

TALBOT COUNTY, MARYLAND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2014

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Report Prepared By:

Talbot County, Maryland Finance Office



TALBOT COUNTY, MARYLAND  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 for the FISCAL YEAR ENDED JUNE 30, 2014  
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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF ELECTED AND APPOINTED OFFICIALS



## TALBOT COUNTY, MARYLAND

COURT HOUSE

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

FINANCE OFFICE  
PHONE: 410-770-8020

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

December 29, 2014

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, 2014 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, 2014. 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, 2014, 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. Income tax revenues increased for the past 3 fiscal years and the County anticipates that the actual Income Tax revenues received in FY 2015 will also increase. The County's housing market has stabilized, and in FY 2015 the County is optimistic that the housing market will grow. 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 (6.2%) and National (6.1%) rates as evidenced by the June 2014 County rate of 6.1 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. In FY 2015, eight (8) new positions (all in the Public Safety area) were added to the County workforce. Even with the addition of these positions, the County's FY 2015 full time workforce is 8 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 FY 2015 Capital Program includes the second 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. Phase 2 of this emergency radio system project totals \$6.8 million – to be funded by issuing long term debt. In FY 2015 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 facility projects and grant matching dollars for park and public landing improvement projects.

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, 2014 Talbot County's unassigned fund balance was 26.7% of actual expenditures.

The County's FY 2014 actual Income tax revenues were 4.3% more than the amount originally budgeted. The FY 2015 budget for Income tax revenues is the slightly less than the FY 2014 actual collections.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Talbot County, Maryland for its comprehensive annual financial report for the fiscal year ended June 30, 2013. 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 thirteen 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**

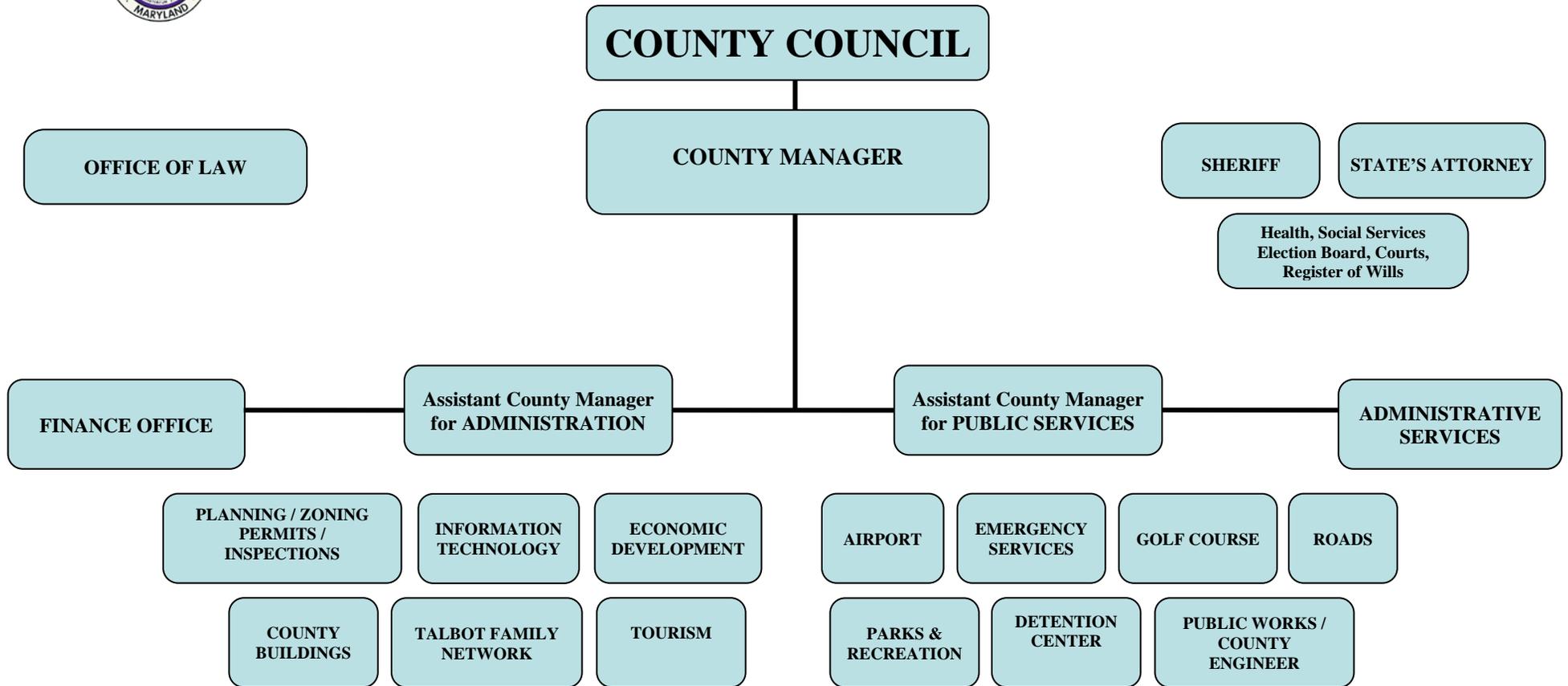
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO



# TALBOT COUNTY GOVERNMENT ORGANIZATIONAL CHART



Talbot County, Maryland

List of Elected and Appointed Officials

June 30, 2014

Elected Officials

County Council

Corey W. Pack, President  
Dirck K. Bartlett  
Thomas G. Duncan  
R. Andrew Hollis  
Laura E. Price

Sheriff  
State's Attorney

Dallas G. Pope  
Scott Patterson

Appointed Officials

County Manager  
Attorney  
Assistant County Manager for Administration  
Assistant County Manager for Public Services  
Administrative Services Director  
Airport Manager  
Department of Corrections Director  
Economic Development Director  
Emergency Services Director  
Facilities Manager  
Finance Director  
Golf Course Manager  
Information Technology Director  
Parks and Recreation Director  
Planning Officer/Permits & Inspections Director  
Public Works/County Engineer  
Roads Superintendent  
Tourism Director

Clay Stamp  
Michael L. Pullen  
Jessica Morris  
Clay Stamp  
Cheril Thomas  
Michael Henry  
Douglas Devenyns  
Paige Bethke  
Clay Stamp  
Brian Moore  
Angela Lane  
Andrew Halverson  
Parker Durham  
Preston Peper  
Ernest "Sandy" Coyman  
Raymond Clarke  
Richard Ball  
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, 2014, 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, 2014, 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 performed as 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 29, 2014, 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 "JHM Group LLC". The signature is written in a cursive, flowing style.

Salisbury, Maryland  
December 29, 2014

## 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, 2014. 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, 2014, the assets of Talbot County exceeded liabilities by \$136.8 million (net position), an increase of \$1.8 million, or 1.4 percent, from the prior year. Approximately 62.1 percent of net position is attributable to the County's governmental activities. Total net position is comprised of \$132.6 million invested in capital assets, net of related debt, \$94 thousand in restricted net position and \$4.1 million 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, 2014 the County included \$29.8 million of bonds payable in liabilities for school construction projects and no corresponding capital assets.
- Income Tax revenues increased by \$4.0 million or 17.1 percent from FY 2013's actual collections. This is the third consecutive year that actual income tax revenues have been more than the prior year.
- As of June 30, 2014, the County's governmental funds reported combined fund balances of \$31.9 million, an increase of \$1.2 million, or 3.8 percent, from the prior year. Approximately 65.2 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 \$20.8 million at June 30, 2014. The unassigned fund balance for the General Fund of \$20.8 million is 27.0 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, 2014 for the "rainy day fund" is \$11.3 million (15 percent of the actual general fund expenditures).
- An "other post-employment" benefits (OPEB) Trust was established in FY 2011. In FY 2014 the County transferred \$2.0 million to the Trust. To date the County has transferred \$9.0 million to the Trust to fund future OPEB obligations.
- Talbot County Government's total debt, excluding compensated absences, decreased by \$1.0 million during the year ended June 30, 2014. 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 Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The basic governmental fund financial statements can be found on pages 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 \$136.8 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 \$4.2 million reflects the imbalance of liabilities without corresponding assets.

Restricted net position of \$94 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 \$4.1 million. 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	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 44,813,438	\$ 41,288,963	\$ 1,075,142	\$ 981,682	\$ 45,888,580	\$ 42,270,645
Capital Assets	81,110,954	80,921,986	62,537,445	65,231,988	143,648,399	146,153,974
Total Assets	125,924,392	122,210,949	63,612,587	66,213,670	189,536,979	188,424,619
Non Current Liabilities	29,148,833	29,762,060	9,700,435	10,348,522	38,849,268	40,110,582
Other Liabilities	11,877,918	11,393,232	2,028,873	1,984,371	13,906,791	13,377,603
Total Liabilities	41,026,751	41,155,292	11,729,308	12,332,893	52,756,059	53,488,185
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	80,625,199	80,387,586	51,985,231	54,021,693	132,610,430	134,409,279
Restricted	94,239	144,869	-	-	94,239	144,869
Unrestricted	4,178,203	523,202	(101,952)	(140,916)	4,076,251	382,286
Total Net Position	\$ 84,897,641	\$ 81,055,657	\$ 51,883,279	\$ 53,880,777	\$ 136,780,920	\$ 134,936,434

At the end of the current fiscal year, the governmental activities shows a positive balance in all 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 \$1.8 million during the current fiscal year as the result of a \$3.8 million increase in governmental activities and a \$2.0 million decrease in business-type activities. The governmental activities increase is primarily due to increases in income tax revenues. The business-type activities decrease is the result of expenditures (primarily depreciation) being more than revenues received through charges for services.

### Talbot County Government's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 3,015,278	\$ 2,856,695	\$ 7,206,426	\$ 6,989,159	\$ 10,221,704	\$ 9,845,854
Operating Grants and Contributions	5,413,274	5,077,559	776,126	806,067	6,189,400	5,883,626
Capital Grants and Contributions	227,346	3,140,000	539,479	647,692	766,825	3,787,692
<b>General Revenues:</b>						
Property Taxes	33,660,872	32,741,855	-	-	33,660,872	32,741,855
Local Income Tax	27,108,102	23,140,754	-	-	27,108,102	23,140,754
Other Local Taxes	9,522,629	9,727,044	-	-	9,522,629	9,727,044
Investment Income	94,004	105,007	6,500	7,333	100,504	112,340
Miscellaneous	2,306,687	115,471	10,500	2,461	2,317,187	117,932
<b>Total Revenues</b>	<b>81,348,192</b>	<b>76,904,385</b>	<b>8,539,031</b>	<b>8,452,712</b>	<b>89,887,223</b>	<b>85,357,097</b>
<b>Expenses:</b>						
General Government	9,551,119	9,358,236	-	-	9,551,119	9,358,236
Public Safety	16,071,849	14,018,219	-	-	16,071,849	14,018,219
Public Works	3,788,820	4,509,239	-	-	3,788,820	4,509,239
Health	4,099,374	3,829,281	-	-	4,099,374	3,829,281
Social Services	857,752	838,625	-	-	857,752	838,625
Education	41,640,092	38,491,514	-	-	41,640,092	38,491,514
Recreation	632,538	642,770	-	-	632,538	642,770
Conservation of Natural Resources	252,375	218,361	-	-	252,375	218,361
Interest Charges	13,439	14,456	-	-	13,439	14,456
Recreation Facilities	-	-	2,652,143	2,624,390	2,652,143	2,624,390
Sanitary District	-	-	3,430,264	3,354,872	3,430,264	3,354,872
Airport	-	-	4,837,671	4,903,460	4,837,671	4,903,460
Pools	-	-	215,301	257,766	215,301	257,766
<b>Total Expenses</b>	<b>76,907,358</b>	<b>71,920,701</b>	<b>11,135,379</b>	<b>11,140,488</b>	<b>88,042,737</b>	<b>83,061,189</b>
Increase (Decrease) in Net Position before transfers	4,440,834	4,983,684	(2,596,348)	(2,687,776)	1,844,486	2,295,908
Transfers In (Out)	(598,850)	(535,201)	598,850	535,201	-	-
Increase (Decrease) in Net Position	3,841,984	4,448,483	(1,997,498)	(2,152,575)	1,844,486	2,295,908
Net Position – Beginning	81,055,657	76,607,174	53,880,777	56,033,352	134,936,434	132,640,526
<b>Net Position - Ending</b>	<b>\$ 84,897,641</b>	<b>\$ 81,055,657</b>	<b>\$ 51,883,279</b>	<b>\$ 53,880,777</b>	<b>\$ 136,780,920</b>	<b>\$ 134,936,434</b>

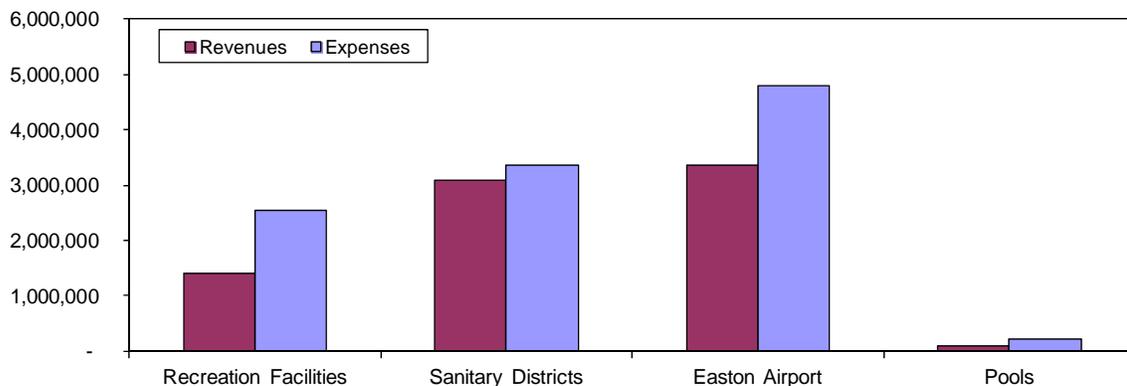
**Governmental Activities.** Governmental activities increased the County’s net position after transfers by \$3.8 million. Key elements of the increase in the net position of governmental activities are as follows:

- Income Tax revenues increased by \$4.0 million, a 17.1 percent increase from the prior year actual and were \$1.1 million more than originally budgeted for FY 2014.
- Property tax revenues increased by \$1.0 million, a 2.8 percent increase from the prior fiscal year and were \$368 thousand more than originally budgeted.
- Transfer and recordation taxes decreased by \$233 thousand, a 2.7 percent decrease from the prior fiscal year actual collections but were \$735 thousand more than originally budgeted for FY 2014. These revenues indicate a stabilization of the local housing market, but the housing market is not expanding or growing yet.
- The FY 2014 budget, as adopted, did not use any reserved and unexpended funds from prior years (fund balance). The FY 2014 budget, as adopted planned for adding \$570 thousand to the County’s fund balance.
- The County transferred \$2.0 million to the OPEB Trust.
- Governmental activities also included the transfer of \$599 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 \$2.0 million. The decrease is primarily attributable to expenditures (primarily depreciation) being more than revenues received through charges for services

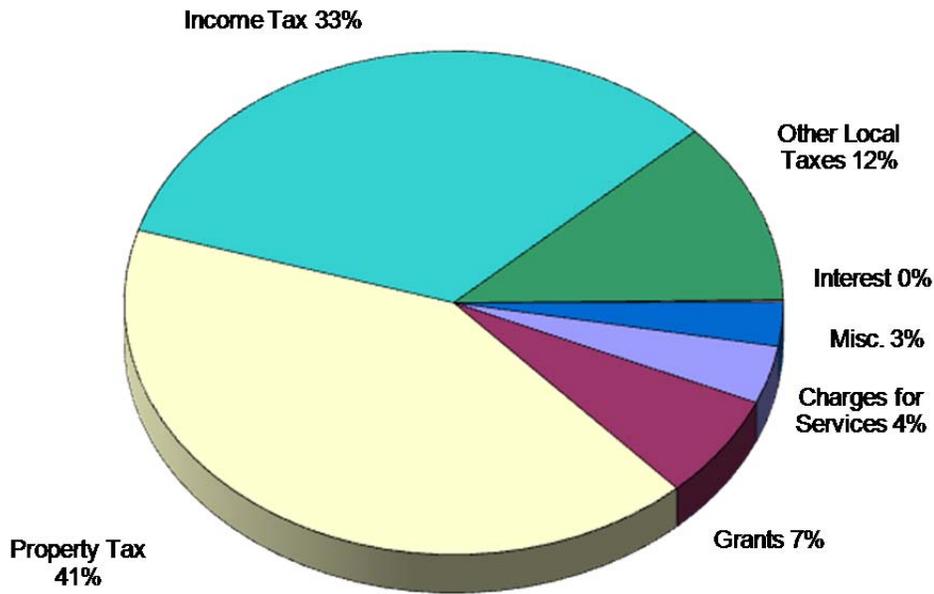
Fiscal year 2014 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

***Expenses and Program Revenues - Business-Type Activities  
For the Year Ended June 30, 2014***



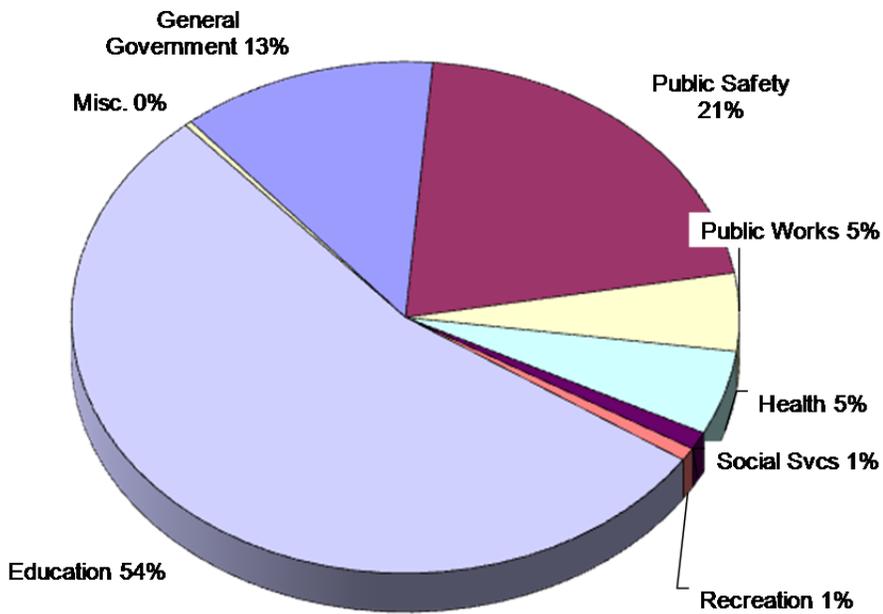
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**Revenues by Source - Governmental Activities  
For the Year Ended June 30, 2014**



