

TALBOT COUNTY, MARYLAND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2017

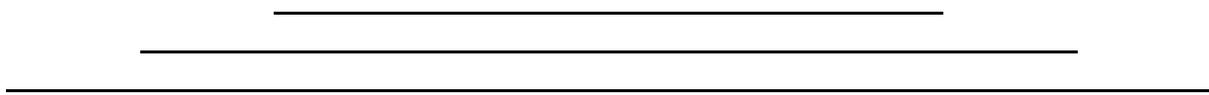
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Report Prepared By:

Talbot County, Maryland Finance Office



TALBOT COUNTY, MARYLAND  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 for the FISCAL YEAR ENDED JUNE 30, 2017  
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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

January 28, 2018

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, 2017 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 opinion on the County's financial statements for the year ended June 30, 2017. 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, 2017, 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 2018. 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 Sections 10-101 et. seq. of the Local Government Article 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 and grants 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 and grants 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 revenue is the second largest revenue source in the County, accounting for 33.3% of the FY 2017 General Fund revenues. The County received \$28.0 million in Income Tax revenues in FY 2017; \$1.9 million more than budgeted and \$1.4 million more than amounts received in FY 2016. The County's housing market continues to be strong as noted by increased Recordation and Transfer tax revenues. For FY 2018 the County is optimistic that the housing market will remain strong. 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 be slightly less than both the State (4.1%) and National (4.4%) rates as evidenced by the June 2017 County rate of 4.0%. In addition, the County has maintained favorable tax rates, including the lowest property tax rate and the second lowest income tax rate in the State.

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

**Long Term Financial Planning.** The economic outlook for the County is favorable. Many years of conservative budgeting and prudent financial management have created a solid foundation for economic stability for the future of the County. In addition, Talbot County has the lowest county real property tax rate and the second lowest county income tax rate in the State. These favorable tax rates along with miles of waterfront continue to attract residents and businesses to the County.

Talbot County has a policy to allot a portion of the General Fund unassigned fund balance equal to 15% of actual General Fund expenditures, before other financing uses, to be used in case of fiscal emergencies. As of June 30, 2017 Talbot County's unassigned fund balance was 34.0% of actual expenditures, before other financing uses.

The FY 2018 General Fund Budget increased by \$4.1 million or 5.18%. One new initiative of this budget is funding for a central booking facility for the County. This will allow all law enforcement officers in the County to process their arrestees in less time; thereby gaining additional time for continued law enforcement activities. In FY 2018 and beyond the focus will be on providing for various County and school building maintenance projects and the construction of a new elementary school, the infrastructure requirements associated with the construction of a new hospital facility, projects that will improve the water quality of the County's waterways, and park and public landing improvement projects.

#### **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, 2016. 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 sixteen 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**

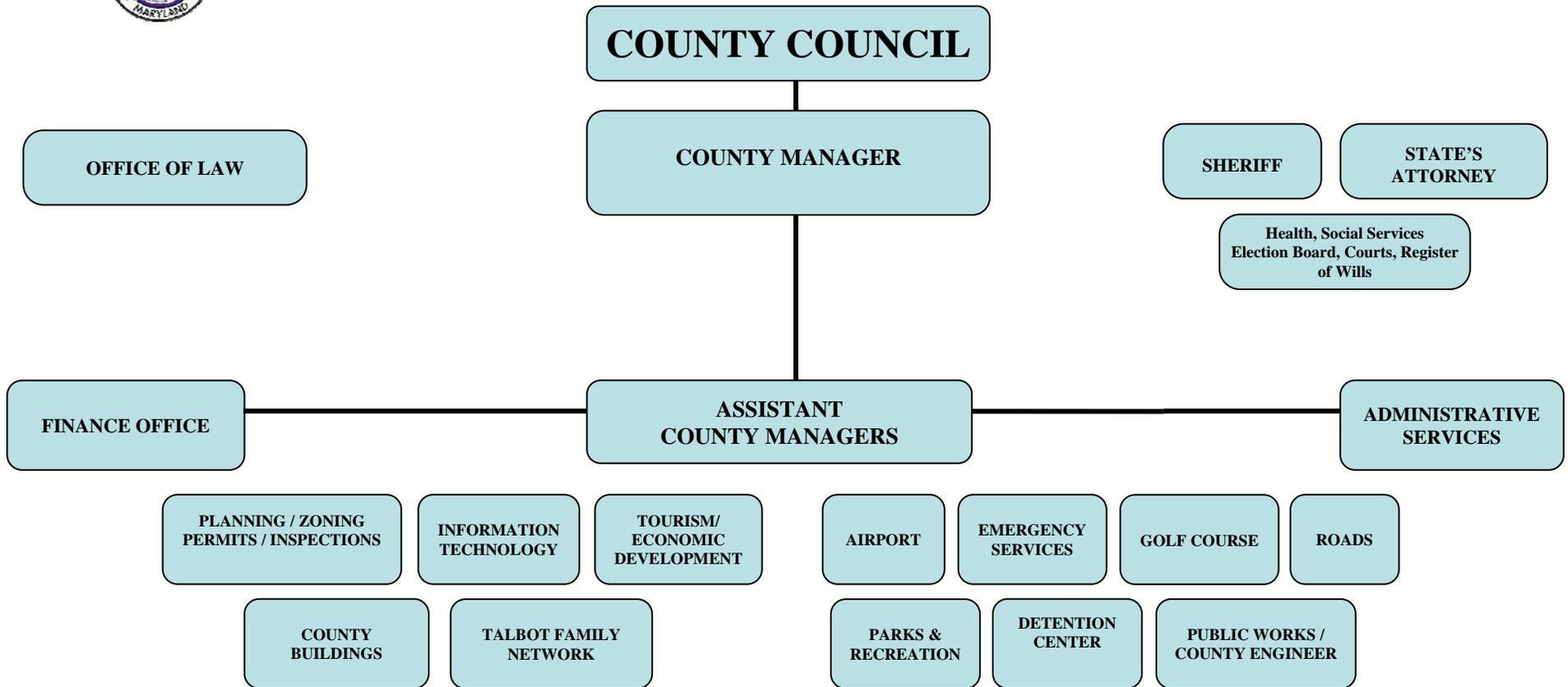
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO



# TALBOT COUNTY GOVERNMENT ORGANIZATIONAL CHART



Talbot County, Maryland

List of Elected and Appointed Officials

June 30, 2017

Elected Officials

County Council

Jennifer L. Williams, President  
Dirck K. Bartlett  
Chuck F. Callahan  
Corey W. Pack  
Laura E. Price

Sheriff  
State's Attorney

Joseph J. Gamble  
Scott G. Patterson

Appointed Officials

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

R. Andrew Hollis  
Anthony P. Kupersmith  
Jessica K. Morris  
Cheril S. Thomas  
Michael L. Henry  
Douglas C. Devenyns  
Brian LeCates  
Brian Moore  
Angela Lane  
Owen Sutherland  
Parker J. Durham  
Preston P. Peper  
Mary Kay Verdery  
Raymond P. Clarke  
Warren W. Edwards, Jr.  
Cassandra M. Vanhooser

FINANCIAL SECTION

Herbert J. Geary III  
Corey N. Duncan  
Roy J. Geiser  
Chris A. Hall  
Ronald W. Hickman  
Charles M. Meenehan  
Craig A. Walter  
Mark A. Welsh



## 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, 2017, 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.

### **Auditors' 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, 2017, 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, budgetary comparison information, schedule of funding progress – other post-employment benefits, Maryland State Retirement and Pension Systems – schedule of the proportionate share of the net pension liability, and Maryland State Retirement and Pension Systems – schedule of contributions, 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 January 28, 2018, 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 letters are cursive and somewhat stylized.

Salisbury, Maryland  
January 28, 2018

## 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, 2017. 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, 2017, the assets of Talbot County exceeded liabilities by \$139.3 million (net position), an increase of \$4.2 million, or 3.1 percent, from the prior year. Approximately 65.6 percent of net position is attributable to the County's governmental activities. Total net position is comprised of \$131.7 million net investment in capital assets, \$97 thousand in restricted net position and \$7.5 million in unrestricted net position. The County's unrestricted net position is a relatively 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, 2017 the County included \$22.0 million of bonds payable in liabilities for school construction projects and no corresponding capital assets.
- Income Tax revenues increased by \$1.4 million or 5.4 percent from FY 2016's actual collections.
- As of June 30, 2017, the County's governmental funds reported combined fund balances of \$38.3 million, an increase of \$1.0 million, or 2.7 percent, from the prior year. Approximately 70.0 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 \$26.8 million at June 30, 2017. The unassigned fund balance for the General Fund of \$26.8 million is 31.9 percent of general fund revenues, before Other Financing Sources, 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, 2017 for the "rainy day fund" is \$11.9 million (15 percent of the actual general fund expenditures before Other Financing Uses).
- An "other post-employment" benefits (OPEB) Trust was established in FY 2011. In FY 2016 the County transferred \$1.0 million to the Trust. To date the County has transferred \$10.0 million to the Trust to fund future OPEB obligations.
- Talbot County Government's total debt, excluding compensated absences, increased by \$4.0 million during the year ended June 30, 2017. The County added additional debt for Sanitary Districts projects in FY 2017. 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, deferred outflows, liabilities, and deferred inflows with the difference being 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 46-85 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 \$139.3 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, *Net investment 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 \$10.6 million reflects the imbalance of liabilities without corresponding assets.

Restricted net position of \$97 thousand represents 0.07 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 \$7.5 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**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 53,961,014	\$ 52,343,118	\$ (1,900,721)	\$ 476,851	\$ 52,060,293	\$ 52,819,969
Capital Assets	86,355,348	85,488,934	67,750,690	58,155,667	154,106,038	143,644,601
Total Assets	140,316,362	137,832,052	65,849,969	58,632,518	206,166,331	196,464,570
Deferred Outflow of Resources	4,369,577	3,633,586	29,004	33,238	4,398,581	3,666,824
Non Current Liabilities	38,345,988	40,509,628	15,481,397	8,088,425	53,827,385	48,598,053
Other Liabilities	14,215,783	13,735,232	2,458,287	1,780,871	16,674,070	15,516,103
Total Liabilities	52,561,771	54,244,860	17,939,684	9,869,296	70,501,455	64,114,156
Deferred Inflow of Resources	758,244	891,533	-	-	758,244	891,533
Net Position:						
Net Investment in Capital Assets	80,610,059	78,908,012	51,133,626	49,231,203	131,743,685	128,139,215
Restricted	96,616	95,943	-	-	96,616	95,943
Unrestricted	10,659,249	7,325,290	(3,194,337)	(434,743)	7,464,912	6,890,547
Total Net Position	\$ 91,365,924	\$ 86,329,245	\$ 47,939,289	\$ 48,796,460	\$ 139,305,213	\$ 135,125,705

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 \$4.2 million during the current fiscal year as the result of a \$5.0 million increase in governmental activities and a \$.8 million decrease in business-type activities. 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	
	2017	2016	2017	2016	2017	2016
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 4,277,686	\$ 3,161,088	\$ 8,047,362	\$ 6,577,372	\$ 12,325,048	\$ 9,738,460
Operating Grants and Contributions	4,303,733	5,346,114	1,109,944	635,254	5,413,677	5,981,368
Capital Grants and Contributions	989,406	46,848	1,190,732	588,378	2,180,138	635,226
<b>General Revenues:</b>						
Property Taxes	36,531,210	35,280,376	-	-	36,531,210	35,280,376
Local Income Tax	28,007,970	26,568,636	-	-	28,007,970	26,568,636
Other Local Taxes	12,859,841	11,340,994	-	-	12,859,841	11,340,994
Investment Income	231,807	132,640	18,815	9,946	250,622	142,586
Miscellaneous	1,206,986	1,317,542	20,000	-	1,226,986	1,317,542
<b>Total Revenues</b>	<b>88,408,639</b>	<b>83,194,238</b>	<b>10,386,853</b>	<b>7,810,950</b>	<b>98,795,492</b>	<b>91,005,188</b>
<b>Expenses:</b>						
General Government	11,325,690	11,224,921	-	-	11,325,690	11,224,921
Public Safety	17,276,097	15,364,473	-	-	17,276,097	15,364,473
Public Works	6,427,502	6,550,228	-	-	6,427,502	6,550,228
Health	2,520,926	2,550,428	-	-	2,520,926	2,550,428
Social Services	1,640,895	1,821,647	-	-	1,640,895	1,821,647
Education	42,249,348	41,025,371	-	-	42,249,348	41,025,371
Recreation	959,049	734,248	-	-	959,049	734,248
Conservation of Natural Resources	250,848	252,228	-	-	250,848	252,228
Interest Charges	185,145	212,886	-	-	185,145	212,886
Recreation Facilities	-	-	2,888,465	2,676,732	2,888,465	2,676,732
Sanitary District	-	-	4,366,586	3,883,742	4,366,586	3,883,742
Airport	-	-	4,525,433	4,312,785	4,525,433	4,312,785
Pools	-	-	-	-	-	-
<b>Total Expenses</b>	<b>82,835,500</b>	<b>79,736,430</b>	<b>11,780,484</b>	<b>10,873,259</b>	<b>94,615,984</b>	<b>90,609,689</b>
Increase (Decrease) in Net Position before transfers	5,573,139	3,457,808	(1,393,631)	(3,062,309)	4,179,508	395,499
Transfers In (Out)	(536,460)	(329,557)	536,460	329,557	-	-
Increase (Decrease) in Net Position	5,036,679	3,128,251	(857,171)	(2,732,752)	4,179,508	395,499
Net Position – Beginning	86,329,245	83,200,994	48,796,460	51,529,212	135,125,705	134,730,206
<b>Net Position - Ending</b>	<b>\$ 91,365,924</b>	<b>\$ 86,329,245</b>	<b>\$ 47,939,289</b>	<b>\$ 48,796,460</b>	<b>\$139,305,213</b>	<b>\$ 135,125,705</b>

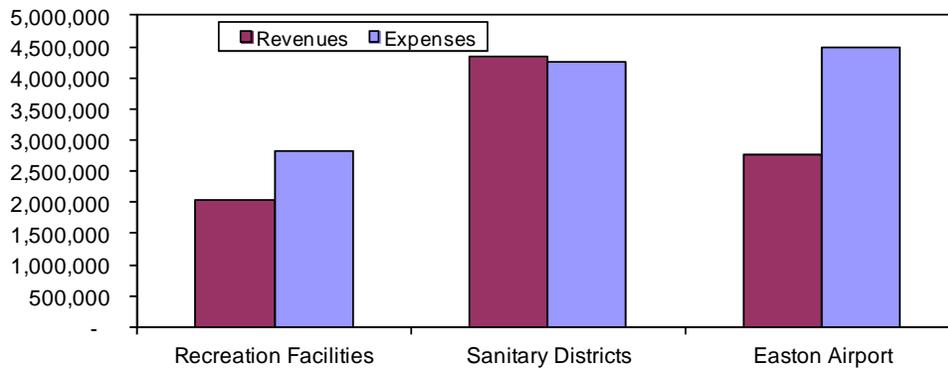
**Governmental Activities.** Governmental activities increased the County's net position after transfers by \$5.0 million. Key elements of the increase in the net position of governmental activities are as follows:

- Income Tax revenues increased by \$1.4 million, a 5.4 percent increase from the prior year actual and were \$1.9 million more than originally budgeted for FY 2017.
- Property tax revenues increased by \$1.2 million, a 3.5 percent increase from the prior fiscal year and were \$382 thousand more than originally budgeted.
- Transfer and recordation taxes increased by \$1.5 million, a 14.9 percent increase from the prior fiscal year actual collections and were \$2.9 million more than originally budgeted for FY 2017. These revenues indicate a stabilization of the local housing market, but the housing market is not expanding yet.

