74,384,164		1.76%

Source: Talbot County Finance Office

Schedule 9
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
2013	\$ 32,194,472	\$ 32,120,054	99.77%	\$ -	\$ 32,120,054	99.77%
2012	29,426,822	29,384,626	99.86%	(8,652)	29,375,974	99.83%
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%

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 10
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 \$100,000 Net Taxable Income	\$100,001 to \$125,000 Net Taxable Income	\$125,001 to \$150,000 Net Taxable Income	\$150,001 to \$250,000 Net Taxable Income	In excess of \$250,000 Net Taxable Income
2012	N/A	N/A	N/A	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2011	2.00%	3.00%	4.00%	N/A					
2010	2.00%	3.00%	4.00%	N/A					
2009	2.00%	3.00%	4.00%	N/A					
2008	2.00%	3.00%	4.00%	N/A					
2007	2.00%	3.00%	4.00%	4.75%					
2006	2.00%	3.00%	4.00%	4.75%					
2005	2.00%	3.00%	4.00%	4.75%					
2004	2.00%	3.00%	4.00%	4.75%					
2003	2.00%	3.00%	4.00%	4.75%					

State Income Tax Rates*						
Tax Year	\$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
2012	N/A	N/A	N/A	N/A	N/A	2.25%
2011	4.75%	5.00%	5.25%	5.50%	5.50%	2.25%
2010	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2009	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2008	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2007						2.25%
2006						2.25%
2005						2.25%
2004						2.25%
2003						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 11
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
2011	14,068	\$ 1,285,429,925	\$ 1,014,019,704	\$ 45,374,930	\$ 22,534,206	\$ 67,909,136	2.25%
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%

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

Notes:

See Schedule 12 for detailed breakout of adjusted gross income.

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

Schedule 12
Talbot County, Maryland
Income Tax Filers, Net Taxable Income, and Liability by Adjusted Gross Income Level
Current Year and Nine Years Ago

	Tax Year 2011					
	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	206	1.5%	\$ 323,573,921	31.9%	\$ 7,280,412	32.3%
\$200,000 - 499,999	708	5.0%	177,818,423	17.5%	4,000,915	17.8%
\$100,000 - 199,999	1,899	13.5%	203,507,224	20.1%	4,578,915	20.3%
\$50,000 - 99,999	3,606	25.6%	182,686,593	18.0%	4,110,146	18.2%
\$25,000 - 49,999	4,134	29.4%	95,184,650	9.4%	1,995,051	8.9%
\$5,000 - 24,999	3,448	24.5%	31,139,439	3.1%	566,505	2.5%
Under \$5,000	67	0.5%	109,454	0.0%	2,262	0.0%
Totals	14,068	100.0%	\$ 1,014,019,704	100.0%	\$ 22,534,206	100.0%

	Tax Year 2002					
	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	529	4.0%	\$ 226,559,716	35.0%	\$ 4,059,803	35.6%
\$100,000 - 199,999	1,155	8.7%	122,599,529	19.0%	2,194,530	19.2%
\$50,000 - 99,999	3,025	22.9%	156,746,386	24.2%	2,805,752	24.6%
\$25,000 - 49,999	4,022	30.4%	98,768,763	15.3%	1,734,323	15.2%
\$5,000 - 24,999	4,376	33.1%	41,612,060	6.4%	603,237	5.3%
Under \$5,000	102	0.8%	165,332	0.0%	2,767	0.0%
Totals	13,209	100.0%	\$ 646,451,786	100.0%	\$ 11,400,412	100.0%

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

Schedule 13
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			
2013	30,918,249	11,114,740	95,555	42,128,544	1.99%	1,105.79
2012	33,200,541	11,969,066	159,691	45,329,298	2.14%	1,189.81
2011	35,403,608	12,809,338	210,316	48,423,262	2.29%	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

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

Notes:

2013 and 2012 percentages calculated using 2011 personal income data, which is the most recent available.

2013 debt per capita is calculated using 2012 population estimate, which is the most recent available.

See Schedule 17 for population and personal income data.

Schedule 14
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
2013	42,032,989	9,338,031,144	0.45%	*	1,103.29
2012	45,169,607	9,770,079,390	0.46%	38,098	1,185.62
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

Sources:

^aTalbot County Finance Office

^bState of Maryland, Department of Assessments and Taxation

^cU.S. Census Bureau.

* Information not yet available; 2013 debt per capita is calculated using 2012 population estimate data.

Schedule 15
Talbot County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2013

<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	2,242,249,419	24.17%	7,471,682	\$ 8,275,000	\$ 15,746,682
Oxford	362,966,266	3.91%	1,209,486	-	1,209,486
Queen Anne	9,034,519	0.10%	30,105	-	30,105
St. Michaels	313,025,572	3.37%	1,043,072	-	1,043,072
Trappe	86,860,834	0.94%	289,440	280,317	569,757
Unincorporated	<u>6,264,420,804</u>	<u>67.52%</u>	<u>20,874,465</u>	<u>-</u>	<u>20,874,465</u>
Total	<u><u>9,278,557,414</u></u>	<u><u>100.00%</u></u>	<u><u>30,918,249</u></u>	<u><u>\$ 8,555,317</u></u>	<u><u>\$ 39,473,566</u></u>

Sources:

^a State of Maryland, Department of Assessments and Taxation

^b Municipal Town Clerks

Schedule 16
Talbot County, Maryland
Legal Debt Margin Information,
Last Ten Fiscal Years
(dollars in thousands)