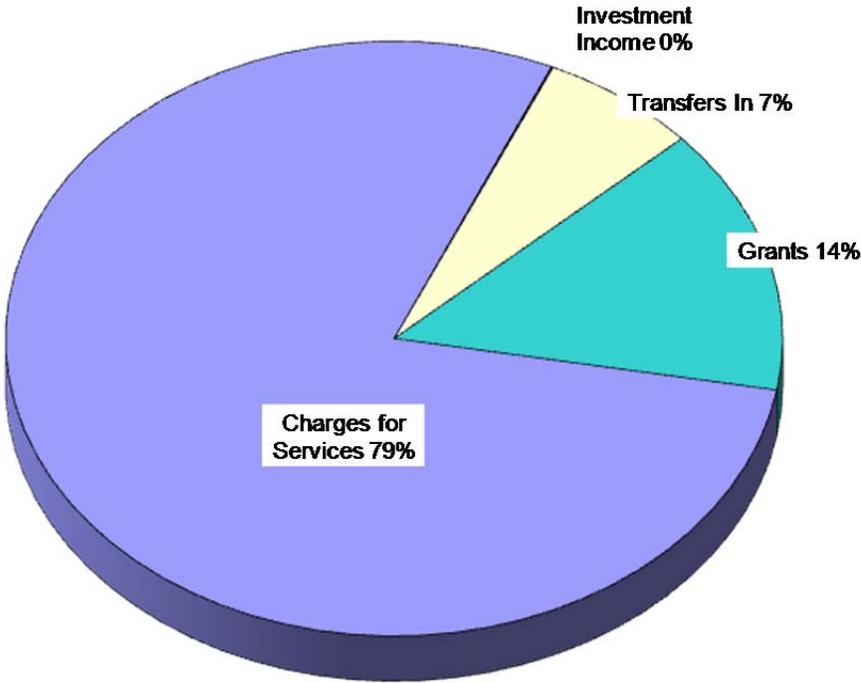
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**Expenses - Governmental Activities  
For the Year Ended June 30, 2014**



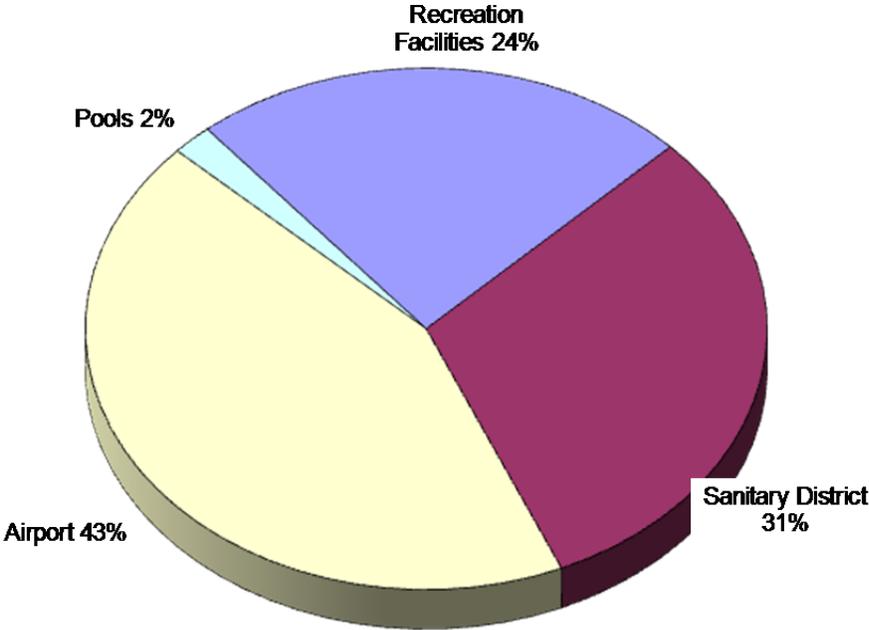
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**Revenues by Source - Business-Type Activities  
For the Year Ended June 30, 2014**



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**Expenses - Business-Type Activities  
For the Year Ended June 30, 2014**



## 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 \$31.9 million. Approximately 65.2 percent of this total (\$20.8 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 \$20.8 million, and the unassigned fund balance was \$20.8 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 26.7 percent of total general fund expenditures, while total fund balance represents 26.8 percent of total general fund expenditures.

The fund balance of Talbot County's General Fund increased by \$1.3 million during FY 2014. This increase is due primarily to increases in tax revenues.

The fund balance of the County's Capital Projects Fund increased by \$326 thousand during FY 2014. This increase was due to receiving funds for future 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 \$51.9 million. There is a deficit balance of \$102 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 \$9.0 million at June 30, 2014.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the final budget and the final actual results for the County totaled \$1.3 million. Revenues received were \$2.8 million more than final budgeted estimates and operating expenditures were \$1.5 more than final budgeted estimates. The major variances can be summarized as follows:

- **Revenues.** Revenues were \$2.8 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 \$2.1 million more than budgeted. This total includes \$1.1 million in income tax revenues, \$735 thousand in recordation and transfer taxes, \$368 thousand in property tax revenues and \$115 thousand less in public accommodation tax revenues.
- Intergovernmental revenues received were \$628 thousand more than budgeted.
- **Expenditures.** Expenditures were \$1.5 million more than budgeted for the year. The major differences between the budgeted amounts and the actual expenditures are as follows:
  - \$1.8 million of long term borrowing proceeds were transferred to Chesapeake College for Talbot County's share of the renovation and expansion of the Allied Health and Athletic facility.
  - The FY 2014 budget planned for a transfer of \$570 thousand to the County's fund balance.

## 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, 2014 totals \$143.6 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 \$2.5 million or 1.7 percent.

Capital assets are summarized as follows:

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 12,436,837	\$ 12,436,837	\$ 3,499,479	\$ 3,499,479	\$ 15,936,316	\$ 15,936,316
Construction in progress	2,420,089	2,902,871	1,900,541	1,278,459	4,320,630	4,181,330
Buildings and improvements	26,791,363	28,041,716	53,154,379	56,136,036	79,945,742	84,177,752
Non-deprec. infrastructure	25,449,891	25,449,891	-	-	25,449,891	25,449,891
Infrastructure	8,808,549	6,903,211	-	-	8,808,549	6,903,211
Furniture and equipment	5,204,225	5,187,460	3,983,046	4,318,014	9,187,271	9,505,474
Total	\$ 81,110,954	\$ 80,921,986	\$ 62,537,445	\$ 65,231,988	\$ 143,648,399	\$ 146,153,974

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 \$41.1million, a net decrease of approximately \$1.0 million. The full faith and credit and unlimited taxing power of the County are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. Of this amount, \$10.6 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	
	2014	2013	2014	2013	2014	2013
General Debt	\$ 30,585,558	\$ 30,918,249	\$ 10,552,214	\$ 11,210,295	\$ 41,137,772	\$ 42,128,544

The County's most recent bond ratings from Moody's Investors Service and Fitch Ratings are Aa2 (October 2010) and AAA (September 2014), 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 2015 approved budget for the General Fund is \$74,625,000 representing an increase of \$2.2 million or 3.0 percent from the FY 2014 original approved budget.
- Real Property tax revenue is expected to generate \$517 thousand more than the FY 2014 actual collections.
- Income tax revenue in FY 2015 is budgeted to be slightly less than the FY 2014 actual collections.
- There is no use of fund balance or transfers from other funds to balance the FY 2015 General Fund budget.

All of these factors were considered in preparing the County's budget for FY 2015. 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](http://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 2 of this report.

## Government-Wide Financial Statements

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF NET POSITION**  
**PRIMARY GOVERNMENT AS OF JUNE 30, 2014**  
**COMPONENT UNITS AS OF JUNE 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 29,188,519	\$ 6,549,472	\$ 35,737,991
Investments	-	-	-
Receivables:			
Accounts receivable	546,411	305,049	851,460
Other	-	-	-
Intergovernmental:			
State	3,548,068	601,679	4,149,747
Federal	742,214	36,822	779,036
Prepaid items	74,482	5,480	79,962
Prepaid OPEB	4,014,264	-	4,014,264
Internal balances	6,187,795	(6,187,795)	-
Inventories	-	276,120	276,120
Advances to (from) other funds	511,685	(511,685)	-
Other assets	-	-	-
Nondepreciable capital assets	40,306,817	5,400,020	45,706,837
Depreciable capital assets, net	40,804,137	57,137,425	97,941,562
<b>TOTAL ASSETS</b>	<b>125,924,392</b>	<b>63,612,587</b>	<b>189,536,979</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	4,432,422	994,287	5,426,709
Other payables	1,910,940	-	1,910,940
Unearned revenue	2,587,310	84,564	2,671,874
Long-term liabilities, due within one year			
Compensated absences	384,541	39,668	424,209
Bonds and notes payable	2,562,705	910,354	3,473,059
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year			
Compensated absences	453,912	58,575	512,487
Bonds and notes payable	28,694,921	9,641,860	38,336,781
Obligations under state retirement system	-	-	-
Other post-employment benefit obligation	-	-	-
<b>TOTAL LIABILITIES</b>	<b>41,026,751</b>	<b>11,729,308</b>	<b>52,756,059</b>
<b>NET POSITION</b>			
Net investment in capital assets	80,625,199	51,985,231	132,610,430
Restricted for:			
Social services (Talbot Family Network)	94,239	-	94,239
Food services	-	-	-
Programs	-	-	-
Unrestricted (deficit)	4,178,203	(101,952)	4,076,251
<b>TOTAL NET POSITION</b>	<b>\$ 84,897,641</b>	<b>\$ 51,883,279</b>	<b>\$ 136,780,920</b>

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

Component Units	
<u>Board of Education</u>	<u>Library</u>
\$ 5,943,560	\$ 104,106
-	1,824,499
-	33,631
970	-
78,732	-
457,119	-
-	2,200
-	-
-	-
34,289	-
-	-
-	95,682
377,446	51,801
61,642,315	831,467
<u>68,534,431</u>	<u>2,943,386</u>
4,130,687	28,702
141,180	95,682
883,881	6,357
224,128	-
198,137	-
33,953	-
132,543	-
482,141	-
515,833	-
21,988,425	609,787
<u>28,730,908</u>	<u>740,528</u>
61,339,483	883,268
-	-
177,559	-
-	1,719,090
<u>(21,713,519)</u>	<u>(399,500)</u>
<u>\$ 39,803,523</u>	<u>\$ 2,202,858</u>

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2014**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>GOVERNMENTAL ACTIVITIES</b>				
Current:				
General government	\$ 9,551,119	\$ 2,384,760	\$ 653,587	\$ -
Public safety	16,071,849	17,709	933,309	92,387
Public works	3,788,820	228,548	1,585,747	75,000
Health and hospitals	4,099,374	133,248	1,825,971	-
Social services	857,752	-	414,660	-
Education	41,640,092	151,045	-	-
Recreation	632,538	99,968	-	59,959
Conservation of natural resources	252,375	-	-	-
Interest on long-term debt	13,439	-	-	-
<b>Total Governmental Activities</b>	<b>76,907,358</b>	<b>3,015,278</b>	<b>5,413,274</b>	<b>227,346</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Recreation facilities	2,652,143	1,417,840	-	-
Sanitary district	3,430,264	2,328,288	764,015	175,083
Easton airport	4,837,671	3,351,214	12,111	364,396
Pool	215,301	109,084	-	-
<b>Total Business-Type Activities</b>	<b>11,135,379</b>	<b>7,206,426</b>	<b>776,126</b>	<b>539,479</b>
<b>Total Primary Government</b>	<b>\$ 88,042,737</b>	<b>\$ 10,221,704</b>	<b>\$ 6,189,400</b>	<b>\$ 766,825</b>
<b>COMPONENT UNITS</b>				
Board of Education	\$ 66,871,681	\$ 639,519	\$ 59,488,548	\$ 453,097
Talbot County Free Library	1,986,531	-	2,239,778	-
<b>Total Component Units</b>	<b>\$ 68,858,212</b>	<b>\$ 639,519</b>	<b>\$ 61,728,326</b>	<b>\$ 453,097</b>

**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
\$ (6,512,772)	\$ -	\$ (6,512,772)	\$ -	\$ -
(15,028,444)	-	(15,028,444)	-	-
(1,899,525)	-	(1,899,525)	-	-
(2,140,155)	-	(2,140,155)	-	-
(443,092)	-	(443,092)	-	-
(41,489,047)	-	(41,489,047)	-	-
(472,611)	-	(472,611)	-	-
(252,375)	-	(252,375)	-	-
(13,439)	-	(13,439)	-	-
<u>(68,251,460)</u>	<u>-</u>	<u>(68,251,460)</u>	<u>-</u>	<u>-</u>
-	(1,234,303)	(1,234,303)	-	-
-	(162,878)	(162,878)	-	-
-	(1,109,950)	(1,109,950)	-	-
-	(106,217)	(106,217)	-	-
<u>-</u>	<u>(2,613,348)</u>	<u>(2,613,348)</u>	<u>-</u>	<u>-</u>
<u>\$ (68,251,460)</u>	<u>\$ (2,613,348)</u>	<u>\$ (70,864,808)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (6,290,517)	\$ -
-	-	-	-	253,247
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,290,517)</u>	<u>\$ 253,247</u>
\$ 33,660,872	\$ -	\$ 33,660,872	\$ -	\$ -
27,108,102	-	27,108,102	-	-
45,531	-	45,531	-	-
4,943,298	-	4,943,298	-	-
3,341,976	-	3,341,976	-	-
1,135,209	-	1,135,209	-	-
56,615	-	56,615	-	-
94,004	6,500	100,504	8,501	-
2,306,687	10,500	2,317,187	24,334	-
<u>72,692,294</u>	<u>17,000</u>	<u>72,709,294</u>	<u>32,835</u>	<u>-</u>
(598,850)	598,850	-	-	-
<u>72,093,444</u>	<u>615,850</u>	<u>72,709,294</u>	<u>32,835</u>	<u>-</u>
3,841,984	(1,997,498)	1,844,486	(6,257,682)	253,247
<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>
<u>\$ 84,897,641</u>	<u>\$ 51,883,279</u>	<u>\$ 136,780,920</u>	<u>\$ 39,803,523</u>	<u>\$ 2,202,858</u>

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## Fund Financial Statements

**TALBOT COUNTY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2014**

	General <u>Fund</u>	Capital <u>Projects</u>	Other Governmental <u>Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 16,567,149	\$ 11,601,664	\$ 1,019,706	\$ 29,188,519
Receivables:				
Accounts receivable	372,894	170,282	3,235	546,411
Intergovernmental:				
State	3,242,832	-	305,236	3,548,068
Federal	154,112	-	588,102	742,214
Prepaid items	74,482	-	-	74,482
Due from other funds	6,386,917	-	-	6,386,917
Advances to other funds	511,685	-	-	511,685
	<hr/>			
Total Assets	\$ 27,310,071	\$ 11,771,946	\$ 1,916,279	\$ 40,998,296
	<hr/> <hr/>			
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,249,047	\$ 1,654,128	\$ 529,247	\$ 4,432,422
Other payables	1,910,861	79	-	1,910,940
Due to other funds	-	-	199,122	199,122
Unearned revenue	2,303,300	-	284,010	2,587,310
	<hr/>			
Total Liabilities	6,463,208	1,654,207	1,012,379	9,129,794
	<hr/>			
<b>FUND BALANCES</b>				
Nonspendable	74,482	-	-	74,482
Restricted for:				
Social Services	-	-	94,239	94,239
Committed for:				
Capital projects	-	10,117,739	510,950	10,628,689
Assigned for:				
Future budget	-	-	300,000	300,000
Unassigned	20,772,381	-	(1,289)	20,771,092
	<hr/>			
Total Fund Balances	20,846,863	10,117,739	903,900	31,868,502
	<hr/>			
Total Liabilities and Fund Balances	\$ 27,310,071	\$ 11,771,946	\$ 1,916,279	\$ 40,998,296
	<hr/> <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, 2014**

Total Governmental Funds Balances		\$ 31,868,502
Amounts reported for governmental activities in the statement of net position are different because:		
Prepayment of post retirement benefits		4,014,264
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		81,110,954
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	(31,257,626)	
Compensated absences	(838,453)	
	(32,096,079)	(32,096,079)
Net Position of Governmental Activities		\$ 84,897,641

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES**  
**For the Year Ended June 30, 2014**

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real property taxes	\$ 33,660,872	\$ -	\$ -	\$ 33,660,872
Local income taxes	27,108,102	-	-	27,108,102
Other local taxes	9,522,629	-	-	9,522,629
Licenses and permits	583,105	-	481,545	1,064,650
Intergovernmental:				
Federal	399,217	-	2,212,158	2,611,375
State	1,695,672	69,071	1,215,902	2,980,645
Other grants	-	48,600	-	48,600
Service charges	1,939,522	-	-	1,939,522
Fines and forfeitures	11,106	-	-	11,106
Miscellaneous	2,013,012	-	293,675	2,306,687
Interest	83,083	8,006	2,915	94,004
Total Revenues	<u>77,016,320</u>	<u>125,677</u>	<u>4,206,195</u>	<u>81,348,192</u>
<b>EXPENDITURES</b>				
Current				
General government	5,864,349	16,702	189,617	6,070,668
Public safety	12,049,907	1,640,537	108,724	13,799,168
Public works	3,766,496	378,036	1,085,233	5,229,765
Health and hospitals	2,088,569	1	2,004,544	4,093,114
Social services	473,236	-	384,516	857,752
Education	43,674,491	341,372	-	44,015,863
Recreation	389,354	-	-	389,354
Conservation of natural resources	252,375	-	-	252,375
Employee benefits	5,695,880	-	-	5,695,880
Miscellaneous	79,206	-	-	79,206
Intergovernmental	874,438	-	-	874,438
Debt service interest	13,439	-	-	13,439
Debt service principal	48,645	-	-	48,645
Contingencies	214,355	-	-	214,355
Total Expenditures	<u>75,484,740</u>	<u>2,376,648</u>	<u>3,772,634</u>	<u>81,634,022</u>
Excess of Revenues Over (Under) Expenditures	<u>1,531,580</u>	<u>(2,250,971)</u>	<u>433,561</u>	<u>(285,830)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out) to other funds:				
Pool - operating appropriation	(113,850)	-	-	(113,850)
Recreation - operating appropriation	(325,000)	-	(160,000)	(485,000)
General fund	(1,816,137)	1,816,137	-	-
Capital projects	-	750,000	(750,000)	-
Note issued - DNR	-	10,740	-	10,740
Note issued - SunTrust	287,000	-	-	287,000
Note issued - Chesapeake College	1,760,000	-	-	1,760,000
Total Other Financing Sources (Uses)	<u>(207,987)</u>	<u>2,576,877</u>	<u>(910,000)</u>	<u>1,458,890</u>
Net Change in Fund Balances	1,323,593	325,906	(476,439)	1,173,060
Fund Balances at Beginning of Year	<u>19,523,270</u>	<u>9,791,833</u>	<u>1,380,339</u>	<u>30,695,442</u>
Fund Balances at End of Year	<u>\$ 20,846,863</u>	<u>\$ 10,117,739</u>	<u>\$ 903,900</u>	<u>\$ 31,868,502</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, 2014**