**Business-type Activities.** Business-type activities decreased Talbot County’s net position after transfers by \$857 thousand. The decrease is primarily attributable to expenditures (primarily depreciation) being more than revenues received through charges for services.

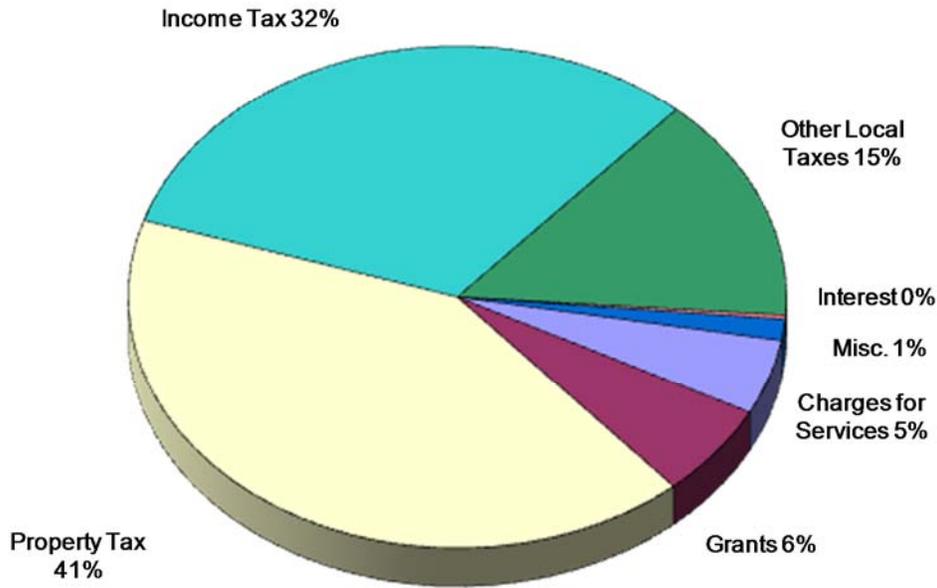
Fiscal year 2017 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

***Expenses and Program Revenues - Business-Type Activities  
For the Year Ended June 30, 2017***



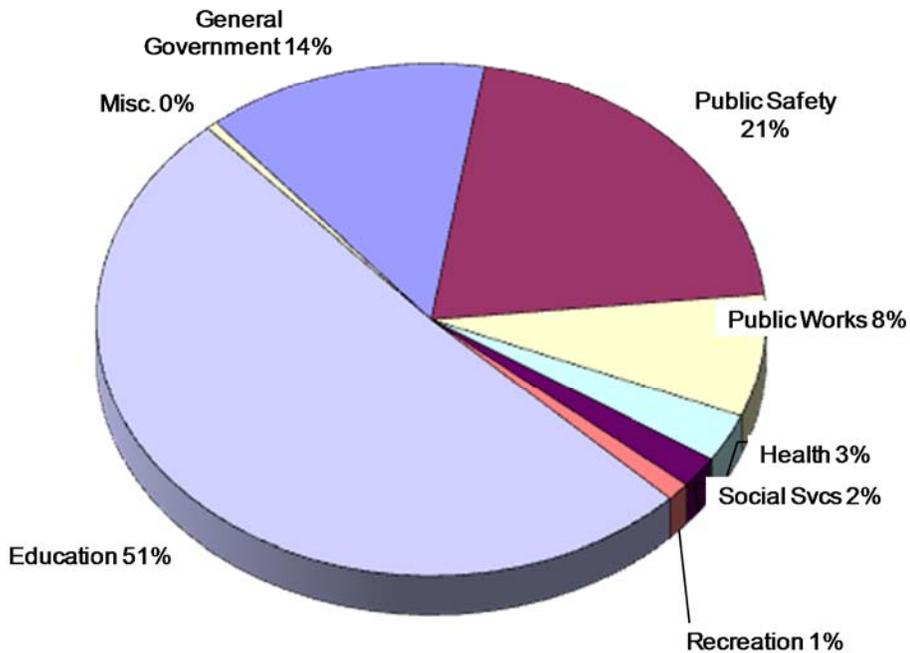
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**Revenues by Source - Governmental Activities  
For the Year Ended June 30, 2017**



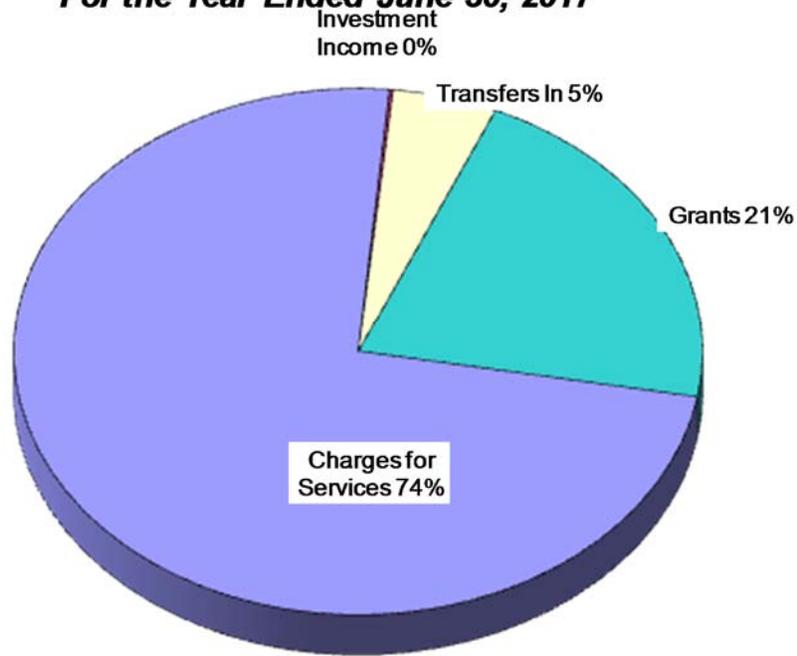
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**Expenses - Governmental Activities  
For the Year Ended June 30, 2017**



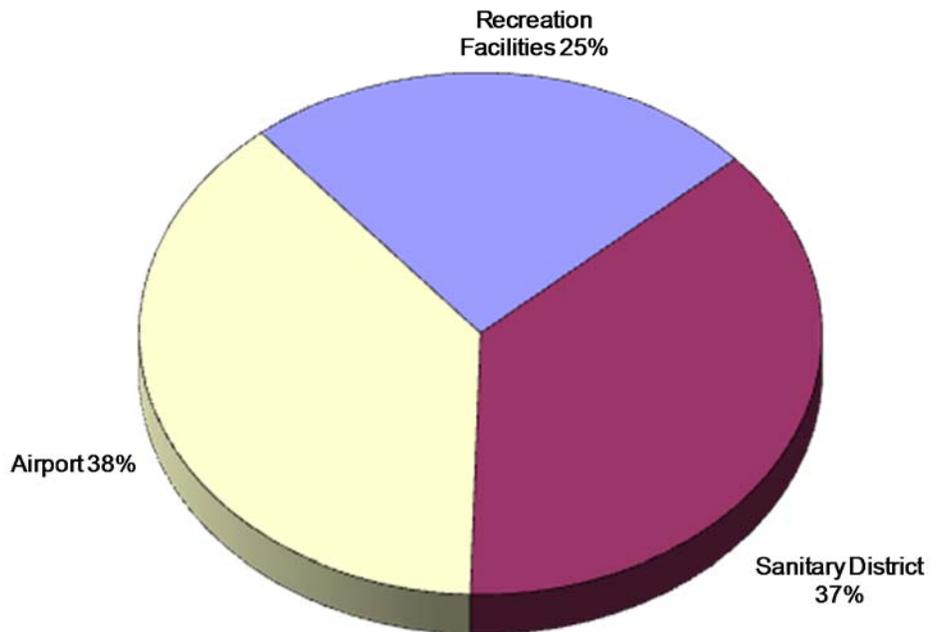
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**Revenues by Source - Business-Type Activities  
For the Year Ended June 30, 2017**



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**Expenses - Business-Type Activities  
For the Year Ended June 30, 2017**



## 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 \$38.3 million. Approximately 70.0 percent of this total (\$26.8 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 \$29.4 million, and the unassigned fund balance was \$26.8 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 34.0 percent of total general fund expenditures before Other Financing Uses, while total fund balance represents 37.2 percent of total general fund expenditures before Other Financing Uses.

The fund balance of Talbot County's General Fund increased by \$3.9 million during FY 2017. This increase is due primarily to increases in local (property, income, recordation and transfer) tax revenues.

The fund balance of the County's Capital Projects Fund decreased by \$3.4 million in FY 2017. This decrease was due to the completion of several 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 \$47.9 million. There is a deficit balance of \$3.2 million 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 \$11.0 million at June 30, 2017.

### GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the final budget and the final actual results for the County totaled \$3.9 million. Revenues received were \$6.2 million more than final budgeted estimates and the County did not use \$2.2 million of prior years' funds to fund FY 2017 expenditures, resulting in a positive variance of \$4.0 million in revenues. Expenditures were \$195 thousand more than final budgeted estimates. The major variances can be summarized as follows:

- **Revenues.** Revenues were \$6.2 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 \$5.3 million more than budgeted. This total includes \$1.9 million more in income tax revenues, \$2.9 million in recordation and transfer taxes, \$0.4 million in property tax revenues.
  - The County had budgeted to use \$2.2 million of prior years' funds to balance the FY 2017 budget. The County did not need to use any prior years' funds in FY 2017.
- **Expenditures.** Expenditures were \$195 thousand more than budgeted for the year. The major differences between the budgeted amounts and the actual expenditures are as follows:
  - County received additional grant funds in FY 2017.

## **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, 2017 totals \$154.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year is \$10.5 million or 7.3 percent.

Capital assets are summarized as follows:

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2017	2016	2017	2016	2017	2016
Land	\$ 9,735,907	\$ 9,735,907	\$ 2,956,047	\$ 2,956,047	\$ 12,691,954	\$ 12,691,954
Construction in progress	1,334,249	11,174,068	5,533,458	1,282,484	6,867,707	12,456,552
Buildings and improvements	33,623,999	24,402,209	55,339,338	50,010,586	88,963,337	74,412,795
Non-deprec. infrastructure	25,449,891	25,449,891	-	-	25,449,891	25,449,891
Infrastructure	10,167,407	8,416,535	-	-	10,167,407	8,416,535
Furniture and equipment	6,043,895	6,310,324	3,921,847	3,906,550	9,965,742	10,216,874
<b>Total</b>	<b>\$ 86,355,348</b>	<b>\$ 85,488,934</b>	<b>\$ 67,750,690</b>	<b>\$ 58,155,667</b>	<b>\$154,106,038</b>	<b>\$ 143,644,601</b>

Major capital asset events during the current fiscal year included the following:

- The expansion of the County's 911 Center project reduced CIP by \$1.5 million and was put into service.
- The new Emergency Radio/911 system project reduced CIP by \$8.7 million and was put into service.
- The Airport purchased a \$6.0 million building for future expansion resulting in an increase in the Buildings and improvements of Business-Type Activities.
- Upgrades and renovations to the Bio-solids facility totaling \$4.4 million resulting in an increase in the CIP of Business-Type Activities.

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

**Long-term Debt.** At the end of the current fiscal year, Talbot County had total long term debt outstanding of \$45.7 million, an increase of approximately \$4.0 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, \$16.6 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**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2017	2016	2017	2016	2017	2016
Bonds, Notes and Premiums	\$ 29,043,335	\$ 32,753,625	\$ 16,646,068	\$ 8,957,702	\$ 45,689,403	\$ 41,711,327

The County's most recent bond ratings from Moody's Investors Service and Fitch Ratings are Aa2 (June 2017) and AAA (February 2017), 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 2018 approved budget for the General Fund is \$83,458,000 representing an increase of \$4.1 million or 5.2 percent from the FY 2017 original approved budget.
- Real Property tax revenue is expected to generate \$1.9 million more than the FY 2017 actual collections and is \$2.3 million more than the FY 2017 budget. This increase is due to the adoption of an Education Supplement to the County real property tax rate. All of the funds generated by the Educational supplement must be appropriated to the Talbot County Public Schools.
- Income tax revenue in FY 2018 is budgeted to be \$1.1 million less than the FY 2017 actual collections and is \$0.8 million more than the FY 2017 budget.
- Fund balance of \$2.5 million is used to balance the FY 2018 General Fund budget.
- Public Safety appropriation increased in FY 2018 due to the establishment of a Central Booking facility for the County.
- Education appropriation increased in FY 2018 due to additional funding for non-recurring expenses.