	Fiscal Year									
	<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>	<u>2013</u>
Taxable Assessable Base *	\$ 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	\$ 9,278,557
Debt Limit, 15% of Assessable Base	596,953	658,875	825,004	953,020	1,126,314	1,304,360	1,444,955	1,514,004	1,456,639	1,391,784
Amount of Debt Applicable to Limit										
General Obligation Bonds	24,389	23,053	30,020	20,284	43,777	41,373	38,873	35,404	33,201	30,918
Legal Debt Margin	<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>\$ 1,423,438</u>	<u>\$ 1,360,865</u>
Total net debt applicable to the limit as a percentage of debt limit	4.09%	3.50%	3.64%	2.13%	3.89%	3.17%	2.69%	2.34%	2.28%	2.22%

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 17
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
2013	*	*	*	4,570	7.6%
2012	38,098	*	*	4,547	7.3%
2011	38,025	2,118,791	55,721	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%

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 18
Talbot County, Maryland
Principal Private Employers,
Current Year and Nine Years Ago**

<u>Employer</u>	<u>CY 2012</u>			<u>CY 2003</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	11.73%	1,000	1	5.28%
Shore Bankshares	320	2	1.79%			
Harim USA	307	3	1.72%			
William Hill Manor	300	4	1.68%	185	6	0.98%
Wal-Mart	215	5	1.68%			
Genesis Healthcare/The Pines	186	6	1.20%	186	5	0.98%
Aphena Pharma	170	7	1.04%			
Quality Health Strategies	170	8	0.95%			
Soltera Defense Solutions	138	9	0.77%			
Giant Food	135	10	0.95%			
Allen Family Foods				700	2	3.70%
Cadmus Prof. Communications				300	3	1.58%
Chesapeake Building Components				200	4	1.06%
Chesapeake Publishing				165	7	0.87%
Celeste Industries				140	8	0.74%
Salisbury Pewter				70	9	0.37%
Orion Safety Products				70	10	0.37%
	<u>4,041</u>		<u>22.58%</u>	<u>4,133</u>		<u>21.83%</u>

Source: Maryland Department of Business and Economic Development

Schedule 19
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>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>	<u>2013</u>
General Government	50.1	57.8	60.9	65.8	66.7	68.4	66.0	63.0	60.3	61.1
Public Safety	112.8	117.3	123.3	128.7	139.6	151.1	151.3	152.0	146.7	151.2
Public Works	33.0	34.4	36.5	39.9	44.7	48.3	50.5	46.0	42.5	41.2
Social Services	5.6	5.3	5.0	4.0	4.8	4.0	3.4	3.0	0.8	-
Recreation	47.1	46.9	47.8	51.1	52.4	51.8	46.0	34.0	32.8	33.0
Airport	<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>	<u>5.1</u>
Total	<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>	<u>291.6</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 20
Talbot County, Maryland
Operating Indicators by Function,
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	<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>	<u>2013</u>
General Government										
Building Permits issued	909	999	1,034	626	529	388	316	308	267	261
Value of new construction (000's)	70,601	130,073	62,002	76,505	58,812	36,505	31,116	36,974	27,067	28,540
Public Safety										
Detention Center										
Avg. daily population	98	106	101	106	106	90	92	104	85	81
Bookings	782	833	850	764	989	821	807	771	1,020	954
9-1-1 Calls Answered										
Fire	1,339	1,370	1,409	1,462	1,557	1,427	1,724	1,705	1,975	2,034
Emergency Medical Services	3,861	4,568	4,525	4,767	4,330	4,334	4,408	4,330	4,458	4,551
Sheriff	6,230	10,983	15,053	10,939	12,592	14,891	15,191	13,627	13,923	12,165
Other Police	4,323	4,778	6,682	6,578	7,289	7,755	7,399	7,383	8,367	11,533
Education										
Students	4,459	4,505	4,482	4,398	4,396	4,419	4,495	4,504	4,547	4,570
Teachers Instructional	312	298	295	300	301	308	304	316	312	321
Recreation Facilities										
Boat ramp permits	3,705	4,357	4,482	3,635	6,673	6,288	6,848	6,724	6,689	6,443
Golf rounds	37,217	39,142	40,080	43,110	30,140	33,670	22,781	27,969	31,467	28,439
Public Works										
Centerline miles of road maintained	369	369	370	372	372	372	372	372	374	374
Wastewater treated (mgd)	0.540	0.550	0.490	0.561	0.450	0.415	0.558	0.481	0.477	0.483
Airport										
Based aircraft	148	158	158	170	185	147	143	146	146	176
Gallons of fuel sold	715,161	760,910	817,497	809,242	690,904	679,857	614,612	646,268	633,071	581,342

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

**Schedule 21
Talbot County, Maryland
Capital Asset Statistics by Function,
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2013</u>
Public Safety										
Detention center capacity	140	140	140	140	140	140	140	140	145	145
Fire stations	7	7	7	7	7	7	7	7	7	7
Emergency Medical Services Stations	4	4	5	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	2
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	13	13	13	17	17	17	19
Park acreage	190	190	190	632	632	672	672	672	672	693
Public Landings & Wharves	28	29	29	29	29	29	29	30	30	30
Boat Slips	102	102	113	113	113	113	117	117	136	136
Public Pools	2	2	2	2	2	2	2	2	2	2
Public Works										
Centerline miles of county roads	369	369	370	372	372	372	372	372	374	374
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	2	2	2	2	3	3	3	3	3	3
Miles of mains	33	33	33	33	38	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.