Net change in fund balances - total Governmental Funds		\$ 1,173,060
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlays	3,862,623	
Current year depreciation	<u>(3,658,743)</u>	
Total		203,880
Loss on disposal		(14,912)
<p>Loan proceeds provide current financial resources to the governmental funds; however, issuing debt increases long-term liabilities in the statement of net position.</p>		
Long-term debt issuance		(2,057,740)
<p>Repayment of debt obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Principal payments on long-term debt		2,390,431
<p>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.</p>		
Change in unamortized bond premium		77,324
Change in other post-employment benefits, asset		2,095,007
Change in compensated absences		(25,066)
Change in net position of Governmental Activities		<u><u>\$ 3,841,984</u></u>

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**June 30, 2014**

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
<b><u>ASSETS</u></b>					
<b>CURRENT ASSETS</b>					
Cash and short-term investments	\$ 5,475	\$ 427,815	\$ 407,568	\$ -	\$ 840,858
Cash and short-term investments - capital projects	5,708,614	-	-	-	5,708,614
Accounts receivable:					
Accounts receivable, customers	33,748	147,869	116,504	6,928	305,049
Intergovernmental:					
State	-	591,171	10,508	-	601,679
Federal	-	-	36,822	-	36,822
Prepaid items	4,176	-	1,304	-	5,480
Inventories	51,729	-	224,391	-	276,120
Total Current Assets	5,803,742	1,166,855	797,097	6,928	7,774,622
<b>NONCURRENT ASSETS</b>					
Land	450,000	2,463,801	585,678	-	3,499,479
Construction in progress	404,540	610,719	885,282	-	1,900,541
Buildings and improvements	15,877,334	40,752,804	39,186,114	1,660,648	97,476,900
Furniture and equipment	1,539,014	4,157,537	1,480,462	140,700	7,317,713
Less: accumulated depreciation	(9,668,759)	(16,769,604)	(19,955,114)	(1,263,711)	(47,657,188)
Total Noncurrent Assets	8,602,129	31,215,257	22,182,422	537,637	62,537,445
Total Assets	14,405,871	32,382,112	22,979,519	544,565	70,312,067
<b><u>LIABILITIES</u></b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	157,905	566,329	259,443	10,610	994,287
Compensated absences	10,949	17,482	11,237	-	39,668
Due to other funds	3,913,946	2,064,680	-	209,169	6,187,795
Unearned revenues	8,248	21,500	31,237	23,579	84,564
Advances from other funds	-	-	511,685	-	511,685
Current maturities of long-term debt	220,980	564,232	125,142	-	910,354
Total Current Liabilities	4,312,028	3,234,223	938,744	243,358	8,728,353
<b>NONCURRENT LIABILITIES</b>					
Compensated absences	19,172	24,671	14,732	-	58,575
Long-term debt, less current maturities	2,100,028	6,488,227	1,053,605	-	9,641,860
Total Noncurrent Liabilities	2,119,200	6,512,898	1,068,337	-	9,700,435
Total Liabilities	6,431,228	9,747,121	2,007,081	243,358	18,428,788
<b><u>NET POSITION</u></b>					
Net investment in capital assets	6,281,121	24,162,798	21,003,675	537,637	51,985,231
Unrestricted (deficit)	1,693,522	(1,527,807)	(31,237)	(236,430)	(101,952)
Total Net Position	\$ 7,974,643	\$ 22,634,991	\$ 20,972,438	\$ 301,207	\$ 51,883,279

*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, 2014**

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
<b>OPERATING REVENUES</b>					
Airport - operations	\$ -	\$ -	\$ 314,287	\$ -	\$ 314,287
Airport - fuel facility	-	-	2,478,419	-	2,478,419
Airport - hangars	-	-	543,373	-	543,373
Sewer service charges	-	2,033,941	-	-	2,033,941
Sewer connection charges	-	118,145	-	-	118,145
Residential benefit charges	-	22,985	-	-	22,985
Wind/solar renewable energy	-	145,875	-	-	145,875
Admissions	133,089	-	-	42,431	175,520
Room rents	42,952	-	-	-	42,952
Ice revenue	209,471	-	-	-	209,471
Pro shop and concessions	295,975	-	-	-	295,975
Cart rentals	40,156	-	-	-	40,156
Greens fees	679,959	-	-	-	679,959
Other operating	16,238	7,342	15,135	66,653	105,368
<b>Total Operating Revenues</b>	<b>1,417,840</b>	<b>2,328,288</b>	<b>3,351,214</b>	<b>109,084</b>	<b>7,206,426</b>
<b>OPERATING EXPENSES</b>					
Salaries and related expenses	913,029	829,524	335,732	81,035	2,159,320
Cost of sales - fuel	-	-	2,301,874	-	2,301,874
Professional fees	16,562	2,048	73,018	1,789	93,417
Office	27,504	14,576	19,500	389	61,969
Insurance	16,047	23,534	16,442	1,494	57,517
Contracted services	-	939,765	-	-	939,765
Repairs and maintenance	292,310	231,505	115,158	18,961	657,934
Utilities	204,836	-	55,144	13,062	273,042
Supplies and equipment	71,661	-	266	9,896	81,823
Lessons and programs	73,487	-	-	-	73,487
Concessions	182,550	-	-	-	182,550
Depreciation	714,570	1,231,751	1,856,385	82,592	3,885,298
Other operating	40,612	74,511	11,093	6,083	132,299
<b>Total Operating Expenses</b>	<b>2,553,168</b>	<b>3,347,214</b>	<b>4,784,612</b>	<b>215,301</b>	<b>10,900,295</b>
<b>Operating Income (Loss)</b>	<b>(1,135,328)</b>	<b>(1,018,926)</b>	<b>(1,433,398)</b>	<b>(106,217)</b>	<b>(3,693,869)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Intergovernmental revenues	-	764,015	12,111	-	776,126
Gain on disposal of capital assets	10,500	-	-	-	10,500
Interest income	-	6,059	441	-	6,500
Interest expense	(98,975)	(83,050)	(53,059)	-	(235,084)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(88,475)</b>	<b>687,024</b>	<b>(40,507)</b>	<b>-</b>	<b>558,042</b>
<b>CAPITAL CONTRIBUTIONS</b>					
Intergovernmental revenues	-	175,083	364,396	-	539,479
<b>Loss Before Transfers</b>	<b>(1,223,803)</b>	<b>(156,819)</b>	<b>(1,109,509)</b>	<b>(106,217)</b>	<b>(2,596,348)</b>
<b>Transfers In</b>	<b>485,000</b>	<b>-</b>	<b>-</b>	<b>113,850</b>	<b>598,850</b>
<b>Change in Net Position</b>	<b>(738,803)</b>	<b>(156,819)</b>	<b>(1,109,509)</b>	<b>7,633</b>	<b>(1,997,498)</b>
<b>Net Position, Beginning of Year</b>	<b>8,713,446</b>	<b>22,791,810</b>	<b>22,081,947</b>	<b>293,574</b>	<b>53,880,777</b>
<b>Net Position, End of Year</b>	<b>\$ 7,974,643</b>	<b>\$ 22,634,991</b>	<b>\$ 20,972,438</b>	<b>\$ 301,207</b>	<b>\$ 51,883,279</b>

*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, 2014**

	Major Funds		
	Recreation Facilities	Sanitary District	Easton Airport
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,383,038	\$ 2,336,974	\$ 3,356,313
Cash received from other revenues	16,238	7,342	15,135
Cash payments for salaries and related expenses	(906,790)	(835,075)	(337,482)
Cash payments to suppliers	(951,160)	(296,584)	(2,555,177)
Cash payments for contracted services	-	(939,765)	-
Other receipts (payments)	281,875	(41,866)	(103,471)
Net cash provided (used) by operating activities	(176,799)	231,026	375,318
<b>Cash flows from noncapital financing activities:</b>			
Transfers from other funds	485,000	-	-
Intergovernmental revenues	-	589,304	-
Net cash provided (used) by noncapital financing activities	485,000	589,304	-
<b>Cash flows from capital and related financing activities:</b>			
Intergovernmental revenues	-	175,083	355,993
Issuance of long-term debt	-	-	265,000
Principal paid on long-term notes and bonds	(210,992)	(556,512)	(155,577)
Interest paid on long-term notes and bonds	(98,975)	(83,050)	(53,059)
Proceeds from sale of capital assets	10,500	-	-
Acquisition and construction of capital assets	(7,309)	(724,909)	(458,537)
Net cash used by capital and related financing activities	(306,776)	(1,189,388)	(46,180)
<b>Cash flows from investing activities:</b>			
Interest income on investments	-	6,059	441
Repayment of advances from other funds	-	-	(72,194)
Net cash provided (used) by investing activities	-	6,059	(71,753)
Increase (Decrease) in Cash and Cash Equivalents	1,425	(362,999)	257,385
Cash and Cash Equivalents at Beginning of Year	5,712,664	790,814	150,183
Cash and Cash Equivalents at End of Year	\$ 5,714,089	\$ 427,815	\$ 407,568

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

<u>Nonmajor</u>			
<u>Fund</u>			
	<u>Pool</u>		<u>Totals</u>
\$	41,364	\$	7,117,689
	66,653		105,368
	(81,358)		(2,160,705)
	(73,087)		(3,876,008)
	-		(939,765)
	(67,422)		69,116
	<u>(113,850)</u>		<u>315,695</u>
	113,850		598,850
	-		589,304
	<u>113,850</u>		<u>1,188,154</u>
	-		531,076
	-		265,000
	-		(923,081)
	-		(235,084)
	-		10,500
	-		<u>(1,190,755)</u>
	-		<u>(1,542,344)</u>
	-		6,500
	-		<u>(72,194)</u>
	-		<u>(65,694)</u>
	-		(104,189)
	-		<u>6,653,661</u>
\$	-	\$	<u><u>6,549,472</u></u>

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended June 30, 2014 (continued)**

	Major Funds		
	<u>Recreation Facilities</u>	<u>Sanitary District</u>	<u>Easton Airport</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>			
Operating loss	\$ (1,135,328)	\$ (1,018,926)	\$ (1,433,398)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	714,570	1,231,751	1,856,385
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable, customers	(17,962)	13,528	21,383
Decrease (increase) in prepaid	-	-	(1,304)
Decrease (increase) in inventories	(6,534)	-	(7,390)
Increase (decrease) in accounts payable	(19,057)	49,590	46,012
Increase (decrease) in compensated absences	6,239	(5,551)	(1,750)
Increase (decrease) in due to other funds	281,875	(41,866)	(103,471)
Increase (decrease) in unearned revenue	(602)	2,500	(1,149)
Net cash provided (used) by operating activities	<u>\$ (176,799)</u>	<u>\$ 231,026</u>	<u>\$ 375,318</u>

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

<u>Nonmajor Fund</u>		
<u>Pool</u>		<u>Totals</u>
\$ (106,217)	\$	(3,693,869)
82,592		3,885,298
(1,067)		15,882
-		(1,304)
-		(13,924)
(21,413)		55,132
(323)		(1,385)
(67,422)		69,116
-		749
<u>\$ (113,850)</u>	<u>\$</u>	<u>315,695</u>

TALBOT COUNTY, MARYLAND

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND  
June 30, 2014

	<u>Other Post-Employment Benefits Trust Fund</u>
<b><u>ASSETS</u></b>	
Certificates of deposit	\$ 8,971,742
Interest receivable	<u>88</u>
Total Assets	<u>8,971,830</u>
<b><u>NET POSITION</u></b>	
Held in trust for other post-employment benefits	<u>\$ 8,971,830</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, 2014

	Other Post-Employment Benefits Trust Fund
<b>ADDITIONS:</b>	
Contributions	
Employer	\$ 1,961,000
Investment income	5,006
	<hr/>
Total contributions	1,966,006
	<hr/>
Change in net position	1,966,006
Net position held in trust for other post-employment benefits beginning of year	7,005,824
	<hr/>
Net position held in trust for other post-employment benefits end of year	\$ 8,971,830
	<hr/>

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

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## 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.

*GASB 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, eliminates a previous election that allowed financial statements for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations for the financial statements to the extent that the FASB Statements and Interpretations did not conflict with or contradict GASB pronouncements. The County has elected not to follow any other FASB 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 by voting on a formal motion at a County Council meeting.

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, 2014, the County Primary Government had deposits of \$17,835,306 with local banks (carrying value \$17,737,991). 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, 2014, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$17,100 as of June 30, 2014.

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

**Note 3. Deposits and Investments (continued)**

**Board of Education**

At June 30, 2014, the reported amount of the Board’s bank deposits was \$7,149,342 and the bank balance was \$7,982,544. These balances include \$1,205,782 of trust and agency cash and MLGIP of \$4,703,214 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, 2014, the Library had deposits totaling \$148,983 (carrying value \$104,106), 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 Capital Advisors, LLC and custodied by PNC Bank, N.A., 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, 2014, 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, 2014, 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, 2014, the Board had investments in MLGIP of \$4,703,214.

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, 2014, 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, 2014 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	Due from Other Funds	Due to Other Funds
General Fund	Transfers	\$ 6,386,917	\$ -
Special Revenue Fund - Grants Fund	Transfers	-	199,122
Enterprise Fund - Recreation Facilities	Transfers	-	3,913,946
Enterprise Fund - Sanitary District	Transfers	-	2,064,680
Enterprise Fund - Pool	Transfers	-	209,169
		<u>\$ 6,386,917</u>	<u>\$ 6,386,917</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, 2014 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	Advances to Other Funds	Advances from Other Funds
General Fund	Construction projects	\$ 511,685	\$ -
Enterprise Fund - Airport	Construction projects	-	511,685
		<u>\$ 511,685</u>	<u>\$ 511,685</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, 2014 was \$511,685, 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, 2014 is as follows:

	Balance June 30, 2013	Additions	Transfers and Reductions	Balance June 30, 2014
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Nondepreciable Capital Assets:				
Land	\$ 12,436,837	\$ -	\$ -	\$ 12,436,837
Infrastructure - road base	25,449,891	-	-	25,449,891
Construction in progress	2,902,871	2,040,987	(2,523,769)	2,420,089
<b>Total Nondepreciable Capital Assets</b>	<b>40,789,599</b>	<b>2,040,987</b>	<b>(2,523,769)</b>	<b>40,306,817</b>
Depreciable Capital Assets:				
Buildings and improvements	41,258,082	79,757	-	41,337,839
Infrastructure	12,849,579	316,879	2,493,318	15,659,776
Furniture and equipment	20,899,935	1,425,000	(185,860)	22,139,075
<b>Total capital assets being depreciated</b>	<b>75,007,596</b>	<b>1,821,636</b>	<b>2,307,458</b>	<b>79,136,690</b>
Less accumulated depreciation for:				
Buildings and improvements	13,216,366	1,330,110	-	14,546,476
Infrastructure	5,946,368	920,398	(15,539)	6,851,227
Furniture and equipment	15,712,475	1,408,235	(185,860)	16,934,850
<b>Total accumulated depreciation</b>	<b>34,875,209</b>	<b>3,658,743</b>	<b>(201,399)</b>	<b>38,332,553</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>40,132,387</b>	<b>(1,837,107)</b>	<b>2,508,857</b>	<b>40,804,137</b>
<b>Total Governmental Activities, Net</b>	<b>\$ 80,921,986</b>	<b>\$ 203,880</b>	<b>\$ (14,912)</b>	<b>\$ 81,110,954</b>
	Balance June 30, 2013	Additions	Transfers and Reductions	Balance June 30, 2014
<b>Business-Type Activities:</b>				
Nondepreciable Capital Assets:				
Land	\$ 3,499,479	\$ -	\$ -	\$ 3,499,479
Construction in progress	1,278,459	755,158	(133,076)	1,900,541
<b>Total Nondepreciable Capital Assets</b>	<b>4,777,938</b>	<b>755,158</b>	<b>(133,076)</b>	<b>5,400,020</b>
Depreciable Capital Assets:				
Buildings and improvements	96,981,101	362,723	133,076	97,476,900
Furniture and equipment	7,263,024	72,874	(18,185)	7,317,713
<b>Total Depreciable Capital Assets</b>	<b>104,244,125</b>	<b>435,597</b>	<b>114,891</b>	<b>104,794,613</b>
Less accumulated depreciation for:				
Buildings and improvements	40,845,065	3,477,456	-	44,322,521
Furniture and equipment	2,945,010	407,842	(18,185)	3,334,667
<b>Total accumulated depreciation</b>	<b>43,790,075</b>	<b>3,885,298</b>	<b>(18,185)</b>	<b>47,657,188</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>60,454,050</b>	<b>(3,449,701)</b>	<b>133,076</b>	<b>57,137,425</b>
<b>Total Business-Type Activities, Net</b>	<b>\$ 65,231,988</b>	<b>\$ (2,694,543)</b>	<b>\$ -</b>	<b>\$ 62,537,445</b>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 5. Capital Assets (continued)**

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 871,436
Public Safety	1,038,054
Public Works	1,445,479
Health & Hospitals	6,260
Recreation	<u>297,514</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 3,658,743</u>

A summary of changes in capital assets for the component units at June 30, 2014 is as follows:

	Balance June 30, 2013	Additions	Transfers and Reductions	Balance June 30, 2014
<b>Component Units</b>				
<b>Board of Education</b>				
Nondepreciable Capital Assets:				
Land	\$ 377,446	\$ -	\$ -	\$ 377,446
Depreciable Capital Assets:				
Buildings and improvements	94,415,041	-	-	94,415,041
Furniture and equipment	23,530,835	1,669,347	(55,590)	25,144,592
Total capital assets being depreciated	<u>117,945,876</u>	<u>1,669,347</u>	<u>(55,590)</u>	<u>119,559,633</u>
Less accumulated depreciation for:				
Buildings and improvements	34,781,525	2,131,659	-	36,913,184
Furniture and equipment	19,436,868	1,622,204	(54,938)	21,004,134
Total accumulated depreciation	<u>54,218,393</u>	<u>3,753,863</u>	<u>(54,938)</u>	<u>57,917,318</u>
Total Depreciable Capital Assets, Net	<u>\$ 63,727,483</u>	<u>\$ (2,084,516)</u>	<u>\$ (652)</u>	<u>\$ 61,642,315</u>
<b>Library</b>				
Nondepreciable Capital Assets:				
Land	\$ 49,921	\$ -	\$ -	\$ 49,921
Construction in progress	-	1,880	-	1,880
Total Nondepreciable Capital Assets	<u>49,921</u>	<u>1,880</u>	<u>-</u>	<u>51,801</u>
Depreciable Capital Assets:				
Buildings and improvements	559,721	-	-	559,721
Furniture and equipment	1,397,306	96,695	-	1,494,001
Total capital assets being depreciated	<u>1,957,027</u>	<u>96,695</u>	<u>-</u>	<u>2,053,722</u>
Less accumulated depreciation	991,751	230,504	-	1,222,255
Total Depreciable Capital Assets, Net	<u>\$ 965,276</u>	<u>\$ (133,809)</u>	<u>\$ -</u>	<u>\$ 831,467</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, 2014:

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amount Due in One Year
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
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%.	\$ 19,495,000	\$ -	\$ 1,005,000	\$ 18,490,000	\$ 1,045,000
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.	118,300	-	9,100	109,200	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%.	108,794	-	8,669	100,125	9,066
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%.	290,000	-	35,000	255,000	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%.	1,605,000	-	120,000	1,485,000	125,000
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%.	9,301,155	-	1,169,323	8,131,832	1,230,175

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

**Note 6. Long-Term Debt (continued)**

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amount Due in One Year
<b>Primary Government (continued)</b>					
<b>Governmental Activities (continued):</b>					
Excavation equipment financing agreement; original amount of \$287,000, payable in monthly payments of \$4,338 which include principal and interest at a rate of 1.98% with one final payment of \$43,050 through August 15, 2018.	-	287,000	43,339	243,661	47,658
Shore Erosion Control Loan (Neavitt Landing); total authorized borrowing \$90,330, to be repaid in 10 annual payments of \$9,033, no interest, to begin July 1 after completion of the project.	-	10,740	-	10,740	-
Chesapeake College Bonds of 2014; original issue \$1,760,000, a contractual liability payable to Queen Anne's County, the registered owner; payable in annual principal installments from \$61,706 to \$124,198 through April 1, 2034; interest payable semi-annually.	-	1,760,000	-	1,760,000	61,706
	30,918,249	2,057,740	2,390,431	30,585,558	2,562,705
Unamortized bond premium	749,392	-	77,324	672,068	-
Compensated absences	813,387	718,342	693,276	838,453	384,541
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$32,481,028</b>	<b>\$2,776,082</b>	<b>\$3,161,031</b>	<b>\$32,096,079</b>	<b>\$2,947,246</b>

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amount Due in One Year
<b>Business-type Activities:</b>					
<b>Recreation Facilities</b>					
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%.	\$ 1,865,000	\$ -	\$ 110,000	\$ 1,755,000	\$ 115,000
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%.	571,445	-	54,312	517,133	57,105
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%.	95,555	-	46,680	48,875	48,875
<b>Total Recreation Facilities</b>	<b>\$ 2,532,000</b>	<b>\$ -</b>	<b>\$ 210,992</b>	<b>\$ 2,321,008</b>	<b>\$ 220,980</b>

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

**Note 6. Long-Term Debt (continued)**

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amount Due in One Year
<b>Business-type Activities (continued):</b>					
<b>Sanitary District</b>					
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%.	\$ 180,000	\$ -	\$ 25,000	\$ 155,000	\$ 30,000
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%.	6,996,592	-	503,430	6,493,162	505,444
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%.	298,296	-	22,695	275,601	23,152
Farmers Home Administration Bond; Unionville/Tunis Mills/Coppper ville Wastewater System Bond of 2001; original issue \$186,000, payable quarterly in payments of \$2,833 through May 2030, including interest at 4.5%.	134,083	-	5,387	128,696	5,636
Total Sanitary District	<u>\$ 7,608,971</u>	<u>\$ -</u>	<u>\$ 556,512</u>	<u>\$ 7,052,459</u>	<u>\$ 564,232</u>

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

**Note 6. Long-Term Debt (continued)**

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014	Amount Due in One Year
<b>Business-type Activities (continued):</b>					
<b>Easton Airport</b>					
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%.	\$ 60,000	\$ -	\$ 10,000	\$ 50,000	\$ 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%.	225,000	-	35,000	190,000	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%.	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%.	325,001	-	30,000	295,001	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%.	277,400	-	26,365	251,035	27,720
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.	146,923	-	16,984	129,939	17,857
Consolidated Public Improvement Bonds, Series 2013; original issue \$265,000, payable monthly in principal and interest payments of \$1,304 through December 4, 2042; interest is payable at 4.25% per annum.	-	265,000	2,228	262,772	4,565
Total Easton Airport	<u>1,069,324</u>	<u>265,000</u>	<u>155,577</u>	<u>1,178,747</u>	<u>125,142</u>
Compensated absences	99,628	74,153	75,538	98,243	39,668
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>\$11,309,923</u>	<u>\$ 339,153</u>	<u>\$ 998,619</u>	<u>\$10,650,457</u>	<u>\$ 950,022</u>

The bonds outstanding at June 30, 2014 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	(199,880)
Total	\$ 34,066

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

**Business-Type Activities**

<u>Year Ending June 30</u>	
2015	\$ 50,106
Less amounts representing interest	(1,231)
Present value of future minimum lease payments	\$ 48,875

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 paid during the year was \$18,700. There is no debt outstanding at June 30, 2014. The obligation was paid by Chesapeake College, and was 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, 2014 is \$228,524.

	Balance at June 30, 2013	Additions	Reductions	Balance at June 30, 2014
<b><u>Component Units</u></b>				
<b><u>Board of Education</u></b>				
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.	\$ 279,444	\$ -	\$ 84,326	\$ 195,118
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.	97,898	-	22,252	75,646
Note payable to Suntrust Equipment Finance & Leasing Corp. principal and interest payments of \$8,638 are payable monthly through September 1, 2018; interest payable at 1.597% per annum; collateralized by school buses.	-	498,189	88,675	409,514
<b>TOTAL BOARD OF EDUCATION</b>	<b>\$ 377,342</b>	<b>\$ 498,189</b>	<b>\$ 195,253</b>	<b>\$ 680,278</b>

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**

<b>Governmental Activities</b>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year Ending June 30,			
2015	\$ 2,562,705	\$ 1,093,531	\$ 3,656,236
2016	2,640,685	1,056,213	3,696,898
2017	2,746,221	978,594	3,724,815
2018	2,827,300	891,931	3,719,231
2019	2,293,689	781,125	3,074,814
2020 - 2024	10,723,540	2,606,408	13,329,948
2025 - 2029	6,216,018	731,623	6,947,641
2030 - 2034	575,400	70,856	646,256
Total Governmental Activities	<u>\$ 30,585,558</u>	<u>\$ 8,210,281</u>	<u>\$ 38,795,839</u>

**Enterprise Fund - Recreational Facilities (excluding capital leases)**

Fiscal year Ending June 30,			
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	200,890	62,918	263,808
2020 - 2024	984,648	193,733	1,178,381
2025 - 2029	355,000	23,406	378,406
Total Recreational Facilities	<u>\$ 2,272,133</u>	<u>\$ 603,225</u>	<u>\$ 2,875,358</u>

**Enterprise Fund - Sanitary District**

Fiscal year Ending June 30,			
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	583,731	33,401	617,132
2020 - 2024	2,784,448	103,134	2,887,582
2025 - 2029	1,395,025	19,502	1,414,527
2030 - 2034	11,017	311	11,328
Total Sanitary District	<u>\$ 7,052,459</u>	<u>\$ 339,013</u>	<u>\$ 7,391,472</u>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 6. Long-Term Debt (continued)**

**Primary Government (continued)**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Enterprise Fund - Easton Airport</b>			
Fiscal year Ending June 30,			
2015	\$ 125,142	\$ 51,661	\$ 176,803
2016	127,087	43,438	170,525
2017	140,059	40,562	180,621
2018	141,935	34,707	176,642
2019	149,461	28,090	177,551
2020 - 2024	287,490	69,531	357,021
2025 - 2029	38,047	40,181	78,228
2030 - 2034	47,481	30,748	78,229
2035 - 2039	58,151	20,077	78,228
2040 - 2044	63,894	6,048	69,942
Total Easton Airport	<u>\$ 1,178,747</u>	<u>\$ 365,043</u>	<u>\$ 1,543,790</u>

**Component Units**

**Board of Education**

Fiscal year Ending June 30,			
2015	\$ 198,137	\$ 9,459	\$ 207,596
2016	209,762	6,473	216,235
2017	146,635	3,249	149,884
2018	108,502	1,186	109,688
2019	17,242	33	17,275
Total Board of Education	<u>\$ 680,278</u>	<u>\$ 20,400</u>	<u>\$ 700,678</u>

**Obligations Under State Retirement System**

**Component Unit – Board of Education**

State Retirement and Pension System of Maryland  
Payable annually through December 2035.

\$ 549,786

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>	
2015	\$ 33,953
2016	35,651
2017	37,434
2018	39,305
2019	41,270
2020 - 2024	239,449
2025 - 2029	305,602
2030 - 2034	390,036
2035 - 2036	<u>184,651</u>
Sub-Total	1,307,351
Less amounts representing interest	<u>(757,565)</u>
Liability as of June 30, 2014	<u><u>\$ 549,786</u></u>

**Note 7. Pension Plans**

**Plan Description**

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

Participants in the Systems may retire with full benefits after thirty years of service regardless of age or at various ages with specified years of eligibility service for reduced benefits. Annual service retirement allowances are paid monthly to retired members in accordance with allowance options selected based on average final compensation. Participants terminating in the retirement system prior to the specified retirement age are refunded their accumulated contributions plus earned interest or may defer receipt of accumulated contributions until age 60. Participants and their beneficiaries may also be eligible for disability and death benefits based on years of creditable service and average final compensation.

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

**Note 7. Pension Plans (continued)**

**Funding Policy**

The State Personnel and Pensions Article requires active members to contribute to the System at the rate of 7% of their covered salary. The combined State contribution rate for the year ending 2014 is established by annual actuarial valuations. The current rate is 14.71% of covered payroll for teachers and 14.05% for classified employees. On-behalf payments consist of pension contributions made by the State of Maryland to the State Retirement System for applicable employees of the Board of Education and Library. The amounts recognized as revenue and expenditures for the fiscal year ended June 30, 2014 were \$3,350,924 and \$133,516 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, 2014, 2013, and 2012, payroll covered under the various state plans, and contributions paid are as follows:

	<b>2014</b>	2013	2012
Total payroll	<b>\$ 47,911,062</b>	\$ 47,259,887	\$ 45,023,269
Payroll covered under the plans	<b>43,631,621</b>	43,025,040	41,711,347
Actual % contributed of required contributions	<b>100%</b>	100%	100%
Contributions paid:			
County payments	<b>1,110,464</b>	994,080	1,205,123
Board of Education payments	<b>1,665,279</b>	1,389,615	815,161
State On-Behalf payments:			
Board of Education	<b>3,350,924</b>	2,987,207	3,882,631
Library	<b>133,516</b>	108,132	101,327

**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 2014 payment was \$32,338. 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 2014 is determined to be \$796,586.

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 County also provides life insurance coverage to employees who retire from the County and who are members of the State Retirement and Pension Systems of Maryland. Coverage is limited to one times the employee’s salary when they retire. The benefit is reduced to 65% of the salary at retirement at age 70 and 50% at age 75.

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, 2013, the date of the actuarial valuation, 2 retirees were receiving benefits under the plan, and an estimated 13 active employees are potentially eligible to receive future benefits. Active members eligible to receive healthcare benefits are currently covered under Talbot County, Maryland’s healthcare plan.

**Funding Policy**

The County pays for the cost of post-retirement health care benefits under the Plan for eligible retirees and their dependents/family members on a pay-as-you-go basis 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 2014, the County paid for coverage of 77 eligible retirees, family members, and dependents at a total cost to the County of \$647,194 and eligible retirees contributed \$98,728. The County has the authority to establish and amend the funding policy of the Plan.

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

The Library pays for 66.67% of the cost of eligible retiree healthcare premiums with the retiree paying the remaining portion of the cost. For fiscal year 2014, the Library contributed \$5,301 to the plan for 2 eligible retirees.

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, 2014. 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>
<b><u>Talbot County</u></b>				
2012	\$ 724,609	\$ 7,428,588	1025.19%	\$ (2,201,899)
2013	724,609	441,967	60.99%	(1,919,257)
2014	513,187	2,608,194	508.23%	(4,014,264)
<b><u>Board of Education</u></b>				
2012	\$ 4,308,000	\$ 1,307,000	30.34%	\$ 13,987,425
2013	5,274,000	1,403,000	26.60%	17,858,425
2014	5,620,000	1,490,000	26.51%	21,988,425
<b><u>Library</u></b>				
2012	\$ 113,919	\$ 2,388	2.10%	\$ 395,531
2013	113,919	2,287	2.01%	507,163
2014	107,925	5,301	4.91%	609,787

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, 2014 was calculated as follows:

	<b>County</b>	<b>Board of Education</b>	<b>Library</b>
Annual required contribution (ARC)	\$ 502,987	\$ 5,649,000	\$ 115,205
Interest on net OPEB obligation	(134,348)	714,000	18,662
Adjustment to the ARC	144,548	(743,000)	(25,942)
Annual OPEB cost	513,187	5,620,000	107,925
Contribution to trust	(1,961,000)	-	-
Pay as you go	(647,194)	(1,490,000)	(5,301)
Net OPEB change	(2,095,007)	4,130,000	102,624
Net OPEB obligation (asset), beginning of year	(1,919,257)	17,858,425	507,163
Net OPEB obligation (asset), end of year	<u>\$ (4,014,264)</u>	<u>\$ 21,988,425</u>	<u>\$ 609,787</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
<b><u>Talbot County, Maryland</u></b>							
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%
2014	July 1, 2013	8,971,830	12,460,315	72.00%	3,488,485	11,048,309	31.6%
<b><u>Board of Education</u></b>							
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	31,804,864	185.0%
2014	July 1, 2014	-	62,681,000	0.00%	62,681,000	31,677,993	197.9%
<b><u>Library</u></b>							
2012	July 1, 2011	\$ -	\$ 1,262,817	0.00%	\$ 1,262,817	\$ 569,895	221.6%
2013	July 1, 2011	-	1,262,817	0.00%	1,262,817	604,699	208.8%
2014	July 1, 2013	-	1,347,733	0.00%	1,347,733	583,855	230.8%

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, 2013 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 6.5% initially reduced by decrements to an ultimate rate of 4.5%. 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 using open amortization.

In the Board of Education's June 30, 2014 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, 2014 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 7.6% 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 Massachusetts Mutual Life Insurance Company (Mass Mutual).

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, 2014. Property taxes not received within the "available" period are also deferred. The property tax receivable amount is not material, and is netted in with liabilities within the government-wide and fund financial statements. Unearned revenue at June 30, 2014 consisted of the following:

	<b>County</b>	<b>Board of Education</b>	
Federal and state grants	\$ 3,337	\$ 858,063	
Other sources	2,668,537	25,818	
	\$ 2,671,874	\$ 883,881	

**Note 11. Commitments and Contingencies**

**Primary Government**

**Landfills Closure and Post-closure Costs**

The County has a 27.21% 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, 2014, total closure and post closure care costs were estimated at approximately \$23.3 million, with approximately \$6.3 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, 2014, 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, 2013. MES expects to satisfy these requirements as of June 30, 2014 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 argued before the U.S. Supreme Court, will have to be issued in the future. As such, a liability for this amount has been recorded to date. 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 entered into contracts for the design, construction, and renovation of facilities at June 30, 2014, which are as follows:

	Amounts Expended To Date	Remaining Construction Commitment	Expected Date of Completion
St. Michaels Wastewater System Rehabilitation	\$ 489,596	\$ 493,693	December 2014

**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, 2014, 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, six Boards of Education and two 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 and with Wells Fargo Advisors.

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, 2014, the Sanitary District Fund, the Easton Airport Fund, and the Pool Fund had deficits in unrestricted net position of \$1,527,807, \$31,237, and \$236,430, respectively. These deficits are expected to be eliminated through normal operations.

At June 30, 2014, 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, 2014, the outstanding balance of these bonds and notes payables was \$29,845,402 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 June 18, 2014, the Board approved a lease purchase of two school buses over five years. The total cost of the lease, including interest is \$267,476, which is payable in annual installments.