All of these factors were considered in preparing the County's budget for FY 2018. 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, 2017**  
**COMPONENT UNITS AS OF JUNE 30, 2017**

	Primary Government		
	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 32,255,386	\$ 8,049,189	\$ 40,304,575
Investments	-	-	-
Receivables:			
Accounts receivable	509,024	969,232	1,478,256
Other	-	-	-
Intergovernmental:			
State	3,588,473	785,394	4,373,867
Federal	216,744	3,793	220,537
Local	-	-	-
Prepaid items	55,539	7,670	63,209
Prepaid OPEB	5,446,608	-	5,446,608
Internal balances	11,593,811	(11,593,811)	-
Inventories	-	173,241	173,241
Advances to (from) other funds	295,429	(295,429)	-
Other assets	-	-	-
Nondepreciable capital assets	36,520,047	8,489,505	45,009,552
Depreciable capital assets, net	49,835,301	59,261,185	109,096,486
<b>TOTAL ASSETS</b>	<b>140,316,362</b>	<b>65,849,969</b>	<b>206,166,331</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions (See Note 7)	3,432,799	-	3,432,799
Deferred charge on refunding (Note 6)	936,778	29,004	965,782
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>4,369,577</b>	<b>29,004</b>	<b>4,398,581</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,060,256	1,079,499	4,139,755
Other payables	2,472,285	-	2,472,285
Unearned revenue	4,644,015	113,597	4,757,612
Long-term liabilities, due within one year			
Compensated absences	387,686	37,954	425,640
Bonds and notes payable	3,651,541	1,227,237	4,878,778
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year			
Compensated absences	580,040	62,566	642,606
Bonds and notes payable	25,391,794	15,418,831	40,810,625
Obligations under state retirement system	-	-	-
Pension liability	12,374,154	-	12,374,154
Other post-employment benefit obligation	-	-	-
<b>TOTAL LIABILITIES</b>	<b>52,561,771</b>	<b>17,939,684</b>	<b>70,501,455</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions (See Note 7)	758,244	-	758,244
<b>NET POSITION</b>			
Net investment in capital assets	80,610,059	51,133,626	131,743,685
Restricted for:			
Social services (Talbot Family Network)	96,616	-	96,616
Food services	-	-	-
Programs	-	-	-
Unrestricted (deficit)	10,659,249	(3,194,337)	7,464,912
<b>TOTAL NET POSITION</b>	<b>\$ 91,365,924</b>	<b>\$ 47,939,289</b>	<b>\$ 139,305,213</b>

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

Component Units	
Board of <u>Education</u>	<u>Library</u>
\$ 6,274,286	\$ 115,652
-	2,012,487
-	7,716
22,386	-
37,732	-
386,540	-
17,000	-
-	546
-	-
-	-
-	-
-	118,336
624,446	1,880
55,749,296	610,463
<u>63,111,686</u>	<u>2,867,080</u>
1,457,789	-
-	-
<u>1,457,789</u>	-
4,159,856	53,287
3,314	118,336
580,488	3,411
220,054	-
201,044	-
39,308	-
105,735	-
160,808	-
542,881	-
5,207,243	-
36,795,756	896,708
<u>48,016,487</u>	<u>1,071,742</u>
357,021	-
56,011,890	612,343
-	-
443,224	-
-	906,861
(40,259,147)	276,134
<u>\$ 16,195,967</u>	<u>\$ 1,795,338</u>

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

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	\$ 11,325,690	\$ 3,235,487	\$ 540,043	\$ 49,932
Public safety	17,276,097	50,098	762,146	185,817
Public works	6,427,502	245,783	1,857,533	607,102
Health and hospitals	2,520,926	95,011	-	-
Social services	1,640,895	-	1,132,158	-
Education	42,249,348	410,781	-	-
Recreation	959,049	240,526	11,853	146,555
Conservation of natural resources	250,848	-	-	-
Interest on long-term debt	185,145	-	-	-
<b>Total Governmental Activities</b>	<b>82,835,500</b>	<b>4,277,686</b>	<b>4,303,733</b>	<b>989,406</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Recreation facilities	2,888,465	2,050,009	-	57,555
Sanitary district	4,366,586	3,473,144	854,503	210,331
Easton airport	4,525,433	2,524,209	255,441	922,846
<b>Total Business-Type Activities</b>	<b>11,780,484</b>	<b>8,047,362</b>	<b>1,109,944</b>	<b>1,190,732</b>
<b>Total Primary Government</b>	<b>\$ 94,615,984</b>	<b>\$ 12,325,048</b>	<b>\$ 5,413,677</b>	<b>\$ 2,180,138</b>
<b>COMPONENT UNITS</b>				
Board of Education	\$ 71,734,638	\$ 716,472	\$ 63,441,360	\$ 741,204
Talbot County Free Library	1,927,871	-	1,904,001	-
<b>Total Component Units</b>	<b>\$ 73,662,509</b>	<b>\$ 716,472</b>	<b>\$ 65,345,361</b>	<b>\$ 741,204</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
\$ (7,500,228)	\$ -	\$ (7,500,228)	\$ -	\$ -
(16,278,036)	-	(16,278,036)	-	-
(3,717,084)	-	(3,717,084)	-	-
(2,425,915)	-	(2,425,915)	-	-
(508,737)	-	(508,737)	-	-
(41,838,567)	-	(41,838,567)	-	-
(560,115)	-	(560,115)	-	-
(250,848)	-	(250,848)	-	-
(185,145)	-	(185,145)	-	-
<u>(73,264,675)</u>	<u>-</u>	<u>(73,264,675)</u>	<u>-</u>	<u>-</u>
-	(780,901)	(780,901)	-	-
-	171,392	171,392	-	-
-	(822,937)	(822,937)	-	-
<u>-</u>	<u>(1,432,446)</u>	<u>(1,432,446)</u>	<u>-</u>	<u>-</u>
<u>\$ (73,264,675)</u>	<u>\$ (1,432,446)</u>	<u>\$ (74,697,121)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (6,835,602)	\$ -
-	-	-	-	(23,870)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,835,602)</u>	<u>\$ (23,870)</u>
\$ 36,531,210	\$ -	\$ 36,531,210	\$ -	\$ -
28,007,970	-	28,007,970	-	-
18,777	-	18,777	-	-
6,980,355	-	6,980,355	-	-
4,460,772	-	4,460,772	-	-
1,340,266	-	1,340,266	-	-
59,671	-	59,671	-	-
231,807	18,815	250,622	20,189	-
1,206,986	20,000	1,226,986	5,464	-
<u>78,837,814</u>	<u>38,815</u>	<u>78,876,629</u>	<u>25,653</u>	<u>-</u>
(536,460)	536,460	-	-	-
<u>78,301,354</u>	<u>575,275</u>	<u>78,876,629</u>	<u>25,653</u>	<u>-</u>
5,036,679	(857,171)	4,179,508	(6,809,949)	(23,870)
<u>86,329,245</u>	<u>48,796,460</u>	<u>135,125,705</u>	<u>23,005,916</u>	<u>1,819,208</u>
<u>\$ 91,365,924</u>	<u>\$ 47,939,289</u>	<u>\$ 139,305,213</u>	<u>\$ 16,195,967</u>	<u>\$ 1,795,338</u>

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## Fund Financial Statements

**TALBOT COUNTY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2017**

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 22,243,380	\$ 7,588,350	\$ 2,423,656	\$ 32,255,386
Receivables:				
Accounts receivable	393,935	95,814	19,275	509,024
Intergovernmental:				
State	3,239,437	19,364	329,672	3,588,473
Federal	90,346	-	126,398	216,744
Prepaid items	55,539	-	-	55,539
Due from other funds	11,593,811	-	-	11,593,811
Advances to other funds	295,429	-	-	295,429
	<hr/>			
Total Assets	\$ 37,911,877	\$ 7,703,528	\$ 2,899,001	\$ 48,514,406
	<hr/>			
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,012,723	\$ 546,832	\$ 500,701	\$ 3,060,256
Other payables	2,472,285	-	-	2,472,285
Unearned revenue	4,010,831	-	633,184	4,644,015
	<hr/>			
Total Liabilities	8,495,839	546,832	1,133,885	10,176,556
	<hr/>			
<b>FUND BALANCES</b>				
Nonspendable	55,539	-	-	55,539
Restricted for:				
Social Services	-	-	96,616	96,616
Committed for:				
Capital projects	-	7,156,696	1,348,500	8,505,196
Assigned for:				
Future budget	2,526,000	-	320,000	2,846,000
Unassigned	26,834,499	-	-	26,834,499
	<hr/>			
Total Fund Balances	29,416,038	7,156,696	1,765,116	38,337,850
	<hr/>			
Total Liabilities and Fund Balances	\$ 37,911,877	\$ 7,703,528	\$ 2,899,001	\$ 48,514,406
	<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, 2017**

Total Governmental Funds Balances	\$	38,337,850
Amounts reported for governmental activities in the statement of net position are different because:		
Prepayment of post retirement benefits		5,446,608
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		86,355,348
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	(29,043,335)	
Net pension liability	(12,374,154)	
Compensated absences	(967,726)	
		(42,385,215)
Deferred outflows - Maryland State Pension (see Note 7)		3,432,799
Deferred inflows - Maryland State Pension (see Note 7)		(758,244)
Deferred charge on refunding (Note 6)		936,778
		936,778
Net Position of Governmental Activities	\$	91,365,924

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES**  
**For the Year Ended June 30, 2017**

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Real property taxes	\$ 36,531,210	\$ -	\$ -	\$ 36,531,210
Local income taxes	28,007,970	-	-	28,007,970
Other local taxes	12,859,841	-	-	12,859,841
Licenses and permits	683,838	-	850,559	1,534,397
Intergovernmental:				
Federal	171,324	570,000	1,227,940	1,969,264
State	1,764,897	119,267	1,439,711	3,323,875
Service charges	2,741,847	-	-	2,741,847
Fines and forfeitures	1,442	-	-	1,442
Miscellaneous	1,017,498	-	189,488	1,206,986
Interest	219,772	6,017	6,018	231,807
<b>Total Revenues</b>	<b>83,999,639</b>	<b>695,284</b>	<b>3,713,716</b>	<b>88,408,639</b>
<b>EXPENDITURES</b>				
Current				
General government	7,737,734	735,819	328,497	8,802,050
Public safety	16,823,611	662,769	13,118	17,499,498
Public works	4,271,036	2,205,552	1,505,669	7,982,257
Health and hospitals	2,509,541	-	11,385	2,520,926
Social services	542,682	-	1,098,213	1,640,895
Education	43,218,065	975,823	-	44,193,888
Recreation	622,731	287,016	-	909,747
Conservation of natural resources	250,848	-	-	250,848
Employee benefits	825,003	-	-	825,003
Miscellaneous	130,261	-	-	130,261
Intergovernmental	964,560	-	-	964,560
Debt service interest	185,145	-	-	185,145
Debt service principal	835,569	-	-	835,569
Contingencies	114,433	-	-	114,433
<b>Total Expenditures</b>	<b>79,031,219</b>	<b>4,866,979</b>	<b>2,956,882</b>	<b>86,855,080</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>4,968,420</b>	<b>(4,171,695)</b>	<b>756,834</b>	<b>1,553,559</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out) to other funds:				
Capital projects - operating appropriation	(800,000)	-	-	(800,000)
Recreation - operating appropriation	(514,210)	-	(22,250)	(536,460)
Developmental impact fund	195,000	-	(195,000)	-
Capital projects	-	800,000	-	800,000
Note - DNR	4,158	-	-	4,158
<b>Total Other Financing Sources (Uses)</b>	<b>(1,115,052)</b>	<b>800,000</b>	<b>(217,250)</b>	<b>(532,302)</b>
<b>Net Change in Fund Balances</b>	<b>3,853,368</b>	<b>(3,371,695)</b>	<b>539,584</b>	<b>1,021,257</b>
<b>Fund Balances at Beginning of Year</b>	<b>25,562,670</b>	<b>10,528,391</b>	<b>1,225,532</b>	<b>37,316,593</b>
<b>Fund Balances at End of Year</b>	<b>\$ 29,416,038</b>	<b>\$ 7,156,696</b>	<b>\$ 1,765,116</b>	<b>\$ 38,337,850</b>

*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, 2017**

Net change in fund balances - total Governmental Funds \$ 1,021,257

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	5,133,230
Current year depreciation	<u>(4,266,816)</u>

Total	866,414
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Loan proceeds provide current financial resources to the governmental funds; however, issuing debt increases long-term liabilities in the statement of net position.

Long-term debt issuance	(4,158)
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Repayment of debt obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments and retirements of long-term debt	3,539,009
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in unamortized bond premium	175,439
Change in deferred debt refunding costs	(94,548)
Change in other post-employment benefits, asset	211,676
Change in pension expense	(609,649)
Change in compensated absences	(68,761)

Change in net position of Governmental Activities	<u><u>\$ 5,036,679</u></u>
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**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**June 30, 2017**

	Major Funds			Totals
	Recreation Facilities	Sanitary District	Easton Airport	
<b><u>ASSETS</u></b>				
<b>CURRENT ASSETS</b>				
Cash and short-term investments	\$ 6,605	\$ 2,086,370	\$ 247,600	\$ 2,340,575
Cash and short-term investments - capital projects	5,708,614	-	-	5,708,614
Accounts receivable:				
Accounts receivable, customers	29,844	915,302	24,086	969,232
Intergovernmental:				
State	-	307,482	477,912	785,394
Federal	-	-	3,793	3,793
Prepaid items	3,033	2,158	2,479	7,670
Inventories	55,953	-	117,288	173,241
<b>Total Current Assets</b>	<b>5,804,049</b>	<b>3,311,312</b>	<b>873,158</b>	<b>9,988,519</b>
<b>NONCURRENT ASSETS</b>				
Land	450,000	2,463,801	42,246	2,956,047
Construction in progress	404,540	4,658,047	470,871	5,533,458
Buildings and improvements	15,965,056	44,264,040	49,431,422	109,660,518
Furniture and equipment	2,246,717	4,206,549	1,589,073	8,042,339
Less: accumulated depreciation	(11,478,162)	(20,627,430)	(26,336,080)	(58,441,672)
<b>Total Noncurrent Assets</b>	<b>7,588,151</b>	<b>34,965,007</b>	<b>25,197,532</b>	<b>67,750,690</b>
<b>Total Assets</b>	<b>13,392,200</b>	<b>38,276,319</b>	<b>26,070,690</b>	<b>77,739,209</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding	26,404	1,008	1,592	29,004
<b><u>LIABILITIES</u></b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	163,728	813,740	102,031	1,079,499
Compensated absences	10,930	15,653	11,371	37,954
Due to other funds	4,035,096	1,972,993	5,585,722	11,593,811
Unearned revenues	34,981	28,000	50,616	113,597
Advances from other funds	-	-	295,429	295,429
Current maturities of long-term debt	276,540	808,707	141,990	1,227,237
<b>Total Current Liabilities</b>	<b>4,521,275</b>	<b>3,639,093</b>	<b>6,187,159</b>	<b>14,347,527</b>
<b>NONCURRENT LIABILITIES</b>				
Compensated absences	18,264	27,470	16,832	62,566
Long-term debt, less current maturities	1,816,695	12,959,207	642,929	15,418,831
<b>Total Noncurrent Liabilities</b>	<b>1,834,959</b>	<b>12,986,677</b>	<b>659,761</b>	<b>15,481,397</b>
<b>Total Liabilities</b>	<b>6,356,234</b>	<b>16,625,770</b>	<b>6,846,920</b>	<b>29,828,924</b>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	5,521,320	21,198,101	24,414,205	51,133,626
Unrestricted (deficit)	1,541,050	453,456	(5,188,843)	(3,194,337)
<b>Total Net Position</b>	<b>\$ 7,062,370</b>	<b>\$ 21,651,557</b>	<b>\$ 19,225,362</b>	<b>\$ 47,939,289</b>

*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, 2017**

	Major Funds			Totals
	Recreation Facilities	Sanitary District	Easton Airport	
<b>OPERATING REVENUES</b>				
Airport - operations	\$ -	\$ -	\$ 364,098	\$ 364,098
Airport - fuel facility	-	-	1,559,306	1,559,306
Airport - hangars	-	-	561,291	561,291
Sewer service charges	-	2,039,237	-	2,039,237
Sewer connection charges	-	1,369,870	-	1,369,870
Residential benefit charges	-	24,300	-	24,300
Wind/solar renewable energy	-	29,823	-	29,823
Admissions	244,825	-	-	244,825
Room rents	71,697	-	-	71,697
Ice revenue	305,711	-	-	305,711
Pro shop and concessions	361,087	-	-	361,087
Cart rentals	40,947	-	-	40,947
Greens fees	981,002	-	-	981,002
Other operating	44,740	9,914	39,514	94,168
<b>Total Operating Revenues</b>	<b>2,050,009</b>	<b>3,473,144</b>	<b>2,524,209</b>	<b>8,047,362</b>
<b>OPERATING EXPENSES</b>				
Salaries and related expenses	1,022,344	941,666	368,020	2,332,030
Cost of sales - fuel	-	-	1,377,911	1,377,911
Professional fees	30,201	7,714	-	37,915
Office	51,512	15,006	14,730	81,248
Insurance	16,425	20,759	19,519	56,703
Contracted services	-	1,296,031	-	1,296,031
Repairs and maintenance	260,171	496,458	111,882	868,511
Utilities	211,976	-	49,230	261,206
Supplies and equipment	71,637	-	461	72,098
Lessons and programs	99,894	-	-	99,894
Concessions	219,948	-	-	219,948
Depreciation	734,891	1,331,270	2,525,297	4,591,458
Other operating	113,536	134,848	21,054	269,438
<b>Total Operating Expenses</b>	<b>2,832,535</b>	<b>4,243,752</b>	<b>4,488,104</b>	<b>11,564,391</b>
<b>Operating Income (Loss)</b>	<b>(782,526)</b>	<b>(770,608)</b>	<b>(1,963,895)</b>	<b>(3,517,029)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenues	-	854,503	255,441	1,109,944
Gain (loss) on disposal of capital assets	12,311	-	-	12,311
Other non-operating	-	-	20,000	20,000
Interest income	-	18,815	-	18,815
Interest expense	(68,241)	(122,834)	(37,329)	(228,404)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(55,930)</b>	<b>750,484</b>	<b>238,112</b>	<b>932,666</b>
<b>CAPITAL CONTRIBUTIONS</b>				
Intergovernmental revenues	-	210,331	922,846	1,133,177
Program open space grant	57,555	-	-	57,555
<b>Total Capital Contributions</b>	<b>57,555</b>	<b>210,331</b>	<b>922,846</b>	<b>1,190,732</b>
<b>Income (Loss) Before Transfers</b>	<b>(780,901)</b>	<b>190,207</b>	<b>(802,937)</b>	<b>(1,393,631)</b>
<b>Transfers In (Out)</b>	<b>536,460</b>	<b>-</b>	<b>-</b>	<b>536,460</b>
<b>Change in Net Position</b>	<b>(244,441)</b>	<b>190,207</b>	<b>(802,937)</b>	<b>(857,171)</b>
<b>Net Position, Beginning of Year</b>	<b>7,306,811</b>	<b>21,461,350</b>	<b>20,028,299</b>	<b>48,796,460</b>
<b>Net Position, End of Year</b>	<b>\$ 7,062,370</b>	<b>\$ 21,651,557</b>	<b>\$ 19,225,362</b>	<b>\$ 47,939,289</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, 2017**

	Major Funds		
	Recreation Facilities	Sanitary District	Easton Airport
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 2,017,249	\$ 2,687,352	\$ 2,537,261
Cash received from other revenues	44,740	9,914	39,514
Cash payments for salaries and related expenses	(1,028,644)	(948,719)	(367,799)
Cash payments to suppliers	(1,069,272)	(240,726)	(1,638,799)
Cash payments for contracted services	-	(1,296,031)	-
Other receipts	-	-	5,585,722
Other payments	(219,132)	(1,495,909)	-
Net cash (used) provided by operating activities	(255,059)	(1,284,119)	6,155,899
<b>Cash flows from noncapital financing activities:</b>			
Transfers from other funds	536,460	-	-
Other non-operating receipts	-	-	20,000
Intergovernmental revenues	-	1,007,786	282,539
Net cash provided by noncapital financing activities	536,460	1,007,786	302,539
<b>Cash flows from capital and related financing activities:</b>			
Intergovernmental revenues	177,831	31,918	446,302
Issuance of long-term debt	251,935	8,550,000	-
Principal paid on long-term notes and bonds	(268,303)	(701,960)	(143,306)
Deferred refunding costs on sale of bonds	2,933	505	796
Interest paid on long-term notes and bonds	(68,241)	(122,834)	(37,329)
Proceeds from sale of capital assets	12,311	-	-
Acquisition and construction of capital assets	(389,867)	(6,419,756)	(7,376,858)
Net cash (used) provided by capital and related financing activities	(281,401)	1,337,873	(7,110,395)
<b>Cash flows from investing activities:</b>			
Interest income on investments	-	18,815	-
Repayment of advances from other funds	-	-	(71,660)
Net cash provided (used) by investing activities	-	18,815	(71,660)
Increase (Decrease) in Cash and Cash Equivalents	-	1,080,355	(723,617)
Cash and Cash Equivalents at Beginning of Year	5,715,219	1,006,015	971,217
Cash and Cash Equivalents at End of Year	\$ 5,715,219	\$ 2,086,370	\$ 247,600

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

Totals

\$	7,241,862
	94,168
	(2,345,162)
	(2,948,797)
	(1,296,031)
	5,585,722
	<u>(1,715,041)</u>
	<u>4,616,721</u>
	536,460
	20,000
	<u>1,290,325</u>
	<u>1,846,785</u>
	656,051
	8,801,935
	(1,113,569)
	4,234
	(228,404)
	12,311
	<u>(14,186,481)</u>
	<u>(6,053,923)</u>
	18,815
	<u>(71,660)</u>
	<u>(52,845)</u>
	356,738
	<u>7,692,451</u>
\$	<u><u>8,049,189</u></u>

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended June 30, 2017 (continued)**

	Major Funds		
	<u>Recreation Facilities</u>	<u>Sanitary District</u>	<u>Easton Airport</u>
<b>Reconciliation of operating loss to net cash (used) provided by operating activities:</b>			
Operating loss	\$ (782,526)	\$ (770,608)	\$ (1,963,895)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities			
Depreciation	734,891	1,331,270	2,525,297
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable, customers	4,085	(778,378)	50,808
(Increase) decrease in prepaid	(71)	39	(268)
(Increase) decrease in inventories	(828)	-	14,202
Increase (decrease) in accounts payable	6,927	434,020	(57,946)
(Decrease) increase in compensated absences	(6,300)	(7,053)	221
(Decrease) increase in due to other funds	(219,132)	(1,495,909)	5,585,722
Increase in unearned revenue	7,895	2,500	1,758
Net cash (used) provided by operating activities	<u>\$ (255,059)</u>	<u>\$ (1,284,119)</u>	<u>\$ 6,155,899</u>

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

Totals

\$ (3,517,029)

4,591,458

(723,485)

(300)

13,374

383,001

(13,132)

3,870,681

12,153

---

\$ 4,616,721

**TALBOT COUNTY, MARYLAND**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND**

**June 30, 2017**

	<u>Other Post-Employment Benefits Trust Fund</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 951,322
Investments	<u>10,087,542</u>
Total Assets	<u>11,038,864</u>
<b><u>LIABILITIES</u></b>	
Accrued expenses	<u>12,838</u>
<b><u>NET POSITION</u></b>	
Held in trust for other post-employment benefits	<u>\$ 11,026,026</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, 2017**

	<u>Other Post-Employment Benefits Trust Fund</u>
<b>ADDITIONS:</b>	
Investment earnings	
Interest	\$ 256,146
Net appreciation in the fair value of investments	788,692
Less investment expenses	<u>(6,645)</u>
Net investment income	1,038,193
 Total additions	 <u>1,038,193</u>
 <b>DEDUCTIONS:</b>	
Administrative expenses	<u>56,851</u>
 Total deductions	 <u>56,851</u>
 Change in net position	 981,342
 Net position held in trust for other post-employment benefits beginning of year	 <u>10,044,684</u>
 Net position held in trust for other post-employment benefits end of year	 <u>\$ 11,026,026</u>

*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. The Library’s financial statements include as a component unit the financial data of the Foundation. The Foundation is a separate legal entity from the library.

*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.

**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)**

**D. Measurement Focus (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, donated works of art and similar items, and capital assets received in service concession arrangements are reported at acquisition value 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, road base infrastructure, 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. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The County recognizes deferred outflows of resources related to its advance refunding of debt and also recognizes a deferred outflow of resources related to its pension obligation for changes in assumptions and contributions subsequent to the measurement date. These amounts are deferred and recognized as an outflow from resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County recognizes a deferred inflow of resources related to its pension obligation for the net difference between projected and actual investment earnings on pension plan investments. This item is deferred and recognized as an inflow from resources in the period that the amounts become available.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 2. Summary of Significant Accounting Policies (continued)**

**N. Deferred Outflows and Inflows of Resources (continued)**

The deferred outflows and inflows of resources represent reconciling items between the governmental fund financial statements and the government-wide financial statements.

**O. 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 motion made by any Council Member and approved by the majority of the Council Members at a County Council meeting.

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 in the General Fund 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.

**P. 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, and airport. 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.

**Q. 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.

**R. 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."

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**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, 2017, the County Primary Government had deposits of \$23,844,485 with local banks (carrying value \$22,304,575). 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, 2017, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$12,740 as of June 30, 2017.

**Board of Education**

At June 30, 2017, the reported amount of the Board's bank deposits was \$7,345,987 and the bank balance was \$9,175,936. These balances include \$865,070 of trust and agency cash and MLGIP of \$4,268,461 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 with the exception of \$107,090 in funds held by the Retiree Health Plan (OPEB) trust fund.

**Library**

At June 30, 2017, the Library had deposits totaling \$151,356 (carrying value \$115,652), 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, 2017, 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.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**B. Investments (continued)**

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, 2017, the County had the following investments:

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

The Post-employment Benefits Trust Fund investments are invested in the Maryland Association of Counties Pooled OPEB Trust (MACO Trust). The MACO Trust is administered by Davenport & Company LLC, and is a wholly-owned instrumentality of its members. The nine members who are sole contributors to the Trust consist of the following: Allegany, St. Mary’s, Queen Anne’s, and Talbot Counties, City of Annapolis, College of Southern Maryland, Town of Bel Air, Talbot County Board of Education, and St. Mary’s County Metropolitan Commission.

The assets of the Trust are managed by a Board of Trustees and consist of U.S. Treasury obligations, U.S. government agencies, corporate and foreign bonds, municipal obligations, taxable fixed income securities, mutual funds, global funds, and international equity securities.

Cash and cash equivalents for the MACO Trust include an investment in a money market mutual fund. At June 30, 2017, the weighted average maturity (WAM) for the Trust’s money market mutual fund was 34 days. At June 30, 2017, the short-term rating of the money market mutual fund was AAAM by Standard & Poor’s.

The main objectives of the Trust’s investment policy are the protection of investment principal and maximizing investment income through diversification while assuring financial liquidity. The policy allows for investment in U.S. and Non-U.S. equities, corporate, government, or government agency bonds, non U.S. bonds, real estate and limited partnerships.

The Trust categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transaction.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**B. Investments (continued)**

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of revenues, expenses and changes in net position. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis. Following is a description of the valuation methodologies used for assets measured at fair value.

Equity securities classified in Level 2 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The Trust has the following recurring fair value measurements as of June 30, 2017, of which Talbot County's portion was 38.9% of the total:

	Level 1	Level 2	Level 3	June 30, 2017
Investments by fair value level:				
Debt Securities				
U.S. Treasury Obligations	\$ -	\$ 2,673,538	\$ -	\$ 2,673,538
U.S. Governmental Agencies	-	187,444	-	187,444
Corporate & Foreign Bonds	-	4,236,920	-	4,236,920
Municipal Obligations	-	476,781	-	476,781
Equity and Mutual Fund Investments				
Taxable Fixed Income Securities	-	1,081,346	-	1,081,346
Domestic Equity Mutual Funds	12,191,732	-	-	12,191,732
Global Funds	1,611,002	-	-	1,611,002
International Funds	3,482,827	-	-	3,482,827
<b>Total</b>	<b>\$ 17,285,561</b>	<b>\$ 8,656,029</b>	<b>\$ -</b>	<b>\$ 25,941,590</b>

*Interest rate risk* is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trust's investment policy states that the duration of the portfolio should be within 6 months of Barclays Capital Aggregate Bond Index. The Trusts' weighted average years to maturity as of June 30, 2017 was 2.4 years.

Information about the sensitivity of the fair values of the Trust's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Trust's investments by maturity as of June 30, 2017:

	<b>Investment Maturities (in Years)</b>				
	Less than 1	1-5	6-10	More than 10	Total
Investments with maturities					
U.S. Treasury Obligations	\$ -	\$ 1,539,906	\$ 711,734	\$ 421,898	\$ 2,673,538
U.S. Governmental Agencies	-	155,338	-	32,106	187,444
Corporate & Foreign Bonds	499,878	1,775,911	1,137,584	823,547	4,236,920
Municipal Obligations	-	395,385	81,396	-	476,781
<b>Total</b>	<b>\$ 499,878</b>	<b>\$ 3,866,540</b>	<b>\$ 1,930,714</b>	<b>\$ 1,277,551</b>	<b>\$ 7,574,683</b>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**B. Investments (continued)**

*Credit Risk.* The Trust is exposed to both market risk, the risk arising from changes in fair value, and credit risk, the risk of failure by another party to perform according to the terms of a contract. The Trust bears the risk of loss only to the extent of the fair value of the respective investments. At June 30, 2017 the ratings of the underlying investments of the Trust's investments were as follows:

Type	Rating						Total
	Aaa	Aa1/Aa2/Aa3	A1/A2/A3	Baa1/Baa2/Baa3	Ba1	Not Rated	
U.S. Treasury Obligations	\$ 2,673,538	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,673,538
U.S. Governmental Agency	-	-	-	-	-	187,444	187,444
Corporate & Foreign Bonds	840,672	900,618	1,593,918	772,087	71,689	57,936	4,236,920
Municipal Obligations	101,017	375,764	-	-	-	-	476,781
Total	\$ 3,615,227	\$ 1,276,382	\$ 1,593,918	\$ 772,087	\$ 71,689	\$ 245,380	\$ 7,574,683

The *custodial credit risk* for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Trust will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Trust's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

The Trust has all of its assets on deposit with Wilmington Trust Company in connection with its investing and cash management activities. In the event of a financial institution's insolvency, recovery of Trust assets on deposit may be limited to account insurance or other protection afforded such deposits.