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## 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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
<b>TAXES - LOCAL</b>				
<b>LOCAL PROPERTY TAXES</b>				
Real property	\$ 32,735,000	\$ 32,735,000	\$ 33,026,089	\$ 291,089
Railroad and public utilities	615,000	615,000	679,754	64,754
Prior Years	-	-	(10,659)	(10,659)
Penalties and interest	163,000	163,000	190,523	27,523
<b>Total property taxes</b>	<b>33,513,000</b>	<b>33,513,000</b>	<b>33,885,707</b>	<b>372,707</b>
Less: Discounts allowed on taxes	(220,000)	(220,000)	(224,835)	(4,835)
<b>Net property taxes</b>	<b>33,293,000</b>	<b>33,293,000</b>	<b>33,660,872</b>	<b>367,872</b>
<b>LOCAL INCOME TAXES</b>	<b>26,000,000</b>	<b>26,000,000</b>	<b>27,108,102</b>	<b>1,108,102</b>
<b>OTHER LOCAL TAXES</b>				
Admissions and amusements	40,000	40,000	45,531	5,531
Recordation	5,050,000	5,050,000	4,943,298	(106,702)
Transfer	2,500,000	2,500,000	3,341,976	841,976
Public accommodations	1,250,000	1,250,000	1,135,209	(114,791)
Mobile manufactured home	63,000	63,000	56,615	(6,385)
<b>Total other local taxes</b>	<b>8,903,000</b>	<b>8,903,000</b>	<b>9,522,629</b>	<b>619,629</b>
<b>Total local taxes</b>	<b>68,196,000</b>	<b>68,196,000</b>	<b>70,291,603</b>	<b>2,095,603</b>
<b>LICENSES AND PERMITS</b>				
Beer, wine and liquor licenses	167,000	167,000	169,780	2,780
Alcoholic beverages fines	500	500	600	100
Traders licenses	35,000	35,000	30,305	(4,695)
Animal tags and fines	3,000	3,000	6,439	3,439
Stormwater permits	3,000	3,000	16,750	13,750
Flood plain permits	700	700	1,190	490
Boat ramp permits and violations	175,000	175,000	145,257	(29,743)
Marriage licenses	2,500	2,500	4,010	1,510
Plumbing permits	10,000	10,000	12,682	2,682
Zoning fines	-	-	11,798	11,798
Gas permits and licenses	-	-	10,241	10,241
Plumbing licenses	7,500	7,500	7,060	(440)
HVAC inspections and registrations	8,000	8,000	12,424	4,424
Slot machine licenses	1,250	1,250	-	(1,250)
Electrical licenses	16,000	16,000	19,394	3,394
Building permits	160,000	160,000	135,175	(24,825)
<b>Total licenses and permits</b>	<b>589,450</b>	<b>589,450</b>	<b>583,105</b>	<b>(6,345)</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2014**

**(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
<b>FROM THE FEDERAL GOVERNMENT</b>				
State's attorney - child support	\$ 100,000	\$ 100,000	\$ 158,715	\$ 58,715
HMEP grant	12,000	12,000	10,400	(1,600)
FEMA	25,000	25,000	73,609	48,609
Emergency management - DHS	26,000	26,000	150,972	124,972
Community emergency response team	-	-	4,521	4,521
Community transformation grant	-	-	1,000	1,000
<b>Total Federal revenues</b>	<b>163,000</b>	<b>163,000</b>	<b>399,217</b>	<b>236,217</b>
<b>FROM THE STATE OF MARYLAND</b>				
Police protection	55,257	55,257	94,666	39,409
Sex offender grant	16,000	16,000	14,605	(1,395)
School bus safety grant	16,000	16,000	8,142	(7,858)
Motor carrier - State Highway	-	-	7,868	7,868
Fire and rescue	215,000	215,000	257,412	42,412
911 grants and numbers system board	260,000	260,000	300,928	40,928
Community right to know grant	1,400	1,400	1,400	-
Community service	23,000	23,000	23,000	-
Addictions program grant	-	-	8,374	8,374
Circuit Court - Family Services	154,246	154,246	104,434	(49,812)
Problem solving court grant	107,384	107,384	99,452	(7,932)
Critical areas	15,000	15,000	15,000	-
Highway user revenues	312,935	312,935	369,650	56,715
Recordation	15,000	15,000	52,505	37,505
Department of Natural Resources	-	-	73,225	73,225
Program open space	-	-	59,959	59,959
Public landing grants	22,000	22,000	14,968	(7,032)
Tourism	20,000	20,000	108,815	88,815
DSS-Legal fees	70,000	70,000	81,044	11,044
Security filing fees	203	203	225	22
<b>Total state revenues</b>	<b>1,303,425</b>	<b>1,303,425</b>	<b>1,695,672</b>	<b>392,247</b>
<b>Total intergovernmental</b>	<b>1,466,425</b>	<b>1,466,425</b>	<b>2,094,889</b>	<b>628,464</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2014**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>SERVICE CHARGES</b>				
<b>GENERAL GOVERNMENT CHARGES</b>				
Zoning fees and certificates	\$ 16,300	\$ 16,300	\$ 18,396	\$ 2,096
Subdivision applications	20,000	20,000	23,633	3,633
Administrative variance	2,700	2,700	3,350	650
Board of appeals	7,000	7,000	5,000	(2,000)
Site plan reviews	2,500	2,500	3,525	1,025
Forest conservation fees	3,000	3,000	2,210	(790)
Critical area preservation	20,000	20,000	36,235	16,235
Bed & breakfast license/home occupation	850	850	675	(175)
Short term rental fees	11,000	11,000	14,550	3,550
Mobile home fees	225	225	375	150
Roadside vendors and produce stand	1,300	1,300	1,750	450
Weed and litter enforcement	1,000	1,000	3,111	2,111
Weed control spraying	31,000	31,000	39,997	8,997
Economic development/tourism	95,000	95,000	87,056	(7,944)
Election filing and voter lists	450	450	1,325	875
Sheriff's fees	30,000	30,000	27,005	(2,995)
Emergency medical services	1,400,000	1,400,000	1,316,584	(83,416)
MIEMSS-EMS communications	125,000	125,000	125,000	-
Hazmat fees	5,000	5,000	2,553	(2,447)
Other charges	600	600	565	(35)
<b>Total general government</b>	<b>1,772,925</b>	<b>1,772,925</b>	<b>1,712,895</b>	<b>(60,030)</b>
<b>PUBLIC SAFETY CHARGES</b>				
Boarding of local prisoners	15,000	15,000	5,310	(9,690)
Weekenders fees	3,000	3,000	2,810	(190)
Live-in, work-out fees	7,000	7,000	3,827	(3,173)
Home detention program	3,500	3,500	1,015	(2,485)
Federal prisoner program	60,000	60,000	1,892	(58,108)
Community service fees	3,500	3,500	2,855	(645)
<b>Total public safety charges</b>	<b>92,000</b>	<b>92,000</b>	<b>17,709</b>	<b>(74,291)</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2014**

**(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>SERVICE CHARGES (continued)</b>				
<b>HEALTH</b>				
Mosquito control fees	\$ 117,000	\$ 117,000	\$ 133,248	\$ 16,248
<b>RECREATION CHARGES</b>				
Boat slips	70,000	70,000	59,707	(10,293)
Program fees	-	-	80	80
Other recreation	30,000	30,000	15,883	(14,117)
<b>Total recreation</b>	<b>100,000</b>	<b>100,000</b>	<b>75,670</b>	<b>(24,330)</b>
<b>Total service charges</b>	<b>2,081,925</b>	<b>2,081,925</b>	<b>1,939,522</b>	<b>(142,403)</b>
<b>FINES AND FORFEITURES</b>	<b>-</b>	<b>-</b>	<b>11,106</b>	<b>11,106</b>
<b>MISCELLANEOUS</b>				
Rents	30,000	30,000	57,093	27,093
Other	36,200	1,852,337	1,955,919	103,582
<b>Total miscellaneous</b>	<b>66,200</b>	<b>1,882,337</b>	<b>2,013,012</b>	<b>130,675</b>
<b>INTEREST</b>	<b>50,000</b>	<b>50,000</b>	<b>83,083</b>	<b>33,083</b>
<b>TOTAL REVENUES</b>	<b>72,450,000</b>	<b>74,266,137</b>	<b>77,016,320</b>	<b>2,750,183</b>
<b>OTHER FINANCING SOURCES</b>				
Note issued - SunTrust	-	-	287,000	287,000
Note issued - Chesapeake College	-	-	1,760,000	1,760,000
Reserved and unexpended funds	-	1,961,000	-	(1,961,000)
<b>Total other financing sources</b>	<b>-</b>	<b>1,961,000</b>	<b>2,047,000</b>	<b>86,000</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 72,450,000</b>	<b>\$ 76,227,137</b>	<b>\$ 79,063,320</b>	<b>\$ 2,836,183</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2014**

**(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>EXPENDITURES</u></b>				
<b>GENERAL GOVERNMENT</b>				
<b>LEGISLATIVE</b>				
County Council:				
Salaries	\$ 73,000	\$ 73,000	\$ 73,000	\$ -
Other operating	47,200	47,200	42,846	4,354
<b>Total legislative</b>	<b>120,200</b>	<b>120,200</b>	<b>115,846</b>	<b>4,354</b>
<b>JUDICIAL</b>				
Circuit Court:				
Salaries	141,284	141,595	140,694	901
Other operating	53,350	53,000	49,208	3,792
Capital outlay	10,000	10,000	1,880	8,120
Court Stenographer:				
Salaries	32,000	33,000	35,530	(2,530)
Other operating	150	150	99	51
Family Services:				
Salaries and fringe benefits	57,046	57,046	57,305	(259)
Other operating	97,200	97,200	47,129	50,071
Problem Solving Court:				
Salaries and fringe benefits	84,941	84,941	88,767	(3,826)
Other operating	22,443	22,443	11,000	11,443
Orphan's Court:				
Salaries	17,672	17,672	17,672	-
Other operating	725	725	254	471
State's Attorney:				
Salaries	467,452	505,342	505,341	1
Other operating	37,138	41,878	42,699	(821)
Capital outlay	-	-	412	(412)
Child Support:				
Salaries and fringe benefits	181,392	114,920	114,891	29
Other operating	8,897	81,140	81,937	(797)
Victim Witness Program:				
Salaries	107,623	108,366	108,366	-
Other operating	5,090	5,090	2,354	2,736
<b>Total judicial</b>	<b>1,324,403</b>	<b>1,374,508</b>	<b>1,305,538</b>	<b>68,970</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2014**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>GENERAL GOVERNMENT (continued)</b>				
<b>EXECUTIVE</b>				
County Administration:				
Salaries	\$ 400,105	\$ 416,900	\$ 415,871	\$ 1,029
Other operating	52,860	67,860	49,363	18,497
Capital outlay	8,000	6,000	4,279	1,721
<b>Total executive</b>	<b>460,965</b>	<b>490,760</b>	<b>469,513</b>	<b>21,247</b>
<b>ELECTIONS</b>				
Board of Supervisors of Elections:				
Salaries and fringe benefits	188,914	157,760	156,620	1,140
Other operating	92,105	98,800	87,460	11,340
Capital outlay	-	4,500	4,379	121
Registration and elections				
Salaries and fringe benefits	47,300	47,300	-	47,300
Other operating	4,000	4,000	-	4,000
<b>Total elections</b>	<b>332,319</b>	<b>312,360</b>	<b>248,459</b>	<b>63,901</b>
<b>FINANCIAL ADMINISTRATION</b>				
Finance Office:				
Salaries	501,567	461,900	459,940	1,960
Other operating	148,875	179,450	155,864	23,586
Capital outlay	-	6,800	4,649	2,151
MD State Department of Assessments and Taxation	250,000	180,000	179,670	330
Liquor License Commissioners:				
Salaries	10,106	10,106	10,016	90
Other operating	3,300	3,300	1,893	1,407
<b>Total financial administration</b>	<b>913,848</b>	<b>841,556</b>	<b>812,032</b>	<b>29,524</b>
<b>LAW</b>				
County Attorney:				
Salaries	198,670	241,752	238,504	3,248
Other operating	33,190	34,450	16,225	18,225
<b>Total law</b>	<b>231,860</b>	<b>276,202</b>	<b>254,729</b>	<b>21,473</b>
<b>PLANNING AND ZONING</b>				
Planning Office:				
Salaries	442,868	395,475	395,185	290
Other operating	38,800	38,800	30,278	8,522
Capital outlay	-	28,000	3,820	24,180
Board of Appeals:				
Salaries	65,002	65,002	62,986	2,016
Other operating	15,650	15,650	5,736	9,914
<b>Total planning and zoning</b>	<b>562,320</b>	<b>542,927</b>	<b>498,005</b>	<b>44,922</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2014**

**(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>GENERAL GOVERNMENT (continued)</b>				
<b>GENERAL SERVICES</b>				
County Buildings:				
Salaries	\$ 252,531	\$ 255,693	\$ 251,262	\$ 4,431
Other operating	337,040	369,978	349,007	20,971
Capital outlay	88,000	88,000	91,896	(3,896)
Library Maintenance	115,300	121,205	134,000	(12,795)
Information Technology:				
Salaries	191,617	192,355	192,354	1
Other operating	112,720	115,720	94,281	21,439
Capital outlay	120,000	265,000	276,866	(11,866)
Insurance	93,000	76,637	83,599	(6,962)
<b>Total general services</b>	<b>1,310,208</b>	<b>1,484,588</b>	<b>1,473,265</b>	<b>11,323</b>
<b>ECONOMIC DEVELOPMENT</b>				
Office of Economic Development:				
Salaries and fringe benefits	136,253	121,471	121,453	18
Other operating	17,197	21,866	21,837	29
Arts Council	10,000	10,000	10,000	-
Tourism:				
Salaries and fringe benefits	126,500	117,866	117,783	83
Other operating	280,600	369,700	394,404	(24,704)
Capital outlay	5,000	-	-	-
Historic Preservation Commission	2,000	2,000	1,485	515
Other	20,000	20,000	20,000	-
<b>Total economic development</b>	<b>597,550</b>	<b>662,903</b>	<b>686,962</b>	<b>(24,059)</b>
<b>Total general government</b>	<b>5,853,673</b>	<b>6,106,004</b>	<b>5,864,349</b>	<b>241,655</b>
<b>PUBLIC SAFETY</b>				
<b>SHERIFF</b>				
Salaries	1,665,980	1,674,777	1,616,761	58,016
Other operating	357,630	357,630	339,207	18,423
Capital outlay	200,700	200,700	198,383	2,317
<b>Total sheriff</b>	<b>2,224,310</b>	<b>2,233,107</b>	<b>2,154,351</b>	<b>78,756</b>
<b>MUNICIPAL INSTITUTIONS</b>				
Detention Center:				
Salaries	1,713,130	1,713,130	1,683,664	29,466
Other operating	1,099,000	1,099,000	1,061,747	37,253
Capital outlay	30,000	48,200	46,613	1,587
<b>Total municipal institutions</b>	<b>2,842,130</b>	<b>2,860,330</b>	<b>2,792,024</b>	<b>68,306</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2014**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>PUBLIC SAFETY (continued)</b>				
<b>OTHER PUBLIC SAFETY</b>				
School Crossing Guards	\$ 55,083	\$ 55,083	\$ 55,083	\$ -
Animal Control Program	395,960	396,200	396,484	(284)
Emergency Management:				
Salaries	793,181	815,012	809,467	5,545
Other operating	414,903	421,509	388,275	33,234
Capital outlay	-	-	141,559	(141,559)
Volunteer Fire Companies	1,459,417	1,459,417	1,414,302	45,115
Emergency Medical Services:				
Salaries and fringe benefits	2,986,166	3,048,291	2,986,839	61,452
Other operating	499,569	509,625	509,470	155
Capital outlay	24,000	73,900	74,441	(541)
Hazardous Materials:				
Salaries and fringe benefits	11,250	11,250	368	10,882
Other operating	15,150	15,150	15,703	(553)
<b>Total other public safety</b>	<b>6,654,679</b>	<b>6,805,437</b>	<b>6,791,991</b>	<b>13,446</b>
<b>PROTECTIVE INSPECTION</b>				
Electrical Inspection:				
Salaries	5,525	5,525	5,100	425
Other operating	2,100	2,100	1,015	1,085
Building and Plumbing Inspection:				
Salaries	224,174	273,630	268,311	5,319
Other operating	19,400	20,050	20,032	18
Capital outlay	-	28,000	17,083	10,917
<b>Total protective inspection</b>	<b>251,199</b>	<b>329,305</b>	<b>311,541</b>	<b>17,764</b>
<b>Total public safety</b>	<b>11,972,318</b>	<b>12,228,179</b>	<b>12,049,907</b>	<b>178,272</b>
<b>PUBLIC WORKS</b>				
<b>PUBLIC WORKS - GENERAL</b>				
Salaries	353,877	353,877	352,850	1,027
Other operating	29,222	29,222	27,285	1,937
Capital outlay	-	-	74,199	(74,199)
<b>Total public works - general</b>	<b>383,099</b>	<b>383,099</b>	<b>454,334</b>	<b>(71,235)</b>
<b>PUBLIC LANDINGS AND WHARVES</b>				
Salaries	130,380	119,725	117,880	1,845
Other operating	49,710	47,200	37,235	9,965
Capital outlay	-	5,500	7,220	(1,720)
<b>Total public landings and wharves</b>	<b>180,090</b>	<b>172,425</b>	<b>162,335</b>	<b>10,090</b>
<b>SOLID WASTE DISPOSAL</b>				
Salaries and fringe benefits	88,971	82,018	81,863	155
Other operating	550,750	626,050	616,435	9,615
<b>Total solid waste disposal</b>	<b>639,721</b>	<b>708,068</b>	<b>698,298</b>	<b>9,770</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2014**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>PUBLIC WORKS (continued)</b>				
<b>HIGHWAYS AND STREETS</b>				
Salaries and fringe benefits	\$ 1,257,330	\$ 1,189,660	\$ 1,184,360	\$ 5,300
Other operating	944,868	878,868	685,010	193,858
Debt service	53,692	53,692	47,714	5,978
Capital outlay	30,000	256,000	534,445	(278,445)
<b>Total highways and streets</b>	<b>2,285,890</b>	<b>2,378,220</b>	<b>2,451,529</b>	<b>(73,309)</b>
<b>Total public works</b>	<b>3,488,800</b>	<b>3,641,812</b>	<b>3,766,496</b>	<b>(124,684)</b>
<b>HEALTH AND HOSPITALS</b>				
Health department	1,333,778	1,333,778	1,336,699	(2,921)
School health	488,546	488,546	488,546	-
Addictions counseling	76,800	76,800	76,800	-
Senior services program	50,000	50,000	50,000	-
Mosquito control	120,000	136,524	136,524	-
<b>Total health and hospitals</b>	<b>2,069,124</b>	<b>2,085,648</b>	<b>2,088,569</b>	<b>(2,921)</b>
<b>SOCIAL SERVICES</b>				
Social services legal	91,250	91,250	81,044	10,206
Neighborhood Service Center	72,126	72,126	72,126	-
Delmarva Community Services	93,688	93,688	93,688	-
Senior Services	176,074	198,066	198,066	-
Social Services	12,912	12,912	12,912	-
St. Martin's Ministries	7,000	7,000	7,000	-
Senior Center bus passes	8,400	8,400	8,400	-
<b>Total social services</b>	<b>461,450</b>	<b>483,442</b>	<b>473,236</b>	<b>10,206</b>
<b>EDUCATION</b>				
Board of Education:				
Operating appropriation	34,361,680	34,361,680	34,361,680	-
Teacher pensions	796,586	796,586	796,586	-
Debt Service	3,364,433	3,364,433	3,351,547	12,886
Capital outlay	-	-	761,814	(761,814)
Library:				
Operating appropriation	997,406	997,406	997,406	-
Capital outlay	13,500	13,500	13,111	389
Community College:				
Operating appropriation	1,359,572	1,359,572	1,359,572	-
Capital outlay	77,000	77,000	77,000	-
Project note of 2014	-	-	1,760,000	(1,760,000)
Debt Service	203,476	63,476	62,469	1,007