The following summarizes custodial credit risk related to investments held by the custodian as of June 30, 2017, which are uninsured and unregistered:

	Fair Value June 30, 2017
U.S. Treasury Obligations	\$ 2,673,538
U.S. Governmental Agencies	187,444
Corporate & Foreign Bonds	4,236,920
Municipal Obligations	476,781
Total	<u>\$ 7,574,683</u>

*Concentration of credit risk.* The following general asset allocation guidelines have been established through the Trust's investment policy.

Asset Class	Minimum	Maximum	Target
Equities	50%	70%	65%
Fixed Income	30%	50%	35%
Cash and Equivalents	0%	10%	0%

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

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

**B. Investments (continued)**

The Trust held the following investments as of June 30, 2017 that exceeded 5% of the total investment balances as of June 30, 2017:

Name	Amount
DFA US Small-Cap Value Fund	\$ 1,725,587
Lazard International Strategic Equity Funds	1,741,959
Transamerica TS&W International Equity Funds	1,740,867
Vanguard 500 Index Fund	7,565,355
Vanguard Mid-Cap Index Fund - Admiral Shares	1,855,092
New World Fund	1,611,002

Foreign currency risk is the risk that changes in the exchange rate of investments will adversely affect the fair value of an investment. The Trust was not exposed to Foreign Currency risk as of June 30, 2017 as the Trust did not have any investments denominated in foreign currencies.

**Capital Accounts**

The Trust accounts for contributions, allocations and redemptions on a per member capital account basis. The revenues, consulting and management fees, and administrative service fee are allocated pro rata to capital accounts of each member based on committed capital.

**Income Taxes**

The Trust complies with the requirements of Section 115 of the Internal Revenue Code and is exempt from income taxes.

**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, 2017, the Board had investments in MLGIP of \$4,268,461.

**Library**

The library follows the adopted investment policy of the County. The Foundation does not have restrictions placed on the type of investments it owns.

With regard to the Foundation's investments, custodial credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The investments are not collateralized and, therefore, are subject to credit and/or custodial risk. Concentration of credit risk is the risk of loss attributed to an investment in a single issuer. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of investments. Presented in the chart below are the investment maturities. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value. The investments below include some holdings with foreign currency risk.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**B. Investments (continued)**

**Library (continued)**

As of June 30, 2017, the Foundation's investments consisted of the following:

Investment Type	Fair Value	% of Total	Rating	Investment Maturities (in Years)			
				Less Than 1	1 - 5	6 - 10	10+
Cash	\$ 73,291	3.64%		\$ 73,291	\$ -	\$ -	\$ -
AMERICAN FD BALANCED (ABALX)	485,163	24.11%	5 star	485,163	-	-	-
AMG Chicago EQTY PART (MBEAX)	481,764	23.94%	5 star	481,764	-	-	-
JHANCOCK BALANCED (SVBIX)	486,823	24.19%	4 star	486,823	-	-	-
VANGUARD BALANCED INDEX (VBIAX)	485,446	24.12%	5 star	485,446	-	-	-
Total	<u>\$ 2,012,487</u>	<u>100.00%</u>		<u>\$ 2,012,487</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For all investment types other than cash, the asset allocation is comprised of 50% to 70% equities.

Fair Value Measurement – investments are measured at and reported at fair value, and are classified according to the following hierarchy:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment risk.

All investments held by the Foundation are classified as Level 1 in the fair value hierarchy as they are valued directly from a predetermined external pricing vendor.

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, 2017, 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.

During 2017, to support operations, the general fund transferred \$800,000 and \$514,210 to the capital projects fund and recreation fund, respectively. In addition, to support operations, the developmental impact fund transferred \$195,000 and \$22,250 to the general fund and recreation fund, respectively.

Due from/to other funds balances as of June 30, 2017 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	Due from Other Funds	Due to Other Funds
General Fund	Transfers	\$ 11,593,811	\$ -
Enterprise Fund - Recreation Facilities	Transfers	-	4,035,096
Enterprise Fund - Sanitary District	Transfers	-	1,972,993
Enterprise Fund - Airport	Transfers	-	5,585,722
		<u>\$ 11,593,811</u>	<u>\$ 11,593,811</u>

The amounts payable from all Enterprise Funds to the General Fund are to cover temporary cash shortages.

Advances to/from other funds balances as of June 30, 2017 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	Advances to Other Funds	Advances from Other Funds
General Fund	Construction projects	\$ 295,429	\$ -
Enterprise Fund - Airport	Construction projects	-	295,429
		<u>\$ 295,429</u>	<u>\$ 295,429</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, 2017 was \$295,429.

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, 2017 is as follows:

	Balance June 30, 2016	Additions	Transfers and Reductions	Balance June 30, 2017
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Nondepreciable Capital Assets:				
Land	\$ 9,735,907	\$ -	\$ -	\$ 9,735,907
Infrastructure - road base	25,449,891	-	-	25,449,891
Construction in progress	11,174,068	387,931	(10,227,750)	1,334,249
<b>Total Nondepreciable Capital Assets</b>	<b>46,359,866</b>	<b>387,931</b>	<b>(10,227,750)</b>	<b>36,520,047</b>
Depreciable Capital Assets:				
Buildings and improvements	42,473,018	1,431,040	9,798,007	53,702,065
Infrastructure	16,194,029	1,922,328	429,743	18,546,100
Furniture and equipment	25,689,691	1,391,931	(166,584)	26,915,038
<b>Total capital assets being depreciated</b>	<b>84,356,738</b>	<b>4,745,299</b>	<b>10,061,166</b>	<b>99,163,203</b>
Less accumulated depreciation for:				
Buildings and improvements	18,070,809	2,007,257	-	20,078,066
Infrastructure	7,777,494	601,199	-	8,378,693
Furniture and equipment	19,379,367	1,658,360	(166,584)	20,871,143
<b>Total accumulated depreciation</b>	<b>45,227,670</b>	<b>4,266,816</b>	<b>(166,584)</b>	<b>49,327,902</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>39,129,068</b>	<b>478,483</b>	<b>10,227,750</b>	<b>49,835,301</b>
<b>Total Governmental Activities, Net</b>	<b>\$ 85,488,934</b>	<b>\$ 866,414</b>	<b>\$ -</b>	<b>\$ 86,355,348</b>
	Balance June 30, 2016	Additions	Transfers and Reductions	Balance June 30, 2017
<b>Business-Type Activities:</b>				
Nondepreciable Capital Assets:				
Land	\$ 2,956,047	\$ -	\$ -	\$ 2,956,047
Construction in progress	1,282,484	5,262,561	(1,011,587)	5,533,458
<b>Total Nondepreciable Capital Assets</b>	<b>4,238,531</b>	<b>5,262,561</b>	<b>(1,011,587)</b>	<b>8,489,505</b>
Depreciable Capital Assets:				
Buildings and improvements	100,154,386	8,494,545	1,011,587	109,660,518
Furniture and equipment	7,889,640	429,375	(276,676)	8,042,339
<b>Total Depreciable Capital Assets</b>	<b>108,044,026</b>	<b>8,923,920</b>	<b>734,911</b>	<b>117,702,857</b>
Less accumulated depreciation for:				
Buildings and improvements	50,143,800	4,177,380	-	54,321,180
Furniture and equipment	3,983,090	414,078	(276,676)	4,120,492
<b>Total accumulated depreciation</b>	<b>54,126,890</b>	<b>4,591,458</b>	<b>(276,676)</b>	<b>58,441,672</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>53,917,136</b>	<b>4,332,462</b>	<b>1,011,587</b>	<b>59,261,185</b>
<b>Total Business-Type Activities, Net</b>	<b>\$ 58,155,667</b>	<b>\$ 9,595,023</b>	<b>\$ -</b>	<b>\$ 67,750,690</b>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 966,893
Public Safety	1,887,503
Public Works	1,242,781
Health & Hospitals	-
Recreation	<u>169,639</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 4,266,816</u>

A summary of changes in capital assets for the component units at June 30, 2017 is as follows:

	Balance June 30, 2016	Additions	Transfers and Reductions	Balance June 30, 2017
<b>Component Units</b>				
<b>Board of Education</b>				
Nondepreciable Capital Assets:				
Land	\$ 377,446	\$ 247,000	\$ -	\$ 624,446
Total Nondepreciable Capital Assets	<u>377,446</u>	<u>247,000</u>	<u>-</u>	<u>624,446</u>
Depreciable Capital Assets:				
Buildings and improvements	94,603,300	734,204	-	95,337,504
Furniture and equipment	25,362,663	995,311	-	26,357,974
Total capital assets being depreciated	<u>119,965,963</u>	<u>1,729,515</u>	<u>-</u>	<u>121,695,478</u>
Less accumulated depreciation for:				
Buildings and improvements	41,184,467	2,159,969	-	43,344,436
Furniture and equipment	21,291,122	1,310,624	-	22,601,746
Total accumulated depreciation	<u>62,475,589</u>	<u>3,470,593</u>	<u>-</u>	<u>65,946,182</u>
Total Depreciable Capital Assets, Net	<u>\$ 57,490,374</u>	<u>\$ (1,741,078)</u>	<u>\$ -</u>	<u>\$ 55,749,296</u>
<b>Library</b>				
Nondepreciable Capital Assets:				
Construction in progress	\$ 1,880	\$ -	\$ -	\$ 1,880
Total Nondepreciable Capital Assets	<u>1,880</u>	<u>-</u>	<u>-</u>	<u>1,880</u>
Depreciable Capital Assets:				
Buildings and improvements	559,721	-	-	559,721
Furniture and equipment	1,417,612	114,989	(118,591)	1,414,010
Total capital assets being depreciated	<u>1,977,333</u>	<u>114,989</u>	<u>(118,591)</u>	<u>1,973,731</u>
Less accumulated depreciation	<u>1,299,039</u>	<u>182,820</u>	<u>(118,591)</u>	<u>1,363,268</u>
Total Depreciable Capital Assets, Net	<u>\$ 678,294</u>	<u>\$ (67,831)</u>	<u>\$ -</u>	<u>\$ 610,463</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, 2017:

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	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%.	\$ 2,330,000	\$ -	\$ 1,140,000	\$ 1,190,000	\$ 1,190,000
Shore Erosion (Black Walnut Point); total authorized borrowing \$160,000, to be repaid in 15 annual payments of \$9,100, no interest, beginning July 1, 2011.	91,000	-	9,100	81,900	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%.	81,530	-	9,993	71,537	10,522
Chesapeake College Bond of 2000; 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%.	171,400	-	38,089	133,311	42,850
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%.	5,653,854	-	1,297,465	4,356,389	1,315,683
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.	147,393	-	49,582	97,811	50,572

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

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

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Amount Due in One Year
<b>Primary Government (continued)</b>					
<b>Governmental Activities (continued):</b>					
Shore Erosion Control Loan (Neavitt Landing); total borrowing of \$82,032, to be repaid in 10 equal annual payments, no interest, beginning in 2015 after completion of the project.	\$ 82,032	\$ 4,158	\$ 8,619	\$ 77,571	\$ 8,619
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 \$61,313 to \$124,198 through April 1, 2034; interest payable semi-annually.	1,636,981	-	63,671	1,573,310	66,423
Emergency radio system equipment financing agreement; original amount of \$6,716,277, to be repaid in eight annual payments of \$967,815 which include principal and interest at a rate of 3.273% through October 1, 2022.	5,968,267	-	772,490	5,195,777	797,772
Public Improvement Refunding Bonds of 2015; original issue \$15,206,400, payable annually in principal payments ranging from \$150,000 to \$1,645,000 through December 15, 2027; interest payable semi-annually at rates from 2% to 5%.	15,036,400	-	150,000	14,886,400	160,000
	31,198,857	4,158	3,539,009	27,664,006	3,651,541
Unamortized bond premium	1,554,768	-	175,439	1,379,329	-
Compensated absences	898,965	733,133	664,372	967,726	387,686
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$33,652,590</b>	<b>\$ 737,291</b>	<b>\$ 4,378,820</b>	<b>\$30,011,061</b>	<b>\$4,039,227</b>
	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Amount Due in One Year
<b>Business-type Activities:</b>					
<b>Recreation Facilities</b>					
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%.	\$ 401,328	\$ -	\$ 62,295	\$ 339,033	\$ 63,495
Golf course equipment capital lease; original issue of \$230,800, payable in monthly payments of \$4,222 which include principal and interest at a rate of 5.104% with one final payment of \$57,710 through August 30, 2018.	151,602	-	43,945	107,657	46,241
Public Improvement Refunding Bonds of 2015; original issue \$1,441,300, payable annually in principal payments ranging from \$90,000 to \$180,000 through December 15, 2025; interest payable semi-annually at rates from 2% to 5%.	1,441,300	-	115,000	1,326,300	130,000
Golf course equipment capital lease; original issue of \$251,935, payable in monthly payments of \$3,555 which include principal and interest at a rate of 3.5% with one final payment of \$107,500 through August 1, 2020.	-	251,935	35,526	216,409	36,804
Unamortized bond premium	115,373	-	11,537	103,836	-
<b>Total Recreation Facilities</b>	<b>\$ 2,109,603</b>	<b>\$ 251,935</b>	<b>\$ 268,303</b>	<b>\$ 2,093,235</b>	<b>\$ 276,540</b>

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

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

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Amount Due in One Year
<b>Business-type Activities (continued):</b>					
<b>Sanitary District</b>					
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%.	\$ 5,480,252	\$ -	\$ 509,496	\$ 4,970,756	\$ 511,534
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%.	226,501	-	26,539	199,962	26,999
Farmers Home Administration Bond; Unionville/Tunis Mills/Copperville Wastewater System Bond of 2001; original issue \$186,000, payable quarterly in payments of \$2,833 through May 2030, including interest at 4.5%.	117,172	-	6,161	111,011	6,440
Public Improvement Refunding Bonds of 2015; original issue \$90,000, payable annually in principal payments ranging from \$20,000 to \$35,000 through December 15, 2019; interest payable semi-annually at 5% per year.	90,000	-	30,000	60,000	30,000
Martingham Pump Station and Force Main Consolidated Public Improvement Bonds of 2016; original issue \$2,575,000, payable quarterly in payments of \$26,240 through December 15, 2046, including interest at	-	2,575,000	34,886	2,540,114	70,395
Bio-Solids Facility Consolidated Public Improvement Bonds of 2016; original issue \$5,975,000, payable quarterly in payments of \$60,886 through December 15, 2046, including interest at 1.375%.	-	5,975,000	92,895	5,882,105	163,339
Unamortized bond premium	5,949	-	1,983	3,966	-
Total Sanitary District	<u>\$ 5,919,874</u>	<u>\$ 8,550,000</u>	<u>\$ 701,960</u>	<u>\$ 13,767,914</u>	<u>\$ 808,707</u>

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

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

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017	Amount Due in One Year
<b>Business-type Activities (continued):</b>					
<b>Easton Airport</b>					
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%.	\$ 235,001	\$ -	\$ 35,000	\$ 200,001	\$ 35,000
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%.	194,818	-	30,240	164,578	30,822
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.	93,275	-	19,962	73,313	20,983
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.	253,438	-	4,973	248,465	5,185
Public Improvement Refunding Bonds of 2015; original issue \$142,300, payable annually in principal payments ranging from \$35,000 to \$50,000 through December 15, 2019; interest payable semi-annually at 5% per year.	142,300	-	50,000	92,300	50,000
Unamortized bond premium	9,393	-	3,131	6,262	-
Total Easton Airport	<u>928,225</u>	<u>-</u>	<u>143,306</u>	<u>784,919</u>	<u>141,990</u>
Compensated absences	<u>113,652</u>	<u>57,877</u>	<u>71,009</u>	<u>100,520</u>	<u>37,954</u>
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 9,071,354</u>	<u>\$8,859,812</u>	<u>\$1,184,578</u>	<u>\$16,746,588</u>	<u>\$1,265,191</u>

The bonds outstanding at June 30, 2017 for the primary government's governmental activities and business-type activities are general obligation bonds.

On October 14, 2015 the County issued Public Improvement Refunding Bonds of 2015 for \$16,880,000. These bonds carry interest at rates of 2.0 to 5.0 percent and mature serially through 2028. The net proceeds of \$18,183,347 (after receipt of \$1,303,348, a re-offering premium net of underwriter fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Refunding Bonds of 2006 and for a portion of debt service payments on the Refunding Bonds of 2008. As a result, the 2006 and a portion of the 2008 bonds are considered to be defeased.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of old debt of \$1,163,348. The County completed the advance refunding to reduce its total debt service payments over the next thirteen years by \$1,406,816. There was a net present value savings of \$1,249,448.

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	\$ 482,735
Less: accumulated depreciation	<u>(79,575)</u>
Total	<u><u>\$ 403,160</u></u>

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

**Business-Type Activities**

Year Ending June 30	
2018	\$ 92,089
2019	104,580
2020	42,657
2021	107,500
Less amounts representing interest	<u>(22,760)</u>
Present value of future minimum lease payments	<u><u>\$ 324,066</u></u>

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

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, 2017 is \$182,819.

	Balance at June 30, 2016	Additions	Reductions	Balance at June 30, 2017
<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.	\$ 22,055	\$ -	\$ 22,055	\$ -
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.	29,710	-	25,703	4,007
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.	220,614	-	100,875	119,739
Note payable to Suntrust Equipment Finance & Leasing Corp. principal and interest payments of \$56,321 are payable annually through September 1, 2018; interest payable at 1.58% per annum; collateralized by school buses.	163,761	-	108,316	55,445
Note payable to Branch Bank & Trust Co. principal and interest payments of \$2,142 are payable monthly through June 11, 2020; interest payable at 1.98% per annum; collateralized by school buses.	98,768	-	21,697	77,071
Note payable to Signature Bank principal and interest payments of \$2,207 are payable monthly through August 26, 2021; interest payable at 2.098% per annum; collateralized by a school bus.	-	125,628	20,038	105,590
<b>TOTAL BOARD OF EDUCATION</b>	<b>\$ 534,908</b>	<b>\$ 125,628</b>	<b>\$ 298,684</b>	<b>\$ 361,852</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>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Fiscal year Ending June 30,			
2018	\$ 3,651,541	\$ 898,942	\$ 4,550,483
2019	3,151,738	754,409	3,906,147
2020	3,229,435	633,358	3,862,793
2021	3,293,152	518,573	3,811,725
2022	3,388,393	432,259	3,820,652
2023 - 2027	9,608,901	993,317	10,602,218
2028 - 2032	1,097,166	122,753	1,219,919
2033 - 2034	243,680	14,715	258,395
<b>Total Governmental Activities</b>	<b>\$ 27,664,006</b>	<b>\$ 4,368,326</b>	<b>\$ 32,032,332</b>

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

Fiscal year Ending June 30,			
2018	\$ 193,495	\$ 53,857	\$ 247,352
2019	210,890	48,800	259,690
2020	207,485	33,387	240,872
2021	221,185	25,262	246,447
2022	227,278	19,866	247,144
2023 - 2027	605,000	35,100	640,100
<b>Total Recreational Facilities</b>	<b>\$ 1,665,333</b>	<b>\$ 216,272</b>	<b>\$ 1,881,605</b>

**Enterprise Fund - Sanitary District**

Fiscal year Ending June 30,			
2018	\$ 808,707	\$ 152,259	\$ 960,966
2019	812,465	147,301	959,766
2020	792,529	136,637	929,166
2021	800,097	128,106	928,203
2022	807,523	121,073	928,596
2023 - 2027	3,774,047	505,892	4,279,939
2028 - 2032	1,399,761	347,140	1,746,901
2033 - 2037	1,475,892	266,628	1,742,520
2038 - 2042	1,580,789	161,731	1,742,520
2043 - 2047	1,512,138	49,726	1,561,864
<b>Total Sanitary District</b>	<b>\$ 13,763,948</b>	<b>\$ 2,016,493</b>	<b>\$ 15,780,441</b>

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

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

**Primary Government (continued)**

	Principal	Interest	Total
<b>Enterprise Fund - Easton Airport</b>			
Fiscal year Ending June 30,			
2018	\$ 141,930	\$ 33,236	\$ 175,166
2019	141,761	26,836	168,597
2020	101,668	21,517	123,185
2021	87,569	16,711	104,280
2022	86,230	13,109	99,339
2023 - 2027	33,780	43,277	77,057
2028 - 2032	43,211	35,017	78,228
2033 - 2037	53,866	24,364	78,230
2038 - 2042	66,041	12,184	78,225
2043 - 2044	22,601	766	23,367
Total Easton Airport	<u>\$ 778,657</u>	<u>\$ 227,017</u>	<u>\$ 1,005,674</u>

**Component Units**

**Board of Education**

Fiscal year Ending June 30,			
2018	\$ 201,044	\$ 5,306	\$ 206,350
2019	74,525	2,378	76,903
2020	49,680	1,308	50,988
2021	32,201	409	32,610
2022	4,402	12	4,414
Total Board of Education	<u>\$ 361,852</u>	<u>\$ 9,413</u>	<u>\$ 371,265</u>

**Obligations Under State Retirement System**

**Component Unit – Board of Education**

State Retirement and Pension System of Maryland	
Payable annually through December 2035.	<u>\$ 582,189</u>

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>		
2018	\$	39,308
2019		41,270
2020		43,334
2021		45,501
2022		47,776
2023 - 2027		277,191
2028 - 2032		353,774
2033 - 2036		352,192
Sub-Total		1,200,346
Less amounts representing interest		(618,157)
Liability as of June 30, 2017	\$	582,189

The Board of Education obligation to the State Retirement System was \$575,743 at June 30, 2016. There was an increase of \$43,882 and payments of \$37,436 during fiscal year 2017. The increase is related to an actuarial valuation that produced updated principal balances and was communicated to the Board of Education on December 9, 2016.

**Note 7. Pension Plans**

The State Retirement Agency is the administrator of the Maryland State Retirement and Pension System (the System). The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the System’s administration and operation is vested in a 15 member Board of Trustees. The System is made up of two cost-sharing employer pools: the “State Pool” and the “Municipal Pool”. The State Pool consists of State agencies, board of education, community colleges, and libraries. The Municipal Pool consists of participating governmental units that elected to join the System. Neither pool shares in each other’s actuarial liabilities, thus participating governmental units that elect to join the System (the “Municipal Pool”) share in the liabilities of the Municipal Pool only. The State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Suite 1660, Baltimore, Maryland 21202-1600 or on-line at [www.sra.maryland.gov](http://www.sra.maryland.gov).

The System is comprised of the Teachers’ Retirement and Pension Systems (Teachers’ Systems), Employees’ Retirement and Pension Systems (Employees’ Systems), State Police Retirement System, Judges’ Retirement System, and the Law Enforcement Officers’ Pension System (LEOPS).

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

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

The following groups of employees participate in:

<u>Employees</u>	<u>Plan</u>
Library	Teachers' Systems
Board of Education - teachers	Teachers' Systems
Board of Education - regular employees	Employees' Systems
Talbot County	Employees' Systems

Both the Employees' Systems and the Teachers' Systems (collectively the Systems) are cost sharing multiple-employer defined benefit pension plans.

**Basis of Accounting**

The System's financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

**Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems**

General Plan Policies

The Teachers' Retirement System of the State of Maryland was established on August 1, 1927 and is administered in accordance with the State Personnel and Pensions Article of the Annotated Code of Maryland for the purpose of providing retirement allowances and other benefits to teachers in the State. In addition, on January 1, 1980, the Teachers' Pension System of the State of Maryland was established. In this regard, teachers hired on or after January 1, 1980 become members of the Teachers' Pension System, unless they elect to join an optional retirement program. Until December 31, 2004, existing members of the Teachers' Retirement System had the option of remaining in the Teachers' Retirement System or transferring to the Teachers' Pension System.

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to State employees, elected and appointed officials and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension system was established. Until December 31, 2004, existing members of the Employees' Retirement System had the option of remaining in the Employees' Retirement System or transferring to the Employees' Pension System.

Significant Plan Benefits and Policies

The following is a general description of the significant plan benefits and related contribution requirements for the Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems:

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

Teachers' and Employees' Retirement Systems

Retirement Benefits:

A member may retire with full benefits after attaining the age of 60, or after completing 30 years of creditable service regardless of age. The annual retirement allowance is equal to 1/55 of a member's average final compensation (i.e. average of the member's three highest years of annual earnable compensation) multiplied by the number of years and months of accumulated creditable service. A member may retire with reduced benefits after completing 25 years of creditable service regardless of age. Retirement allowances are adjusted each year based on the Consumer Price Index. Cost-of-living adjustments (COLAs) are applied to all allowances payable for the year, however, the method by which the COLA is computed depends upon elections made by members and is tied to member contributions.

Vested Allowance:

A member terminating employment before attaining retirement age but after completing 5 years of creditable service becomes eligible for a vested retirement allowance, provided the member lives to the age of 60 and does not withdraw his or her accumulated contributions. Members terminating employment before attaining retirement age and before completing 5 years of creditable service are refunded their accumulated contributions plus earned interest.

Employee Contributions:

Members of the Teachers' and Employees' Retirement System are required to contribute to the systems a fixed percentage of their regular salaries and wages (e.g. 7% or 5%, depending on the COLA option selected). The contributions are deducted from each member's salary and wage payment and are remitted to the systems on a regular, periodic basis.

Teachers' and Employees' Pension System

Pension Benefits:

A member may retire with full benefits after completing 30 years of eligibility service regardless of age, or at age 62 or older with specified years of eligibility service. On retirement from service, a member shall receive an annual service pension allowance. The annual pension allowance is equal to 1.2% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued prior to July 1, 1998 and 1.8% of average compensation for the three highest consecutive years as an employee for years of creditable service accrued on or after July 1, 1998. Members are eligible for early service pension allowances upon attaining age 55 with at least 15 years of eligibility service.

Vested Allowance:

A member terminating employment before attaining retirement age, but after completing 5 years of eligibility service, becomes eligible for a vested pension allowance provided the member lives to age 62. Members terminating employment before attaining retirement age and before completing 5 years of eligibility service are refunded their accumulated contributions plus earned interest.

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

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

Employee Contributions:

Effective July 1, 2011, members of the Teachers' and Employees' Pension Systems are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2017. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

For members enrolled on and after July 1, 2011, the employee contribution is 7%; vesting requires ten years of eligible service; service retirement is at age 65 with ten years of eligibility service or based on the Rule of 90 (age and service must equal 90); early service retirement is age 60 with 15 years of eligibility service; average final compensation is a five year average; and the benefit multiplier per year is 1.5%.

**Teachers' and Employees' Retirement Systems and Teachers' and Employees' Pension Systems**

Employer Contributions:

For the year ended June 30, 2017 total payroll, covered payroll and State on-behalf payments were as follows:

	Total Payroll	Covered Payroll	On-Behalf By State
Talbot County	\$ 15,827,423	\$ 12,090,510	\$ -
Board of Education	34,411,375	32,588,049	3,503,652
Library	1,010,705	950,607	159,260

Covered payroll refers to all compensation paid to active employees covered by either the Teachers' Systems or Employees' Systems. State on-behalf payments are recognized as both a revenue and expense.

During fiscal year 2017, the County reported expense of \$1,003,183 and the Board of Education reported expense of \$170,810 related to the Employees' Systems in the fund financial statements.

Board of Education – Special Funding

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 2017 payment was \$37,436. The payments reflect a pattern which increases by 5% per year for the next 20 years. (See also Note 6.)

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

Because the State of Maryland pays the unfunded liability for the Teachers' Systems on behalf of the Board and Library, and the Board pays the normal cost for the Teachers' Systems, the Board and Library are not required to record their share of the unfunded pension liability for the Teachers' Systems, the State of Maryland is required to record that liability. The Board is required to record a liability for the Employees' Systems.