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2014**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>EDUCATION (continued)</b>				
Chesapeake Developmental Center	\$ 45,005	\$ 45,005	\$ 45,005	\$ -
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	79,834	79,834	79,092	742
Other operating	12,870	12,870	9,209	3,661
<b>Total education</b>	41,311,362	41,171,362	43,674,491	(2,503,129)
<b>RECREATION</b>				
Parks and Recreation:				
Salaries	126,380	121,072	117,381	3,691
Other operating	166,525	145,706	138,075	7,631
Capital outlay	70,000	80,000	133,898	(53,898)
<b>Total recreation</b>	362,905	346,778	389,354	(42,576)
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Agricultural Extension Service	165,489	165,489	165,489	-
Agricultural Preservation				
Operating appropriation	-	-	4,372	(4,372)
Other	6,000	7,500	5,113	2,387
Weed Control:				
Salaries and fringe benefits	60,798	60,943	59,868	1,075
Other operating	26,042	32,392	17,533	14,859
<b>Total conservation of natural resources</b>	258,329	266,324	252,375	13,949
<b>INTERGOVERNMENTAL</b>				
Payments to Municipalities:				
Fire, rescue and ambulance fund	20,000	20,000	57,411	(37,411)
Bank stock	7,535	7,535	7,535	-
Public accommodations tax	900,000	820,000	809,492	10,508
<b>Total intergovernmental</b>	927,535	847,535	874,438	(26,903)
<b>EMPLOYEE BENEFITS</b>				
Retirement and pension contributions:				
Employees retirement	746,000	746,000	685,339	60,661
Social security tax	594,000	594,000	587,690	6,310
Health insurance	2,200,000	2,100,000	2,189,343	(89,343)
Health insurance waiver	64,000	64,000	67,500	(3,500)

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2014**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>EMPLOYEE BENEFITS (continued)</b>				
Unemployment insurance	\$ 34,255	\$ 34,255	\$ 29,805	\$ 4,450
Group life insurance	36,000	36,000	35,068	932
Disability insurance	36,000	36,000	30,945	5,055
Substance abuse testing	6,000	6,000	5,095	905
Workers' compensation	140,000	140,000	89,880	50,120
Employee assistance program	5,800	5,800	6,396	(596)
Employee training	-	-	2,951	(2,951)
OPEB	-	1,961,000	1,961,000	-
Other operating	4,000	4,000	4,868	(868)
<b>Total employee benefits</b>	<b>3,866,055</b>	<b>5,727,055</b>	<b>5,695,880</b>	<b>31,175</b>
<b>MISCELLANEOUS</b>	<b>83,000</b>	<b>101,862</b>	<b>79,206</b>	<b>22,656</b>
<b>DEBT SERVICE</b>				
Principal on long-term debt	48,645	48,645	48,645	-
Interest on long-term debt	13,773	13,773	13,439	334
<b>Total debt service</b>	<b>62,418</b>	<b>62,418</b>	<b>62,084</b>	<b>334</b>
<b>RESERVE FOR CONTINGENCIES</b>	<b>700,000</b>	<b>309,550</b>	<b>214,355</b>	<b>95,195</b>
<b>TOTAL EXPENDITURES</b>	<b>71,416,969</b>	<b>73,377,969</b>	<b>75,484,740</b>	<b>(2,106,771)</b>
<b>OTHER FINANCING USES</b>				
Transfers:				
Pool - Operating appropriation	137,950	137,950	113,850	24,100
Capital projects - Capital outlay	-	1,816,137	1,816,137	-
Recreation - Operating appropriation	325,000	325,000	325,000	-
Designated fund balance	570,081	570,081	-	570,081
<b>Total other financing uses</b>	<b>1,033,031</b>	<b>2,849,168</b>	<b>2,254,987</b>	<b>594,181</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>72,450,000</b>	<b>76,227,137</b>	<b>77,739,727</b>	<b>(1,512,590)</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,323,593</b>	<b>\$ 1,323,593</b>

**TALBOT COUNTY, MARYLAND**

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

**June 30, 2014**

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
<b><u>Talbot County, Maryland</u></b>							
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%
2014	July 1, 2013	8,971,830	12,460,315	72.00%	3,488,485	11,048,309	31.6%
<b><u>Board of Education</u></b>							
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	31,804,864	185.0%
2014	July 1, 2014	-	62,681,000	0.00%	62,681,000	31,677,993	197.9%
<b><u>Library</u></b>							
2012	July 1, 2011	\$ -	\$ 1,262,817	0.00%	\$ 1,262,817	\$ 569,895	221.6%
2013	July 1, 2011	-	1,262,817	0.00%	1,262,817	604,699	208.8%
2014	July 1, 2013	-	1,347,733	0.00%	1,347,733	583,855	230.8%

**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, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - State	\$ 50,000	\$ 50,000	\$ 69,071	\$ 19,071
Other grants	-	-	48,600	48,600
Interest	-	-	8,006	8,006
<b>Total revenues</b>	<b>50,000</b>	<b>50,000</b>	<b>125,677</b>	<b>75,677</b>
<b>EXPENDITURES</b>				
General government	445,000	445,000	16,702	428,298
Public safety	1,959,900	1,959,900	1,640,537	319,363
Public works	1,200,000	1,200,000	378,036	821,964
Health and hospitals	-	-	1	(1)
Education	2,139,341	2,139,341	341,372	1,797,969
<b>Total expenditures</b>	<b>5,744,241</b>	<b>5,744,241</b>	<b>2,376,648</b>	<b>3,367,593</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated fund balance	3,033,900	3,033,900	-	(3,033,900)
Note issued - DNR	1,910,341	1,910,341	10,740	(1,899,601)
Transfer from general fund	-	-	1,816,137	1,816,137
Transfer from developmental impact	750,000	750,000	750,000	-
<b>Total other financing sources (uses)</b>	<b>5,694,241</b>	<b>5,694,241</b>	<b>2,576,877</b>	<b>(3,117,364)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 325,906</b>	<b>\$ 325,906</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
DEVELOPMENTAL IMPACT FUND  
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Licenses and permits:				
Impact fees:				
General government	\$ 20,000	\$ 20,000	\$ 77,654	\$ 57,654
Public works	24,500	24,500	228,548	204,048
Education				
Public schools	50,000	50,000	122,354	72,354
Library	10,000	10,000	23,677	13,677
Community College	2,500	2,500	5,014	2,514
Recreation	15,000	15,000	24,298	9,298
Interest	2,000	2,000	2,646	646
<b>Total revenues</b>	<b>124,000</b>	<b>124,000</b>	<b>484,191</b>	<b>360,191</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers:				
Recreation fund	(160,000)	(160,000)	(160,000)	-
Capital projects	(750,000)	(750,000)	(750,000)	-
Appropriated fund balance	786,000	786,000	-	(786,000)
<b>Total other financing sources (uses)</b>	<b>(124,000)</b>	<b>(124,000)</b>	<b>(910,000)</b>	<b>(786,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (425,809)</b>	<b>\$ (425,809)</b>

**TALBOT COUNTY, MARYLAND**

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

**For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - Federal	\$ 1,606,885	\$ 1,606,885	\$ 2,212,158	\$ 605,273
Intergovernmental - State	223,251	223,251	943,903	720,652
Miscellaneous	-	-	256,226	256,226
Contribution	1,500	1,500	37,449	35,949
<b>Total revenues</b>	<b>1,831,636</b>	<b>1,831,636</b>	<b>3,449,736</b>	<b>1,618,100</b>
<b>EXPENDITURES</b>				
General government	136,190	136,190	189,617	(53,427)
Public safety	101,500	101,500	108,724	(7,224)
Public works	-	-	1,085,233	(1,085,233)
Health and hospitals	1,500,000	1,500,000	2,004,544	(504,544)
Social services	93,946	93,946	61,618	32,328
<b>Total expenditures</b>	<b>1,831,636</b>	<b>1,831,636</b>	<b>3,449,736</b>	<b>(1,618,100)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
TALBOT FAMILY NETWORK  
For the Year Ended June 30, 2014**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - State	\$ 323,880	\$ 323,880	\$ 271,999	\$ (51,881)
Interest	-	-	269	269
<b>Total revenues</b>	<b>323,880</b>	<b>323,880</b>	<b>272,268</b>	<b>(51,612)</b>
<b>EXPENDITURES</b>				
Social services	323,880	323,880	322,898	982
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (50,630)</b>	<b>\$ (50,630)</b>

**TALBOT COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**ENTERPRISE FUND - RECREATION FACILITIES**  
**For the Year Ended June 30, 2014**

	<b>Hog Neck Golf Course</b>		
	Revised <u>Final Budget</u>	<u>Actual</u>	Variance with <u>Final Budget</u>
<b>OPERATING REVENUES</b>			
Program fees and admissions	\$ -	\$ -	\$ -
Room rents	-	-	-
Ice revenues	-	-	-
Pro shop and concessions	255,000	265,630	10,630
Cart rentals	65,000	40,156	(24,844)
Green fees	919,000	679,959	(239,041)
Other operating	6,000	9,030	3,030
<b>Total operating revenues</b>	<b>1,245,000</b>	<b>994,775</b>	<b>(250,225)</b>
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	610,967	609,332	1,635
Professional fees	13,000	9,827	3,173
Office	20,600	21,504	(904)
Insurance	5,000	4,648	352
Repairs and maintenance	165,000	199,025	(34,025)
Utilities	65,600	54,734	10,866
Supplies and equipment	75,000	71,661	3,339
Lessons and programs	4,000	-	4,000
Pro shop and concessions	117,000	162,496	(45,496)
Other operating	30,500	26,483	4,017
<b>Total operating expenses</b>	<b>1,106,667</b>	<b>1,159,710</b>	<b>(53,043)</b>
Operating income (loss) before depreciation	138,333	(164,935)	(303,268)
Depreciation	-	169,571	(169,571)
<b>Net operating income (loss)</b>	<b>138,333</b>	<b>(334,506)</b>	<b>(472,839)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Transfers from general fund	-	-	-
Transfers from developmental impact	-	-	-
Gain on disposal of capital assets	-	10,500	10,500
Interest expense	(123,333)	(21,869)	101,464
<b>Net non-operating revenues (expenses)</b>	<b>(123,333)</b>	<b>(11,369)</b>	<b>111,964</b>
<b>Change in net position</b>	<b>\$ 15,000</b>	<b>\$ (345,875)</b>	<b>\$ (360,875)</b>
<b>OTHER BUDGETED EXPENSES</b>			
Capital outlay	\$ (15,000)		
<b>Total other budgeted expenses</b>	<b>(15,000)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>		

<b>Talbot Community Center</b>			<b>Combined Totals</b>		
<u>Revised</u>		<u>Variance with</u>	<u>Revised</u>		<u>Variance with</u>
<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
\$ 135,000	\$ 133,089	\$ (1,911)	\$ 135,000	\$ 133,089	\$ (1,911)
35,000	42,952	7,952	35,000	42,952	7,952
176,000	209,471	33,471	176,000	209,471	33,471
31,000	30,345	(655)	286,000	295,975	9,975
-	-	-	65,000	40,156	(24,844)
-	-	-	919,000	679,959	(239,041)
-	7,208	7,208	6,000	16,238	10,238
<u>377,000</u>	<u>423,065</u>	<u>46,065</u>	<u>1,622,000</u>	<u>1,417,840</u>	<u>(204,160)</u>
318,756	303,697	15,059	929,723	913,029	16,694
12,500	6,735	5,765	25,500	16,562	8,938
6,350	6,000	350	26,950	27,504	(554)
13,000	11,399	1,601	18,000	16,047	1,953
56,500	93,285	(36,785)	221,500	292,310	(70,810)
137,500	150,102	(12,602)	203,100	204,836	(1,736)
-	-	-	75,000	71,661	3,339
82,000	73,487	8,513	86,000	73,487	12,513
28,000	20,054	7,946	145,000	182,550	(37,550)
10,200	14,129	(3,929)	40,700	40,612	88
<u>664,806</u>	<u>678,888</u>	<u>(14,082)</u>	<u>1,771,473</u>	<u>1,838,598</u>	<u>(67,125)</u>
(287,806)	(255,823)	31,983	(149,473)	(420,758)	(271,285)
-	544,999	(544,999)	-	714,570	(714,570)
<u>(287,806)</u>	<u>(800,822)</u>	<u>(513,016)</u>	<u>(149,473)</u>	<u>(1,135,328)</u>	<u>(985,855)</u>
325,000	325,000	-	325,000	325,000	-
160,000	160,000	-	160,000	160,000	-
-	-	-	-	10,500	10,500
(188,894)	(77,106)	111,788	(312,227)	(98,975)	213,252
<u>296,106</u>	<u>407,894</u>	<u>111,788</u>	<u>172,773</u>	<u>396,525</u>	<u>223,752</u>
\$ 8,300	\$ (392,928)	\$ (401,228)	\$ 23,300	\$ (738,803)	\$ (762,103)
<u>\$ (8,300)</u>			<u>\$ (23,300)</u>		
<u>(8,300)</u>			<u>(23,300)</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, 2014**

	<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>
<b>OPERATING REVENUES</b>						
Sewer service charges	\$ 972,095	\$ 959,968	\$ (12,127)	\$ 226,000	\$ 234,033	\$ 8,033
Sewer connection charges	24,000	34,000	10,000	48,000	81,165	33,165
Residential benefit charges	-	-	-	-	-	-
Wind/solar renewable energy	-	-	-	-	-	-
Miscellaneous	60,000	5,491	(54,509)	2,500	229	(2,271)
<b>Total operating revenues</b>	<b>1,056,095</b>	<b>999,459</b>	<b>(56,636)</b>	<b>276,500</b>	<b>315,427</b>	<b>38,927</b>
<b>OPERATING EXPENSES</b>						
Salaries and related expenses	343,246	341,276	1,970	55,708	53,507	2,201
Professional fees	100	830	(730)	150	331	(181)
Office	5,450	5,078	372	1,400	1,633	(233)
Insurance	10,700	12,012	(1,312)	1,500	1,468	32
Contracted services	213,300	157,173	56,127	61,150	51,071	10,079
Repairs and maintenance	37,100	90,963	(53,863)	15,100	11,476	3,624
Other operating	14,000	29,129	(15,129)	2,000	5,838	(3,838)
<b>Total operating expenses</b>	<b>623,896</b>	<b>636,461</b>	<b>(12,565)</b>	<b>137,008</b>	<b>125,324</b>	<b>11,684</b>
Operating income (loss) before depreciation	432,199	362,998	(69,201)	139,492	190,103	50,611
Depreciation	13,442	590,185	(576,743)	2,831	131,410	(128,579)
<b>Net operating income (loss)</b>	<b>418,757</b>	<b>(227,187)</b>	<b>(645,944)</b>	<b>136,661</b>	<b>58,693</b>	<b>(77,968)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental revenues	-	30,000	30,000	-	352,576	352,576
Interest income	4,500	2,498	(2,002)	1,500	1,257	(243)
Interest expense	(40,650)	(22,265)	18,385	(25,542)	(18,385)	7,157
<b>Net non-operating revenues (expenses)</b>	<b>(36,150)</b>	<b>10,233</b>	<b>46,383</b>	<b>(24,042)</b>	<b>335,448</b>	<b>359,490</b>
<b>Change in net position</b>	<b>\$ 382,607</b>	<b>\$ (216,954)</b>	<b>\$ (599,561)</b>	<b>\$ 112,619</b>	<b>\$ 394,141</b>	<b>\$ 281,522</b>
<b>OTHER BUDGETED EXPENSES</b>						
Debt service	\$ (382,607)			\$ (112,619)		
<b>Total other budgeted expenses</b>	<b>(382,607)</b>			<b>(112,619)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>			<b>\$ -</b>		

<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>
\$ 235,000	\$ 237,124	\$ 2,124	\$ 104,800	\$ 106,562	\$ 1,762
-	2,980	2,980	-	-	-
19,000	22,985	3,985	-	-	-
-	-	-	-	-	-
10,000	1,445	(8,555)	6,000	156	(5,844)
<u>264,000</u>	<u>264,534</u>	<u>534</u>	<u>110,800</u>	<u>106,718</u>	<u>(4,082)</u>
142,026	137,044	4,982	27,634	25,872	1,762
50	229	(179)	100	134	(34)
3,050	2,688	362	1,050	943	107
3,200	2,736	464	850	594	256
62,250	57,892	4,358	23,600	24,177	(577)
15,400	62,532	(47,132)	10,100	5,195	4,905
-	224	(224)	1,400	2,025	(625)
<u>225,976</u>	<u>263,345</u>	<u>(37,369)</u>	<u>64,734</u>	<u>58,940</u>	<u>5,794</u>
38,024	1,189	(36,835)	46,066	47,778	1,712
8,524	154,323	(145,799)	3,121	139,674	(136,553)
<u>29,500</u>	<u>(153,134)</u>	<u>(182,634)</u>	<u>42,945</u>	<u>(91,896)</u>	<u>(134,841)</u>
-	-	-	-	-	-
3,000	1,142	(1,858)	1,800	730	(1,070)
<u>(7,500)</u>	<u>(7,024)</u>	<u>476</u>	<u>(9,155)</u>	<u>(7,535)</u>	<u>1,620</u>
<u>(4,500)</u>	<u>(5,882)</u>	<u>(1,382)</u>	<u>(7,355)</u>	<u>(6,805)</u>	<u>550</u>
<u>\$ 25,000</u>	<u>\$ (159,016)</u>	<u>\$ (184,016)</u>	<u>\$ 35,590</u>	<u>\$ (98,701)</u>	<u>\$ (134,291)</u>
<u>\$ (25,000)</u>			<u>\$ (35,590)</u>		
<u>(25,000)</u>			<u>(35,590)</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, 2014 (Continued)**

	Bio-solids Utilization Facility			Onsite Sewage Disposal		
	Revised Final Budget	Actual	Variance With Final Budget	Revised Final Budget	Actual	Variance With Final Budget
<b>OPERATING REVENUES</b>						
Sewer service charges	\$ 225,000	\$ 297,966	\$ 72,966	\$ -	\$ -	\$ -
Sewer connection charges	-	-	-	-	-	-
Residential benefit charges	-	-	-	-	-	-
Wind/solar renewable energy	125,000	145,875	20,875	-	-	-
Miscellaneous	-	-	-	37,500	-	(37,500)
<b>Total operating revenues</b>	<b>350,000</b>	<b>443,841</b>	<b>93,841</b>	<b>37,500</b>	<b>-</b>	<b>(37,500)</b>
<b>OPERATING EXPENSES</b>						
Salaries and related expenses	132,621	125,027	7,594	49,616	41,134	8,482
Professional fees	1,100	122	978	200	200	-
Office	1,500	2,726	(1,226)	-	-	-
Insurance	5,850	5,937	(87)	-	-	-
Contracted services	58,400	102,485	(44,085)	859,000	489,121	369,879
Repairs and maintenance	8,750	28,851	(20,101)	-	-	-
Other operating	3,000	504	2,496	-	34,809	(34,809)
<b>Total operating expenses</b>	<b>211,221</b>	<b>265,652</b>	<b>(54,431)</b>	<b>908,816</b>	<b>565,264</b>	<b>343,552</b>
Operating income (loss) before depreciation	138,779	178,189	39,410	(871,316)	(565,264)	306,052
Depreciation	63,779	209,378	(145,599)	8,684	-	8,684
<b>Net operating income (loss)</b>	<b>75,000</b>	<b>(31,189)</b>	<b>(106,189)</b>	<b>(880,000)</b>	<b>(565,264)</b>	<b>314,736</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental revenues	-	-	-	880,000	556,522	(323,478)
Interest income	-	373	373	-	-	-
Interest expense	(75,000)	(4,699)	70,301	-	-	-
<b>Net non-operating revenues (expenses)</b>	<b>(75,000)</b>	<b>(4,326)</b>	<b>70,674</b>	<b>880,000</b>	<b>556,522</b>	<b>(323,478)</b>
<b>Change in net position</b>	<b>\$ -</b>	<b>\$ (35,515)</b>	<b>\$ (35,515)</b>	<b>\$ -</b>	<b>\$ (8,742)</b>	<b>\$ (8,742)</b>
<b>OTHER BUDGETED EXPENSES</b>						
Debt service	\$ -			\$ -		
<b>Total other budgeted expenses</b>	<b>-</b>			<b>-</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>			<b>\$ -</b>		

<b>Martingham District</b>			<b>Combined Totals</b>		
<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>
\$ 198,275	\$ 198,288	\$ 13	\$ 1,961,170	\$ 2,033,941	\$ 72,771
-	-	-	72,000	118,145	46,145
-	-	-	19,000	22,985	3,985
-	-	-	125,000	145,875	20,875
-	21	21	116,000	7,342	(108,658)
<u>198,275</u>	<u>198,309</u>	<u>34</u>	<u>2,293,170</u>	<u>2,328,288</u>	<u>35,118</u>
109,416	105,664	3,752	860,267	829,524	30,743
400	202	198	2,100	2,048	52
1,150	1,508	(358)	13,600	14,576	(976)
150	787	(637)	22,250	23,534	(1,284)
33,150	57,846	(24,696)	1,310,850	939,765	371,085
15,225	32,488	(17,263)	101,675	231,505	(129,830)
2,150	1,982	168	22,550	74,511	(51,961)
<u>161,641</u>	<u>200,477</u>	<u>(38,836)</u>	<u>2,333,292</u>	<u>2,115,463</u>	<u>217,829</u>
36,634	(2,168)	(38,802)	(40,122)	212,825	252,947
3,734	6,781	(3,047)	104,115	1,231,751	(1,127,636)
<u>32,900</u>	<u>(8,949)</u>	<u>(41,849)</u>	<u>(144,237)</u>	<u>(1,018,926)</u>	<u>(874,689)</u>
-	-	-	880,000	939,098	59,098
100	59	(41)	10,900	6,059	(4,841)
(18,000)	(23,142)	(5,142)	(175,847)	(83,050)	92,797
<u>(17,900)</u>	<u>(23,083)</u>	<u>(5,183)</u>	<u>715,053</u>	<u>862,107</u>	<u>147,054</u>
<u>\$ 15,000</u>	<u>\$ (32,032)</u>	<u>\$ (47,032)</u>	<u>\$ 570,816</u>	<u>\$ (156,819)</u>	<u>\$ (727,635)</u>
<u>\$ (15,000)</u>			<u>\$ (570,816)</u>		
<u>(15,000)</u>			<u>(570,816)</u>		
<u>\$ -</u>			<u>\$ -</u>		

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND - EASTON AIRPORT  
For the Year Ended June 30, 2014**

	Revised <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>OPERATING REVENUES</b>			
Charges - operations	\$ 362,644	\$ 314,287	\$ (48,357)
Charges - fuel facility	2,310,237	2,478,419	168,182
Charges - hangars	521,965	543,373	21,408
Other operating	15,000	15,135	135
<hr/>			
Total operating revenues	3,209,846	3,351,214	141,368
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	335,905	335,732	173
Cost of sales - fuel	2,117,320	2,301,874	(184,554)
Professional fees	72,000	73,018	(1,018)
Office	23,600	19,500	4,100
Insurance	21,000	16,442	4,558
Repairs and maintenance	98,250	115,158	(16,908)
Utilities	51,000	55,144	(4,144)
Supplies and equipment	400	266	134
Other operating	10,375	11,093	(718)
<hr/>			
Total operating expenses	2,729,850	2,928,227	(198,377)
Operating income (loss) before depreciation	479,996	422,987	(57,009)
<hr/>			
Depreciation	85,964	1,856,385	(1,770,421)
<hr/>			
Net operating income (loss)	394,032	(1,433,398)	(1,827,430)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenues	188,814	376,507	187,693
Interest income	750	441	(309)
Interest expense	(61,489)	(53,059)	8,430
<hr/>			
Net non-operating revenues (expenses)	128,075	323,889	195,814
<hr/>			
Change in net position	\$ 522,107	\$ (1,109,509)	\$ (1,631,616)
<hr/>			
<b>OTHER BUDGETED EXPENSES</b>			
Debt service	\$ (227,732)		
Capital outlay	(294,375)		
<hr/>			
Total other budgeted expenses	(522,107)		
<hr/>			
Budgeted net income (loss)	\$ -		

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND - POOL  
For the Year Ended June 30, 2014**

	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>OPERATING REVENUES</b>			
Admissions	\$ 37,000	\$ 42,431	\$ 5,431
Other operating	27,850	66,653	38,803
<b>Total operating revenues</b>	<b>64,850</b>	<b>109,084</b>	<b>44,234</b>
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	115,760	81,035	34,725
Professional fees	2,550	1,789	761
Office	1,300	389	911
Insurance	1,350	1,494	(144)
Repairs and maintenance	20,400	18,961	1,439
Utilities	14,615	13,062	1,553
Supplies and equipment	11,825	9,896	1,929
Other operating	5,000	6,083	(1,083)
<b>Total operating expenses</b>	<b>172,800</b>	<b>132,709</b>	<b>40,091</b>
Operating income (loss) before depreciation	(107,950)	(23,625)	84,325
Depreciation	-	82,592	(82,592)
<b>Net operating income (loss)</b>	<b>(107,950)</b>	<b>(106,217)</b>	<b>1,733</b>
<b>NON-OPERATING REVENUES</b>			
Transfer from general fund	137,950	113,850	(24,100)
<b>Total non-operating revenues</b>	<b>137,950</b>	<b>113,850</b>	<b>(24,100)</b>
Change in net position	\$ 30,000	\$ 7,633	\$ (22,367)
<b>OTHER BUDGETED EXPENSES</b>			
Capital outlay	\$ (30,000)		
<b>Total other budgeted expenses</b>	<b>(30,000)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>		

**TALBOT COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**June 30, 2014**

	Special Revenue Funds			
	Developmental Impact	Grants	Talbot Family Network	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 810,950	\$ 101,204	\$ 13,312	\$ 925,466
Cash and short-term investments - earned reinvestment	-	-	94,240	94,240
Receivables:				
Accounts receivable	-	2,030	1,205	3,235
Intergovernmental:				
Federal	-	588,102	-	588,102
State	-	305,236	-	305,236
<b>Total Assets</b>	<b>\$ 810,950</b>	<b>\$ 996,572</b>	<b>\$ 108,757</b>	<b>\$ 1,916,279</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 518,066	\$ 11,181	\$ 529,247
Due to other funds	-	199,122	-	199,122
Unearned revenue	-	280,673	3,337	284,010
<b>Total Liabilities</b>	<b>-</b>	<b>997,861</b>	<b>14,518</b>	<b>1,012,379</b>
<b>FUND BALANCES</b>				
Restricted for: Social Services	-	-	94,239	94,239
Committed for: Capital Projects	510,950	-	-	510,950
Assigned for: Future Budget	300,000	-	-	300,000
Unassigned	-	(1,289)	-	(1,289)
<b>Total Fund Balances (Deficit)</b>	<b>810,950</b>	<b>(1,289)</b>	<b>94,239</b>	<b>903,900</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 810,950</b>	<b>\$ 996,572</b>	<b>\$ 108,757</b>	<b>\$ 1,916,279</b>

**TALBOT COUNTY, MARYLAND**

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
OTHER GOVERNMENTAL FUNDS  
Year Ended June 30, 2014**

	Special Revenue Funds			
	Developmental <u>Impact</u>	<u>Grants</u>	Talbot Family <u>Network</u>	Total Other Governmental <u>Funds</u>
<b>REVENUES</b>				
Intergovernmental				
Federal	\$ -	\$ 2,212,158	\$ -	\$ 2,212,158
State	-	943,903	271,999	1,215,902
Licenses and permits	481,545	-	-	481,545
Miscellaneous	-	293,675	-	293,675
Interest	2,646	-	269	2,915
<b>Total revenues</b>	<b>484,191</b>	<b>3,449,736</b>	<b>272,268</b>	<b>4,206,195</b>
<b>EXPENDITURES</b>				
General government	-	189,617	-	189,617
Public safety	-	108,724	-	108,724
Public works	-	1,085,233	-	1,085,233
Health and hospitals	-	2,004,544	-	2,004,544
Social services	-	61,618	322,898	384,516
<b>Total Expenditures</b>	<b>-</b>	<b>3,449,736</b>	<b>322,898</b>	<b>3,772,634</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>484,191</b>	<b>-</b>	<b>(50,630)</b>	<b>433,561</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out) to other funds:				
Recreation fund	(160,000)	-	-	(160,000)
Capital projects fund	(750,000)	-	-	(750,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(910,000)</b>	<b>-</b>	<b>-</b>	<b>(910,000)</b>
Net change in fund balances	(425,809)	-	(50,630)	(476,439)
Fund balances (deficit) at beginning of year	1,236,759	(1,289)	144,869	1,380,339
<b>Fund balances (deficit) at end of year</b>	<b>\$ 810,950</b>	<b>\$ (1,289)</b>	<b>\$ 94,239</b>	<b>\$ 903,900</b>

**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, 2014**

**REVENUES**

Intergovernmental:		
Community partnership	\$	271,999
Interest		269
<b>Total revenues</b>		<b>272,268</b>

**EXPENDITURES**

Social services		
Community partnership programs:		
After school program		65,000
Healthy families		86,219
Home visiting		21,289
Voluntary family services		49,001
<b>Total Community partnership programs</b>		<b>221,509</b>
Non-community partnership programs:		
Administration		47,569
Mini grants		688
Wraparound child care		53,132
<b>Total non-community partnership programs</b>		<b>101,389</b>
<b>Total Expenditures</b>		<b>322,898</b>
<b>Net change in fund balances</b>	<b>\$</b>	<b>(50,630)</b>

**TALBOT COUNTY, MARYLAND**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**

**Note 1. Budgetary Basis**

Other supplementary information includes financial statements and schedules that are not required by the Governmental Accounting Standards Board nor are they considered part of the basic financial statements. Such information is included for purposes of additional analysis. The budgetary information contained in this section is prepared and adopted on a basis consistent with generally accepted accounting principles. Such statements and schedules include:

Budgetary Comparison Schedules:

- Capital Projects Fund
- Developmental Impact Fund
- Grants Fund
- Talbot Family Network
- Recreation Facilities
- Sanitary District
- Easton Airport
- Pool Fund

Combining Balance Sheet - Other Governmental Funds

Combining Schedule of Revenues and Expenditures - Other Governmental Funds

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

Offices on Behalf of the Children's Cabinet

## STATISTICAL SECTION

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

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

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

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

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

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

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

**Schedule 1**  
**Talbot County, Maryland**  
**Net Position by Component**  
*(accrual basis of accounting)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<b>Fiscal Year</b> <u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 80,625,199
Restricted							547,778	287,350	144,869	94,239
Unrestricted	<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>	<u>4,178,203</u>
Total governmental activities net position	\$ 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	\$ 84,897,641
Business-type activities										
Net investment in capital assets	\$ 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	\$ 51,985,231
Unrestricted	<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>	<u>(101,952)</u>
Total business-type activities net position	\$ 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	\$ 51,883,279
Primary government										
Net investment in capital assets	\$ 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	\$ 132,610,430
Restricted							547,778	287,350	144,869	94,239
Unrestricted	<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>	<u>4,076,251</u>
Total primary government net position	<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>	<u>\$ 136,780,920</u>

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

	<b>Fiscal Year</b>									
	<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>	<u>2014</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 9,551,119
Public safety	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	16,071,849
Public works	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	3,788,820
Health and hospitals	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	4,099,374
Social services	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	857,752
Education	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	41,640,092
Recreation	542,531	1,275,345	2,577,757	894,668	885,695	864,772	748,414	738,616	642,770	632,538
Conservation of natural resources	210,248	244,923	295,659	274,430	302,516	269,891	255,489	226,264	218,361	252,375
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	124,966	113,108	100,461	86,132	71,418	55,936	23,388	15,904	14,456	13,439
<b>Total governmental activities expenses</b>	<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>	<u>76,907,358</u>
Business-type activities:										
Recreation facilities	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	2,652,143
Sanitary district	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	3,430,264
Airport	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	4,837,671
Pool	314,780	350,962	343,182	397,365	397,202	329,445	267,306	233,239	257,766	215,301
<b>Total business-type activities expenses</b>	<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>	<u>11,135,379</u>
<b>Total primary government expenses:</b>	<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>	<u>\$ 88,042,737</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 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	\$ 2,384,760
Public safety	767,105	586,274	568,421	565,415	487,375	318,213	465,453	213,574	111,437	17,709
Public works	181,792	408,874	1,089,966	321,330	233,621	152,197	30,693	162,353	30,938	228,548
Health and hospitals	68,644	57,058	63,159	75,854	89,123	89,939	70,199	118,979	130,705	133,248
Education	391,810	631,900	532,531	292,956	189,303	267,153	112,872	115,776	80,295	151,045
Recreation	114,412	150,279	135,440	124,690	133,934	144,521	75,602	101,816	102,867	99,968
Operating/Capital grants and contributions	<u>7,790,739</u>	<u>8,397,525</u>	<u>10,045,423</u>	<u>10,108,796</u>	<u>9,192,985</u>	<u>3,134,627</u>	<u>5,877,037</u>	<u>6,067,814</u>	<u>8,217,559</u>	<u>5,640,620</u>
<b>Total governmental activities program revenues</b>	<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>	<u>8,655,898</u>

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Program Revenues (continued)</b>										
Business-type activities:										
Charges for services										
Recreation facilities	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	1,417,840
Sanitary district	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	2,328,288
Easton airport	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	3,351,214
Pool	80,220	93,161	87,769	79,302	77,082	87,317	113,324	133,023	116,353	109,084
Operating/Capital grants and contributions	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	1,315,605
Total business-type activities program revenue:	<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>	<u>8,522,031</u>
Total primary government program revenue:	<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>	<u>\$ 17,177,929</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (68,251,460)
Business-type activities	<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>	<u>(2,613,348)</u>
Total primary government net expense	<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>	<u>\$ (70,864,808)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 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	\$ 33,660,872
Local income tax	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	27,108,102
Other local taxes	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	9,522,629
Interest	795,404	1,870,166	3,049,507	3,405,782	2,470,720	980,562	221,952	166,317	105,007	94,004
Miscellaneous	718,241	324,881	622,980	456,406	739,625	1,927,226	136,104	197,427	115,471	2,306,687
Transfers in (out)	<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>	<u>(598,850)</u>
Total governmental activities	<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>	<u>72,093,444</u>
Business-type activities:										
Interest	103,292	145,109	139,807	115,854	98,421	60,046	10,720	14,460	7,333	6,500
Miscellaneous	-	12,008	(2,740)	2,160	-	-	-	-	2,461	10,500
Transfers in (out)	<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>	<u>598,850</u>
Total business-type activities	<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>	<u>615,850</u>
Total primary government	<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>	<u>\$ 72,709,294</u>
<b>Change in Net Position</b>										
Governmental activities	\$ 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	\$ 3,841,984
Business-type activities	<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>	<u>(1,997,498)</u>
Total primary government	<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>	<u>\$ 1,844,486</u>