At June 30, 2017, the Board reported a liability for its proportionate share of the net pension liability. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

District's proportionate share of the net pension liability (Employees' Systems)	\$ 5,207,243
State's proportionate share of the net pension liability associated with the Board (Teachers' System)	<u>47,006,698</u>
<b>Total</b>	<b><u>\$ 52,213,941</u></b>

The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was calculated as follows by the System(s):

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.
2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution. At June 30, 2016, the Board's proportion was approximately .0220702%.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2017, the County reported the following related to pensions:

	<u>Board</u>	<u>Total County</u>
Employer's proportion of the net pension liability	0.0220702%	0.0524461%
Employer's proportionate share of the net pension liability	\$ 5,207,243	\$ 12,374,154
Pension expense recognized by the employer (The Board includes amounts paid for Teachers' Systems)	\$ 1,688,610	\$ 1,003,183
Change in NPL factored for contributions	\$ 152,805	\$ 1,573,477
Deferred inflows of resources:		
Net difference between projected and actual investment earnings on pension plan investments	\$ (217,711)	\$ (446,896)
Differences between expected and actual results	(139,310)	(311,348)
<u>Total deferred inflows of resources</u>	<u>\$ (357,021)</u>	<u>\$ (758,244)</u>
Deferred outflows of resources:		
Changes in assumptions	\$ 229,834	\$ 488,702
Net difference between projected and actual investment earnings on pension plan investments	850,415	1,940,914
Contributions subsequent to the measurement date	377,540	1,003,183
<u>Total deferred outflows of resources</u>	<u>\$ 1,457,789</u>	<u>\$ 3,432,799</u>
Net pension liability at June 30, 2016	\$ 5,054,438	\$ 10,800,677
Change in NPL factored for contributions	152,805	1,573,477
<u>Net pension liability at June 30, 2017</u>	<u>\$ 5,207,243</u>	<u>\$ 12,374,154</u>

Deferred outflows of resources resulting from contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Board</u>	<u>Total County</u>
2018	\$ 164,930	\$ 388,499
2019	164,932	388,498
2020	259,399	582,415
2021	144,109	336,059
2022	(10,142)	(24,099)

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

***Actuarial Assumptions***

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.70% general, 3.20% wage
Salary increases	3.30% to 9.20%, including inflation
Discount rate	7.55%
Investment rate of return	7.55%
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

***Investments***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Board of Trustees after considering input from the System's investment consultant(s) and actuary(s). For each major asset class that is included in the System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	6.60%
Private Equity	10%	7.40%
Rate Sensitive	20%	1.30%
Credit Opportunity	9%	4.20%
Real Assets	15%	4.70%
Absolute Return	<u>9%</u>	3.70%
Total	<u>100%</u>	

***Discount rate***

A single discount rate of 7.55% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.55%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

***Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the System’s proportionate share of the net pension liability calculated using the discount rate of 7.55%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

System	1% Decrease to 6.55%	Current Discount	1% Increase to 8.55%
County	\$ 16,996,971	\$ 12,374,154	\$ 8,527,274
Board	7,152,608	5,207,243	3,588,419

**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, 2015, the date of the actuarial valuation, 3 retirees were receiving benefits under the plan, and an estimated 15 active employees are eligible or potentially eligible to receive future benefits. Active members eligible to receive healthcare benefits are currently covered under Talbot County, Maryland’s healthcare plan.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**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 2017, the County paid for coverage of 102 eligible retirees, family members, and dependents at a total cost to the County of \$745,506 and eligible retirees contributed \$118,355. 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 County. Plan members receiving benefits contribute a percentage of the monthly insurance premium. The Talbot County Public School Retiree Health Plan pays 66% of the individual premium for each insured retiree who has at least 8 years of service. Retirees with less than 8 years of service are allowed access, but must pay 100% of the published rates.

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 2017, the Library contributed \$10,777 to the plan for 3 eligible retirees.

**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, 2017. 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:

<b>Fiscal Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Employer Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
<b><u>Talbot County</u></b>				
2015	\$ 513,187	\$ 571,089	111.28%	\$ (4,072,166)
2016	533,830	1,696,596	317.82%	(5,234,932)
2017	533,830	745,506	139.65%	(5,446,608)
<b><u>Board of Education</u></b>				
2015	\$ 5,731,000	\$ 1,628,000	28.41%	\$ 26,091,425
2016	6,090,000	1,321,286	21.70%	30,860,139
2017	7,132,000	1,196,383	16.77%	36,795,756
<b><u>Library</u></b>				
2015	\$ 107,925	\$ 5,493	5.09%	\$ 712,219
2016	101,879	8,492	8.34%	805,606
2017	101,879	10,777	10.58%	896,708

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

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

**Annual OPEB Cost and Net OPEB Obligation (continued)**

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

The net OPEB obligation as of June 30, 2017 was calculated as follows:

	<b>County</b>	<b>Board of Education</b>	<b>Library</b>
Annual required contribution (ARC)	\$ 512,189	\$ 7,357,000	\$ 112,994
Interest on net OPEB obligation	(285,052)	1,234,000	28,489
Adjustment to the ARC	<u>306,693</u>	<u>(1,459,000)</u>	<u>(39,604)</u>
Annual OPEB cost	533,830	7,132,000	101,879
Pay as you go	<u>(745,506)</u>	<u>(1,196,383)</u>	<u>(10,777)</u>
Net OPEB change	(211,676)	5,935,617	91,102
Net OPEB obligation (asset), beginning of year	<u>(5,234,932)</u>	<u>30,860,139</u>	<u>805,606</u>
Net OPEB obligation (asset), end of year	<u><u>\$ (5,446,608)</u></u>	<u><u>\$ 36,795,756</u></u>	<u><u>\$ 896,708</u></u>

**Funded Status and Funding Progress**

Year Ended June 30,	Date of Actuarial Valuation Data	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
<b><u>Talbot County, Maryland</u></b>							
2015	July 1, 2013	\$ 8,941,298	\$ 12,460,315	71.76%	\$ 3,519,017	\$ 11,048,309	31.9%
2016	July 1, 2015	10,044,684	13,143,268	76.42%	3,098,584	12,769,983	24.3%
2017	July 1, 2015	11,026,026	13,143,268	83.89%	2,117,242	12,769,983	16.6%
<b><u>Board of Education</u></b>							
2015	July 1, 2015	\$ -	\$ 63,986,000	0.00%	\$ 63,986,000	\$ 31,854,565	200.9%
2016	July 1, 2016	100,000	67,916,000	0.15%	67,816,000	31,869,846	212.8%
2017	July 1, 2017	107,090	81,099,000	0.13%	80,991,910	32,588,049	248.5%
<b><u>Library</u></b>							
2015	July 1, 2013	\$ -	\$ 1,347,733	0.00%	\$ 1,347,733	\$ 583,855	230.8%
2016	July 1, 2015	-	1,076,251	0.00%	1,076,251	644,111	167.1%
2017	July 1, 2015	-	1,076,251	0.00%	1,076,251	644,111	167.1%

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, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7% interest rate on investments which assumes a 4% 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, 2017 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 5.9% initially, reduced by decrements to an ultimate rate of 5.4%. 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, 2017 was 22 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 6.5% initially, reduced by decrements to an ultimate rate of 5%. The UAAL is being amortized as a level dollar amount over a 30 year period.

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

**Note 9. Deferred Compensation**

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

The County funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments underwritten by the 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, 2017. 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, 2017 consisted of the following:

	<b>County</b>	<b>Board of Education</b>	
Federal and state grants	\$ 105,422	\$ 580,488	
Other sources	4,652,190	-	
	\$ 4,757,612	\$ 580,488	

**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, 2017, total closure and post closure care costs were estimated at approximately \$16.5 million, with approximately \$4.5 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, 2017, a portion of these costs, \$4.6 million, determined by the estimated useful life of the Landfills.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 11. Commitments and Contingencies (continued)**

**Primary Government (continued)**

Similar to the post closure costs, each of the participating Counties is contingently liable for the debt related to the new facility, Mid-Shore II. Mid-Shore II was funded with project revenue bonds. As of June 30, 2017, total debt was approximately \$19.9 million, with approximately \$5.4 million attributable to the County in the event of default.

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2016. MES expects to satisfy these requirements as of June 30, 2017 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 refund claims of approximately \$3,000,000 related to the *Maryland State Comptroller of the Treasury v. Bryan Wynne* case will have to be issued in the future. Maryland's personal income tax on State residents consists of a State income tax and a local tax. Residents who pay income tax to another state were allowed a credit against the State income tax, but not against the local tax. The U.S. Supreme Court determined that this taxing system was unconstitutional. Claims processed through the end of September 2017 totaled approximately \$1.7 million. Deductions from income tax revenues will begin in May 2019.

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, 2017, which are as follows:

	Amounts Expended To Date	Remaining Construction Commitment	Expected Date of Completion
Sanitary District - Biosolids	\$ 4,349,401	\$ 823,181	January 2018

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 12. Risk Management**

**Primary Government**

**General Insurance**

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

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

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

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

**Health Insurance**

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

**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, 2017, MABE had total pool surplus of approximately \$29 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.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 12. Risk Management (continued)**

**Board of Education (continued)**

**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 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 Fidelity Investments.

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

**Note 13. Deficits**

At June 30, 2017, the Easton Airport Fund had a deficit in unrestricted net position of \$5,188,843. This 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, 2017, the outstanding balance of these bonds and notes payables was \$21,918,717 and the effect of this non-capital debt has been reflected in the unrestricted net position of the County.

**Note 15. Talbot County Free Library Association, Inc. Net Position**

The Talbot County Free Library Association, Inc. ("TCFL") has determined to restate its net position as of June 30, 2016. The determination was made to reflect a decrease in capital assets of \$49,921 for assets not deemed to be the property of TCFL. Net position at June 30, 2016 as previously reported was \$1,869,129 and was restated to \$1,819,208.

**Note 16. Subsequent Events**

**Board of Education**

On July 12, 2017, the Board approved a lease purchase of six school buses over five years. The total cost of the lease, including interest, is \$782,645, which is payable in annual installments. In addition, on July 12, 2017, the Board approved a lease purchase of computer equipment over five years. The cost of the lease, including interest, is \$257,969, which is payable in annual installments.

## 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, 2017**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b><u>REVENUES</u></b>				
<b>TAXES - LOCAL</b>				
<b>LOCAL PROPERTY TAXES</b>				
Real property	\$ 34,807,000	\$ 34,807,000	\$ 35,145,769	\$ 338,769
Real property education supplement	612,400	612,400	614,483	2,083
Railroad and public utilities	780,000	780,000	842,039	62,039
Penalties and interest	189,500	189,500	175,483	(14,017)
<b>Total property taxes</b>	<b>36,388,900</b>	<b>36,388,900</b>	<b>36,777,774</b>	<b>388,874</b>
Less: Discounts allowed on taxes	(239,900)	(239,900)	(246,564)	(6,664)
<b>Net property taxes</b>	<b>36,149,000</b>	<b>36,149,000</b>	<b>36,531,210</b>	<b>382,210</b>
<b>LOCAL INCOME TAXES</b>	<b>26,100,000</b>	<b>26,100,000</b>	<b>28,007,970</b>	<b>1,907,970</b>
<b>OTHER LOCAL TAXES</b>				
Admissions and amusements	30,000	30,000	18,777	(11,223)
Recordation	5,250,000	5,250,000	6,980,355	1,730,355
Transfer	3,300,000	3,300,000	4,460,772	1,160,772
Public accommodations	1,200,000	1,200,000	1,340,266	140,266
Mobile manufactured home	50,000	50,000	59,671	9,671
<b>Total other local taxes</b>	<b>9,830,000</b>	<b>9,830,000</b>	<b>12,859,841</b>	<b>3,029,841</b>
<b>Total local taxes</b>	<b>72,079,000</b>	<b>72,079,000</b>	<b>77,399,021</b>	<b>5,320,021</b>
<b>LICENSES AND PERMITS</b>				
Beer, wine and liquor licenses	170,000	170,000	177,809	7,809
Alcoholic beverages fines	-	-	150	150
Traders licenses	32,000	32,000	33,890	1,890
Animal tags and fines	4,000	4,000	3,988	(12)
Stormwater permits	10,000	10,000	13,650	3,650
Flood plain permits	1,000	1,000	525	(475)
Road construction permit	-	-	12,700	12,700
Boat ramp permits and violations	111,000	111,000	142,074	31,074
Marriage licenses	3,000	3,000	3,260	260
Planning and zoning fines	-	-	700	700
Plumbing permits	12,000	12,000	9,853	(2,147)
Gas permits and licenses	7,500	7,500	10,255	2,755
Plumbing licenses	7,000	7,000	4,285	(2,715)
HVAC inspections and registrations	11,000	11,000	15,620	4,620
Electrical inspections and licenses	20,000	20,000	28,140	8,140
Building permits	170,000	170,000	226,939	56,939
<b>Total licenses and permits</b>	<b>558,500</b>	<b>558,500</b>	<b>683,838</b>	<b>125,338</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2017**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
<b>FROM THE FEDERAL GOVERNMENT</b>				
SAMHSA grant	\$ 2,000	\$ 2,000	\$ -	\$ (2,000)
HMEP grant	10,000	10,000	-	(10,000)
FEMA	45,000	45,000	90,987	45,987
Emergency management - DHS	25,000	25,000	80,337	55,337
<b>Total Federal revenues</b>	<b>82,000</b>	<b>82,000</b>	<b>171,324</b>	<b>89,324</b>
<b>FROM THE STATE OF MARYLAND</b>				
Police protection	124,079	124,079	112,257	(11,822)
Sex offender grant	10,000	10,000	14,016	4,016
School bus safety grant	4,500	4,500	6,000	1,500
Sheriff grants other	-	-	47,985	47,985
Motor carrier - State Highway	3,500	3,500	3,068	(432)
Fire and rescue	290,000	290,000	317,430	27,430
911 grants and numbers system board	250,000	250,000	266,307	16,307
Circuit Court - Family Services	206,100	206,100	182,254	(23,846)
Problem solving court grant	155,711	155,711	135,197	(20,514)
Critical areas	15,000	15,000	15,000	-
Maryland historic trust	-	-	37,233	37,233
Highway user revenues	350,000	350,000	369,700	19,700
Recordation	30,000	30,000	-	(30,000)
Program open space	-	-	146,555	146,555
Public landing grants	12,000	12,000	11,853	(147)
Tourism	40,000	40,000	63,350	23,350
DSS-Legal fees	75,000	75,000	36,188	(38,812)
Security filing fees	150	150	504	354
<b>Total state revenues</b>	<b>1,566,040</b>	<b>1,566,040</b>	<b>1,764,897</b>	<b>198,857</b>
<b>Total intergovernmental</b>	<b>1,648,040</b>	<b>1,648,040</b>	<b>1,936,221</b>	<b>288,181</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2017**