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

	Fiscal Year									
	<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>	<u>2014*</u>
General Fund										
Reserved	\$ 7,681	\$ 42,293	\$ 2,509,615	\$ 913,869	\$ 966,200	\$ 105,269	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	9,922,800	7,285,867	15,812,496	15,353,614	17,643,743	15,947,750	-	-	-	-
Undesignated	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	74,482
Committed	-	-	-	-	-	-	7,000,000	-	-	-
Assigned	-	-	-	-	-	-	1,350,000	1,487,600	761,814	-
Unassigned	-	-	-	-	-	-	15,517,033	15,305,808	18,617,745	20,772,381
Total General Fund	<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>	<u>\$ 20,846,863</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	3,863,961	8,428,417	7,613,828	32,119,063	22,890,931	20,893,889	-	-	-	-
Designated - Special Revenue Funds	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	94,239
Committed	-	-	-	-	-	-	16,971,966	10,501,167	10,118,592	10,628,689
Assigned	-	-	-	-	-	-	1,000,000	1,997,000	910,000	300,000
Unassigned	-	-	-	-	-	-	-	(1,289)	(1,289)	(1,289)
Total all other governmental funds	<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>	<u>\$ 11,021,639</u>
Total Governmental Funds	<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>	<u>\$ 31,868,502</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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Revenues</b>										
Property tax	\$ 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	\$ 33,660,872
Income tax	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	27,108,102
Other local taxes	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	9,522,629
Licenses and permits	1,434,242	2,163,301	2,634,811	1,451,225	1,031,899	1,079,221	754,521	921,714	709,104	1,064,650
Intergovernmental:										
Federal	2,161,763	897,727	1,166,795	986,313	1,440,141	862,601	3,204,079	3,255,988	2,458,706	2,611,375
State	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	2,980,645
Contributions/Cost Sharing									1,500,000	-
Other Grants									6,268	48,600
Service charges	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	1,939,522
Fines and forfeitures	11,241	5,452	14,509	6,755	3,691	8,868	3,900	5,347	5,354	11,106
Miscellaneous	707,000	324,881	622,980	456,406	739,625	1,927,226	136,104	197,427	115,471	2,306,687
Interest Income	795,404	1,870,166	3,049,507	3,405,782	2,470,720	980,562	221,952	166,317	105,007	94,004
<b>Total revenues</b>	<b>68,388,109</b>	<b>75,977,034</b>	<b>84,251,074</b>	<b>85,598,005</b>	<b>81,945,494</b>	<b>63,514,675</b>	<b>63,622,078</b>	<b>68,257,694</b>	<b>75,264,385</b>	<b>81,348,192</b>
<b>Expenditures</b>										
General Government	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	6,070,668
Public Safety	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	13,799,168
Public Works	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	5,182,051
Debt service interest - Public Works										4,375
Debt service principal - Public Works										43,339
Health and hospitals	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	4,093,114
Social services	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	857,752
Education	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	40,601,847
Debt service interest - Educ	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	1,115,569
Debt service principal - Educ	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	2,298,447
Recreation	491,528	1,104,324	2,992,661	2,497,017	1,279,319	491,376	329,191	286,009	550,994	389,354
Conservation of natural resources	210,248	244,923	295,659	274,430	313,771	269,891	255,489	226,264	218,361	252,375
Employee Benefits	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	5,695,880
Miscellaneous	58,960	209,365	94,132	233,696	122,362	130,043	216,666	77,239	95,150	79,206
Intergovernmental	544,538	701,132	860,102	860,442	750,180	722,861	761,613	820,446	822,434	874,438
Debt service interest	124,966	113,108	100,461	86,132	71,418	55,936	23,388	15,904	14,456	13,439
Debt service principal	291,241	306,022	318,022	333,097	345,390	363,245	381,392	59,651	48,355	48,645
Contingencies	363,013	66,850	135,445	157,807	228,661	306,253	440,569	39,697	97,297	214,355
<b>Total expenditures</b>	<b>58,496,562</b>	<b>62,417,844</b>	<b>72,547,650</b>	<b>83,130,279</b>	<b>88,882,843</b>	<b>71,636,142</b>	<b>77,001,162</b>	<b>80,453,673</b>	<b>73,705,383</b>	<b>81,634,022</b>
Excess of revenues over (under) expenditures	9,891,547	13,559,190	11,703,424	2,467,726	(6,937,349)	(8,121,467)	(13,379,084)	(12,195,979)	1,559,002	(285,830)
<b>Other Financing Sources (Uses)</b>										
Proceeds from long-term debt	-	2,325,000	-	25,020,000	-	13,000	12,281,271	-	-	2,057,740
Payment to refunded debt escrow agent	-	(2,361,732)	-	-	-	-	(12,650,858)	-	-	-
Bond premium	-	-	-	307,130	-	-	681,641	-	-	-
Transfers in (out)										
Pools	(125,275)	(119,526)	(148,960)	(152,776)	(144,014)	(79,561)	(164,281)	(100,216)	(142,231)	(113,850)
Recreation	(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)	(485,000)
<b>Total other financing sources (uses)</b>	<b>(1,263,775)</b>	<b>(2,987,959)</b>	<b>(1,563,108)</b>	<b>17,977,008</b>	<b>(1,196,795)</b>	<b>(1,651,071)</b>	<b>(923,202)</b>	<b>(575,428)</b>	<b>(535,201)</b>	<b>1,458,890</b>
<b>Net change in fund balances</b>	<b>\$ 8,627,772</b>	<b>\$ 10,571,231</b>	<b>\$ 10,140,316</b>	<b>\$ 20,444,734</b>	<b>\$ (8,134,144)</b>	<b>\$ (9,772,538)</b>	<b>\$ (14,302,286)</b>	<b>\$ (12,771,407)</b>	<b>\$ 1,023,801</b>	<b>\$ 1,173,060</b>

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

	<b>Fiscal Year</b>									
	<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>	<u>2014</u>
Total expenditures	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	81,634,022
Less Capital Outlay Expenditures	<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>	<u>3,862,623</u>
Non-Capital Expenditures	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	77,771,399
Debt Service Expenditures*										
Principal	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	2,390,431
Interest	<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>	<u>1,133,383</u>
Total Debt Service Expenditures	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	3,523,814
Debt service as a percentage of Non-capital expenditures	4.65%	3.98%	3.68%	3.83%	5.40%	6.14%	5.74%	4.60%	4.97%	4.53%

\* Note - Debt Service Expenditures include Debt Service in Public Works, Education and Debt Service categories of expenditures.

**Schedule 6**  
**Talbot County, Maryland**  
**Assessed Value and Actual Value of Taxable Property,**  
**Last Ten Fiscal Years**

Fiscal Year	Real Property <sup>a</sup>			Public Utility Personal Property <sup>b</sup>			Total Estimated Market Value
	Assessed Value	Estimated Market Value	Tax Rate <sup>c</sup>	Assessed Value	Estimated Market Value	Tax Rate <sup>c</sup>	
2014	\$ 8,812,185,090	\$ 8,812,185,090	\$ 0.512	\$ 56,604,950	\$ 56,604,950	\$ 1.280	\$ 8,868,790,040
2013	9,278,557,414	9,278,557,414	0.491	59,473,730	59,473,730	1.228	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

**Source:** State of Maryland, Department of Assessments and Taxation

**Notes:**

<sup>a</sup> Real Property is reassessed every three years. Real Property is assessed at market value.

<sup>b</sup> Public Utility Personal Property is assessed at market value.

<sup>c</sup> 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-----							-----Overlapping Real Property Tax Rates-----					-----Total-----						
	Unincorporated Area of County	Easton	Oxford	Queen		St. Michaels	Trappe	Weighted Average Tax Rate	Easton	Oxford	Queen		Trappe	Unincorporated Area of County	Easton	Oxford	Queen		St. Michaels
2014	\$ 0.512	0.38	0.396	0.452	0.386	0.425	0.466	0.520	0.2438	0.180	0.450	0.290	\$ 0.512	0.900	0.6398	0.632	0.836	0.715	
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	

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**

<b>Taxpayer</b>	<b>Fiscal Year 2014</b>			<b>Fiscal Year 2005</b>		
	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
William Hill Manor, Inc.	\$ 15,175,400	1	0.17%			
Perry Cabin Acquisitions Corp.	14,086,400	2	0.16%	\$ 14,019,800	1	0.32%
Easton Shoppes Business Trust	13,532,633	3	0.15%	11,850,433	2	0.27%
Lowe's Home Centers, Inc.	11,923,900	4	0.14%			
Individual	10,649,000	5	0.12%			
Remco Properties, LLC	10,176,233	6	0.12%			
Target Corporation	10,108,500	7	0.11%			
Wal Mart Stores, Inc. #1715	9,155,200	8	0.10%	6,893,600	7	0.16%
Tred Avon LLC	8,915,600	9	0.10%	6,301,566	9	0.14%
Individual	8,517,300	10	0.10%			
Eastern Shore Retirement Assoc.				11,014,133	3	0.25%
Hampden Investment Properties LLC				7,893,700	4	0.18%
Cal-Mar Associates				7,407,800	5	0.17%
Tidewater Inn				6,961,400	6	0.16%
Easton Marketplace LLC				6,830,266	8	0.16%
Magnolia Meadows				6,252,533	10	0.14%
<b>Total</b>	<b>\$ 112,240,166</b>		<b>1.27%</b>	<b>\$ 85,425,231</b>		<b>1.83%</b>

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
2014	\$ 33,071,077	\$ 33,026,089	99.86%	\$ -	\$ 33,026,089	99.86%
2013	32,194,472	32,120,054	99.77%	(10,659)	32,109,395	99.74%
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%

**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
2013	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
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%					

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
2013	N/A	N/A	N/A	N/A	N/A	2.40%
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%

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**

<b>Tax Year</b>	<b>Number of Taxable Returns</b>	<b>Maryland Adjusted Gross Income</b>	<b>Net Taxable Income</b>	<b>Net State Income Tax</b>	<b>Local Income Tax</b>	<b>Total Tax Liability</b>	<b>Talbot County Income Tax Direct Rate</b>
2012	14,370	\$ 1,394,066,465	\$ 1,124,865,958	\$ 51,652,571	\$ 25,013,073	\$ 76,665,644	2.25%
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%

**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 2012						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
<b>Adjusted Gross Income Level</b>						
\$500,000 and higher	259	1.8%	\$ 391,145,522	34.8%	\$ 8,800,777	35.2%
\$250,000 - 499,999	485	3.4%	144,722,408	12.9%	3,256,254	13.0%
\$100,000 - 249,999	2,297	16.0%	272,341,971	24.2%	6,127,695	24.5%
\$50,000 - 99,999	3,651	25.4%	188,231,356	16.7%	4,235,090	16.9%
\$25,000 - 49,999	4,102	28.5%	96,303,717	8.6%	2,007,480	8.0%
\$5,000 - 24,999	3,509	24.4%	32,012,406	2.8%	583,493	2.3%
Under \$5,000	67	0.5%	108,578	0.0%	2,284	0.0%
Totals	14,370	100.0%	\$ 1,124,865,958	100.0%	\$ 25,013,073	100.0%

Tax Year 2003						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
<b>Adjusted Gross Income Level</b>						
\$200,000 and higher	605	4.5%	\$ 261,826,557	37.7%	\$ 4,686,676	38.3%
\$100,000 - 199,999	1,239	9.2%	133,295,574	19.2%	2,385,968	19.5%
\$50,000 - 99,999	3,097	23.0%	160,285,828	23.1%	2,868,765	23.4%
\$25,000 - 49,999	3,938	29.2%	96,522,362	13.9%	1,693,035	13.8%
\$5,000 - 24,999	4,451	33.1%	41,623,357	6.0%	599,296	4.9%
Under \$5,000	135	1.0%	240,287	0.0%	4,122	0.0%
Totals	13,465	100%	\$ 693,793,965	100%	\$ 12,237,862	100%

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			
2014	31,257,626	10,503,339	48,875	41,809,840	1.80%	1,102.26
2013	31,667,641	11,114,740	95,555	42,877,936	1.85%	1,130.42
2012	34,027,257	11,969,066	159,691	46,156,014	2.01%	1,213.35
2011	36,307,648	12,809,338	210,316	49,327,302	2.33%	1,297.23
2010	39,141,954	13,596,277	70,269	52,808,500	2.55%	1,397.72
2009	41,656,842	13,582,399	129,153	55,368,394	2.70%	1,526.90
2008	44,076,728	14,074,978	180,211	58,331,917	2.76%	1,615.31
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

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

**Notes:**

2014 percentages calculated using 2013 personal income data, which is the most recent available.

2014 debt per capita is calculated using 2013 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**

<b>Fiscal Year</b>	<b>General Obligation Bonds<sup>a</sup></b>	<b>Total Taxable Assessable Base<sup>b</sup></b>	<b>Percentage of Total Taxable Assessable Base</b>	<b>Population<sup>c</sup></b>	<b>General Obligation Debt Per Capita</b>
2014	41,760,965	8,868,790,040	0.47%	*	1,100.97
2013	42,782,381	9,338,031,144	0.46%	37,931	1,127.90
2012	45,996,323	9,770,079,390	0.47%	38,040	1,209.16
2011	49,116,986	10,151,483,571	0.48%	38,025	1,291.70
2010	52,738,231	10,132,860,285	0.52%	37,782	1,395.86
2009	55,239,241	9,134,641,785	0.60%	36,262	1,523.34
2008	58,151,706	7,904,349,782	0.74%	36,112	1,610.32
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

**Sources:**

<sup>a</sup> Talbot County Finance Office

<sup>b</sup> State of Maryland, Department of Assessments and Taxation

<sup>c</sup> U.S. Census Bureau.

\* Information not yet available; 2014 debt per capita is calculated using 2013 population estimate data.

**Schedule 15**  
**Talbot County, Maryland**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2014**

<b>Governmental Unit</b>	<b>Total Assessed Valuation of Real Property<sup>a</sup></b>	<b>% of Assessed Valuation to County Total</b>	<b>Pro Rata Share of County General Obligation Bonded Debt</b>	<b>Municipal Debt Outstanding<sup>b</sup></b>	<b>Estimated Share of Direct and Overlapping Debt</b>
Easton	2,012,870,561	22.84%	7,139,836	\$ 7,535,000	\$ 14,674,836
Oxford	361,459,667	4.10%	1,282,130	-	1,282,130
Queen Anne	9,065,800	0.10%	32,157	-	32,157
St. Michaels	312,813,800	3.55%	1,109,579	-	1,109,579
Trappe	85,562,336	0.97%	303,497	303,748	607,245
Unincorporated	<u>6,030,412,926</u>	<u>68.43%</u>	<u>21,390,426</u>	<u>-</u>	<u>21,390,426</u>
<b>Total</b>	<b><u>8,812,185,090</u></b>	<b><u>100%</u></b>	<b><u>31,257,626</u></b>	<b><u>\$ 7,838,748</u></b>	<b><u>\$ 39,096,374</u></b>

**Sources:**

<sup>a</sup> State of Maryland, Department of Assessments and Taxation

<sup>b</sup> Municipal Town Clerks

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

	<b>Fiscal Year</b>									
	<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>	<u>2014</u>
Taxable Assessable Base *	\$ 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	\$ 8,812,185
Debt Limit, 15% of Assessable Base	658,875	825,004	953,020	1,126,314	1,304,360	1,444,955	1,514,004	1,456,639	1,391,784	1,321,828
Amount of Debt Applicable to Limit										
General Obligation Bonds	23,053	30,020	20,284	43,777	41,373	38,873	35,404	33,201	31,668	31,258
Legal Debt Margin	<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>\$ 1,360,116</u>	<u>\$ 1,290,570</u>
Total net debt applicable to the limit as a percentage of debt limit	3.50%	3.64%	2.13%	3.89%	3.17%	2.69%	2.34%	2.28%	2.28%	2.36%

**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**

<b>Year</b>	<b>Population<sup>a</sup></b>	<b>Personal Income<sup>b</sup></b> <i>(thousands of dollars)</i>	<b>Per Capita Personal Income<sup>b</sup></b>	<b>Public School Enrollment<sup>c</sup></b>	<b>Unemployment Rate<sup>d</sup></b>
2014	*	*	*	4,537	6.1%
2013	37,931	2,318,765	61,131	4,570	7.6%
2012	38,040	2,297,444	60,395	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%

**Sources:**

<sup>a</sup> U.S. Census Bureau.

<sup>b</sup> Bureau of Economic Analysis, U.S. Department of Commerce.

<sup>c</sup> Maryland State Department of Education.

<sup>d</sup> 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 2013</u>			<u>CY 2004</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Shore Health Systems/EMH	1,641	1	9.41%	2,250	1	11.92%
Harim USA	408	2	2.34%			
Genesis Healthcare/The Pines	250	3	1.43%	186	8	0.99%
William Hill Manor	220	4	1.26%	185	9	0.98%
Wal-Mart	205	5	1.18%	320	4	1.70%
Quality Health Strategies	180	6	1.03%			
Shore Bankshares	177	7	1.02%			
Chesapeake Building Components	156	8	0.89%	200	7	1.06%
Target	150	9	0.86%			
Wildlife International	150	10	0.86%			
Allen Family Foods				700	2	3.71%
Cadmus Prof. Communications				400	3	2.12%
Chesapeake Publishing				230	5	1.22%
Lowes				215	6	1.14%
United Parcel				127	10	0.67%
	<u>3,537</u>		<u>20.29%</u>	<u>4,813</u>		<u>25.50%</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>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>	<u>2014</u>
General Government	57.8	60.9	65.8	66.7	68.4	66.0	63.0	60.3	61.1	63.8
Public Safety	117.3	123.3	128.7	139.6	151.1	151.3	152.0	146.7	151.2	156.3
Public Works	34.4	36.5	39.9	44.7	48.3	50.5	46.0	42.5	41.2	40.8
Social Services	5.3	5.0	4.0	4.8	4.0	3.4	3.0	0.8	-	-
Recreation	46.9	47.8	51.1	52.4	51.8	46.0	34.0	32.8	33.0	35.1
Airport	<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>	<u>5.1</u>
Total	<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>	<u>301.1</u>

**Sources:** Talbot County Finance Office.

**Notes:**

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

**Schedule 20  
Talbot County, Maryland  
Operating Indicators by Function,  
Last Ten Fiscal Years**

<u>Function/Program</u>	<u>Fiscal Year</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>	<u>2014</u>
<b>General Government</b>										
Building Permits issued	999	1,034	626	529	388	316	308	267	261	245
Value of new construction (000's)	130,073	62,002	76,505	58,812	36,505	31,116	36,974	27,067	28,540	24,379
<b>Public Safety</b>										
Detention Center										
Avg. daily population	106	101	106	106	90	92	104	85	81	72
Bookings	833	850	764	989	821	807	771	1,020	954	880
9-1-1 Calls Answered										
Fire	1,370	1,409	1,462	1,557	1,427	1,724	1,705	1,975	2,034	1,917
Emergency Medical Services	4,568	4,525	4,767	4,330	4,334	4,408	4,330	4,458	4,551	4,358
Sheriff	10,983	15,053	10,939	12,592	14,891	15,191	13,627	13,923	12,165	13,139
Other Police	4,778	6,682	6,578	7,289	7,755	7,399	7,383	8,367	11,533	12,040
<b>Education</b>										
Students	4,505	4,482	4,398	4,396	4,419	4,495	4,504	4,547	4,570	4,537
Teachers Instructional	298	295	300	301	308	304	316	312	321	321
<b>Recreation Facilities</b>										
Boat ramp permits	4,357	4,482	3,635	6,673	6,288	6,848	6,724	6,689	6,443	6,185
Golf rounds	39,142	40,080	43,110	30,140	33,670	22,781	27,969	31,467	28,439	29,057
<b>Public Works</b>										
Centerline miles of road maintained	369	370	372	372	372	372	372	374	374	374
Wastewater treated (mgd)	0.550	0.490	0.561	0.450	0.415	0.558	0.481	0.477	0.483	0.460
<b>Airport</b>										
Based aircraft	158	158	170	185	147	143	146	146	176	220
Gallons of fuel sold	760,910	817,497	809,242	690,904	679,857	614,612	646,268	633,071	581,342	642,726

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>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>	<u>2014</u>
<b>Public Safety</b>										
Detention center capacity	140	140	140	140	140	140	140	145	145	145
Fire stations	7	7	7	7	7	7	7	7	7	7
Emergency Medical Services Stations	4	5	5	5	5	5	5	5	5	5
<b>Education</b>										
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	2	2
<b>Recreation Facilities</b>										
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	13	13	13	17	17	17	19	19
Park acreage	190	190	632	632	672	672	672	672	693	693
Public Landings & Wharves	29	29	29	29	29	29	30	30	30	30
Boat Slips	102	113	113	113	113	117	117	136	136	136
Public Pools	2	2	2	2	2	2	2	2	2	2
<b>Public Works</b>										
Centerline miles of county roads	369	370	372	372	372	372	372	374	374	374
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	2	2	2	3	3	3	3	3	3	3
Miles of mains	33	33	33	38	38	38	38	38	38	40
Pump stations	12	12	12	12	12	12	12	12	12	12
<b>Airport</b>										
Number of Runways	2	2	2	2	2	2	2	2	2	2

**Sources:** Talbot County Finance Office and applicable County Departments.