**(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	\$ 22,828	\$ 6,528
Subdivision applications	20,000	20,000	10,064	(9,936)
Administrative variance	2,700	2,700	3,300	600
Board of appeals	5,600	5,600	8,200	2,600
Site plan reviews	3,000	3,000	3,543	543
Forest conservation fees	2,500	2,500	1,800	(700)
Critical area preservation	10,000	10,000	22,460	12,460
Bed & breakfast license/home occupation	900	900	675	(225)
Short term rental fees	13,000	13,000	15,100	2,100
Mobile home fees	300	300	375	75
Roadside vendors and produce stand	2,500	2,500	2,050	(450)
Weed and litter enforcement	2,000	2,000	1,525	(475)
Weed control spraying	40,000	40,000	38,963	(1,037)
Economic development/tourism	100,000	100,000	122,889	22,889
Election filing and voter lists	1,150	1,150	450	(700)
Sheriff's fees	25,000	25,000	25,890	890
Emergency medical services	1,350,000	1,350,000	1,583,991	233,991
911 center	400,000	400,000	400,000	-
MIEMSS-EMS communications	125,000	125,000	148,044	23,044
Other charges	500	500	5,900	5,400
<b>Total general government</b>	<b>2,120,450</b>	<b>2,120,450</b>	<b>2,418,047</b>	<b>297,597</b>
<b>PUBLIC SAFETY CHARGES</b>				
Boarding of local prisoners	18,000	18,000	14,850	(3,150)
Weekenders fees	2,000	2,000	2,490	490
Live-in, work-out fees	2,500	2,500	3,613	1,113
Home detention program	500	500	640	140
Federal prisoner program	18,250	18,250	23,795	5,545
Community service fees	3,000	3,000	4,710	1,710
<b>Total public safety charges</b>	<b>44,250</b>	<b>44,250</b>	<b>50,098</b>	<b>5,848</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2017**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>SERVICE CHARGES (continued)</b>				
<b>HEALTH</b>				
Mosquito control fees	\$ 115,000	\$ 115,000	\$ 95,011	\$ (19,989)
<b>RECREATION CHARGES</b>				
Boat slips	60,000	60,000	61,330	1,330
Program fees	-	-	592	592
Pool admissions	40,000	40,000	53,141	13,141
Pool group lessons	13,500	13,500	26,789	13,289
Pool memberships	20,000	20,000	23,929	3,929
Pool rental	2,000	2,000	4,797	2,797
Swim team	5,500	5,500	4,389	(1,111)
Other recreation	-	-	3,724	3,724
<b>Total recreation</b>	<b>141,000</b>	<b>141,000</b>	<b>178,691</b>	<b>37,691</b>
<b>Total service charges</b>	<b>2,420,700</b>	<b>2,420,700</b>	<b>2,741,847</b>	<b>321,147</b>
<b>FINES AND FORFEITURES</b>				
	-	-	1,442	1,442
<b>MISCELLANEOUS</b>				
Rents	30,000	30,000	23,687	(6,313)
Other	212,760	1,012,760	993,811	(18,949)
<b>Total miscellaneous</b>	<b>242,760</b>	<b>1,042,760</b>	<b>1,017,498</b>	<b>(25,262)</b>
<b>INTEREST</b>				
	50,000	50,000	219,772	169,772
<b>TOTAL REVENUES</b>				
	<b>76,999,000</b>	<b>77,799,000</b>	<b>83,999,639</b>	<b>6,200,639</b>
<b>OTHER FINANCING SOURCES</b>				
Transfer from developmental impact fund	195,000	195,000	195,000	-
Long term borrowing proceeds	-	-	4,158	4,158
Reserved and unexpended funds	2,156,000	2,156,000	-	(2,156,000)
<b>Total other financing sources</b>	<b>2,351,000</b>	<b>2,351,000</b>	<b>199,158</b>	<b>(2,151,842)</b>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>				
	<b>\$ 79,350,000</b>	<b>\$ 80,150,000</b>	<b>\$ 84,198,797</b>	<b>\$ 4,048,797</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2017**

**(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>				
LEGISLATIVE				
County Council:				
Salaries and fringe benefits	\$ 157,336	\$ 157,336	\$ 156,945	\$ 391
Other operating	57,150	57,150	56,396	754
<b>Total legislative</b>	<b>214,486</b>	<b>214,486</b>	<b>213,341</b>	<b>1,145</b>
JUDICIAL				
Circuit Court:				
Salaries and fringe benefits	211,449	211,449	201,128	10,321
Other operating	37,100	37,100	30,847	6,253
Court Stenographer:				
Salaries and fringe benefits	41,636	41,636	40,166	1,470
Other operating	150	150	14	136
Family Services:				
Salaries and fringe benefits	87,000	87,000	67,096	19,904
Other operating	119,100	119,100	114,709	4,391
Problem Solving Court:				
Salaries and fringe benefits	115,420	115,420	107,691	7,729
Other operating	40,271	40,271	27,559	12,712
Orphan's Court:				
Salaries and fringe benefits	49,048	49,048	52,667	(3,619)
Other operating	2,225	2,225	1,133	1,092
State's Attorney:				
Salaries and fringe benefits	771,944	771,944	803,933	(31,989)
Other operating	56,500	56,500	71,592	(15,092)
Capital outlay	36,628	37,378	41,265	(3,887)
Victim Witness Program:				
Salaries and fringe benefits	152,902	152,902	185,416	(32,514)
Other operating	5,380	5,380	5,179	201
<b>Total judicial</b>	<b>1,726,753</b>	<b>1,727,503</b>	<b>1,750,395</b>	<b>(22,892)</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2017**

**(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 and fringe benefits	\$ 655,576	\$ 655,576	\$ 649,320	\$ 6,256
Other operating	56,650	56,650	65,738	(9,088)
Capital outlay	8,000	8,300	3,928	4,372
<b>Total executive</b>	<b>720,226</b>	<b>720,526</b>	<b>718,986</b>	<b>1,540</b>
<b>ELECTIONS</b>				
Board of Supervisors of Elections:				
Salaries and fringe benefits	236,504	236,504	206,216	30,288
Other operating	140,687	140,687	138,926	1,761
Capital outlay	-	-	2,099	(2,099)
Registration and elections				
Salaries and fringe benefits	44,500	44,500	46,360	(1,860)
Other operating	4,200	4,200	3,600	600
<b>Total elections</b>	<b>425,891</b>	<b>425,891</b>	<b>397,201</b>	<b>28,690</b>
<b>FINANCIAL ADMINISTRATION</b>				
Finance Office:				
Salaries and fringe benefits	712,595	712,595	706,264	6,331
Other operating	204,819	204,819	169,870	34,949
Capital outlay	-	11,000	10,400	600
MD State Department of Assessments and Taxation	200,000	200,000	184,299	15,701
Liquor License Commissioners:				
Salaries and fringe benefits	10,901	10,901	10,355	546
Other operating	3,425	3,425	2,516	909
<b>Total financial administration</b>	<b>1,131,740</b>	<b>1,142,740</b>	<b>1,083,704</b>	<b>59,036</b>
<b>LAW</b>				
County Attorney:				
Salaries and fringe benefits	346,101	346,101	320,247	25,854
Other operating	25,725	25,725	42,991	(17,266)
<b>Total law</b>	<b>371,826</b>	<b>371,826</b>	<b>363,238</b>	<b>8,588</b>
<b>PLANNING AND ZONING</b>				
Planning Office:				
Salaries and fringe benefits	650,873	650,873	596,016	54,857
Other operating	94,800	94,800	78,521	16,279
Board of Appeals:				
Salaries and fringe benefits	88,615	88,615	91,337	(2,722)
Other operating	15,325	15,325	21,187	(5,862)
<b>Total planning and zoning</b>	<b>849,613</b>	<b>849,613</b>	<b>787,061</b>	<b>62,552</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2017**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>GENERAL GOVERNMENT (continued)</b>				
<b>GENERAL SERVICES</b>				
County Buildings:				
Salaries and fringe benefits	\$ 436,461	\$ 436,461	\$ 435,626	\$ 835
Other operating	342,740	342,740	407,294	(64,554)
Capital outlay	-	14,000	13,924	76
Library Maintenance	133,700	133,700	112,806	20,894
Information Technology:				
Salaries and fringe benefits	283,493	283,493	294,967	(11,474)
Other operating	112,524	112,524	66,382	46,142
Capital outlay	-	61,153	41,044	20,109
Insurance	131,810	159,746	155,796	3,950
<b>Total general services</b>	<b>1,440,728</b>	<b>1,543,817</b>	<b>1,527,839</b>	<b>15,978</b>
<b>ECONOMIC DEVELOPMENT</b>				
Office of Economic Development:				
Salaries and fringe benefits	136,487	136,487	135,609	878
Other operating	67,326	67,326	59,714	7,612
Arts Council	12,000	12,000	12,000	-
Tourism:				
Salaries and fringe benefits	161,015	161,015	164,525	(3,510)
Other operating	393,430	393,430	448,935	(55,505)
Historic Preservation Commission	5,400	5,400	50,437	(45,037)
Other	23,500	23,500	24,749	(1,249)
<b>Total economic development</b>	<b>799,158</b>	<b>799,158</b>	<b>895,969</b>	<b>(96,811)</b>
<b>Total general government</b>	<b>7,680,421</b>	<b>7,795,560</b>	<b>7,737,734</b>	<b>57,826</b>
<b>PUBLIC SAFETY</b>				
<b>SHERIFF</b>				
Salaries and fringe benefits	2,897,270	2,897,270	2,995,354	(98,084)
Other operating	444,150	444,150	410,638	33,512
Capital outlay	168,000	168,000	190,615	(22,615)
<b>Total sheriff</b>	<b>3,509,420</b>	<b>3,509,420</b>	<b>3,596,607</b>	<b>(87,187)</b>
<b>MUNICIPAL INSTITUTIONS</b>				
Detention Center:				
Salaries and fringe benefits	2,887,844	2,887,844	2,795,561	92,283
Other operating	1,090,152	1,090,152	1,103,035	(12,883)
Capital outlay	-	6,000	5,558	442
<b>Total municipal institutions</b>	<b>3,977,996</b>	<b>3,983,996</b>	<b>3,904,154</b>	<b>79,842</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2017**

**(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	\$ 61,700	\$ 61,700	\$ 61,700	\$ -
Animal Control Program	410,985	410,985	410,827	158
Emergency Management:				
Salaries and fringe benefits	1,695,658	1,695,658	1,639,347	56,311
Other operating	410,631	410,631	384,024	26,607
Capital outlay	-	-	191,741	(191,741)
Volunteer Fire Companies	1,767,959	1,767,959	1,837,250	(69,291)
Emergency Medical Services:				
Salaries and fringe benefits	3,289,734	3,464,587	3,635,084	(170,497)
Other operating	514,941	514,941	581,079	(66,138)
Capital outlay	259,000	267,000	215,801	51,199
Hazardous Materials:				
Salaries and fringe benefits	1,140	1,140	-	1,140
Other operating	14,800	14,800	11,334	3,466
Total other public safety	8,426,548	8,609,401	8,968,187	(358,786)
<b>PROTECTIVE INSPECTION</b>				
Electrical Inspection:				
Salaries and fringe benefits	5,978	5,978	6,559	(581)
Other operating	1,940	1,940	819	1,121
Building and Plumbing Inspection:				
Salaries and fringe benefits	303,172	315,512	307,395	8,117
Other operating	28,950	28,950	16,549	12,401
Capital outlay	-	22,000	23,341	(1,341)
Total protective inspection	340,040	374,380	354,663	19,717
<b>Total public safety</b>	<b>16,254,004</b>	<b>16,477,197</b>	<b>16,823,611</b>	<b>(346,414)</b>
<b>PUBLIC WORKS</b>				
<b>PUBLIC WORKS - GENERAL</b>				
Salaries and fringe benefits	564,061	602,670	596,387	6,283
Other operating	27,391	27,391	33,865	(6,474)
Total public works - general	591,452	630,061	630,252	(191)
<b>PUBLIC LANDINGS AND WHARVES</b>				
Salaries and fringe benefits	189,660	189,660	183,927	5,733
Other operating	47,285	47,285	42,882	4,403
Capital outlay	-	30,500	393	30,107
Total public landings and wharves	236,945	267,445	227,202	40,243
<b>SOLID WASTE DISPOSAL</b>				
Salaries and fringe benefits	84,832	84,832	87,933	(3,101)
Other operating	602,800	602,800	629,808	(27,008)
Total solid waste disposal	687,632	687,632	717,741	(30,109)

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2017**

**(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>PUBLIC WORKS (continued)</b>				
<b>HIGHWAYS AND STREETS</b>				
Salaries and fringe benefits	\$ 1,336,000	\$ 1,336,000	\$ 1,393,024	\$ (57,024)
Other operating	1,069,100	1,069,100	979,957	89,143
Debt service	52,100	52,100	52,011	89
Capital outlay	280,000	280,000	270,849	9,151
<b>Total highways and streets</b>	<b>2,737,200</b>	<b>2,737,200</b>	<b>2,695,841</b>	<b>41,359</b>
<b>Total public works</b>	<b>4,253,229</b>	<b>4,322,338</b>	<b>4,271,036</b>	<b>51,302</b>
<b>HEALTH AND HOSPITALS</b>				
Health department	1,641,803	1,641,803	1,644,187	(2,384)
School health	639,697	639,697	639,697	-
Addictions counseling	76,800	76,800	76,800	-
Senior services program	50,000	50,000	50,000	-
Mosquito control	147,300	98,500	98,857	(357)
<b>Total health and hospitals</b>	<b>2,555,600</b>	<b>2,506,800</b>	<b>2,509,541</b>	<b>(2,741)</b>
<b>SOCIAL SERVICES</b>				
Social services legal	90,000	90,000	36,188	53,812
Strategic Plan - Cultural	6,000	6,000	3,514	2,486
Neighborhood Service Center	84,626	84,626	89,626	(5,000)
Delmarva Community Services	135,042	135,042	135,042	-
Study Projects Consultants	1,500	1,500	1,500	-
Healthy Talbot	2,500	2,500	2,500	-
Commission on Aging	1,500	1,500	1,500	-
Senior Services	243,047	243,047	243,047	-
Social Services	13,000	13,000	13,000	-
St. Martin's Ministries	7,000	7,000	7,000	-
Senior Center bus passes	8,400	9,765	9,765	-
<b>Total social services</b>	<b>592,615</b>	<b>593,980</b>	<b>542,682</b>	<b>51,298</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2017**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>EDUCATION</b>				
Board of Education:				
Operating appropriation	\$ 36,690,230	\$ 36,690,230	\$ 36,690,230	\$ -
Supplemental appropriation	140,000	140,000	140,000	-
Real property education supplement	-	-	2,083	(2,083)
Debt Service	3,309,526	3,309,526	3,269,559	39,967
Library:				
Operating appropriation	1,187,285	1,187,285	1,187,285	-
Capital outlay	-	9,725	8,075	1,650
Community College:				
Operating appropriation	1,513,733	1,513,733	1,513,733	-
Capital outlay	97,859	97,859	97,859	-
Debt Service	188,285	188,285	182,386	5,899
Chesapeake Developmental Center	45,005	45,005	45,005	-
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	73,127	73,127	75,633	(2,506)
Other operating	14,210	14,210	6,217	7,993
<b>Total education</b>	<b>43,259,260</b>	<b>43,268,985</b>	<b>43,218,065</b>	<b>50,920</b>
<b>RECREATION</b>				
Parks and Recreation:				
Salaries and fringe benefits	178,909	178,909	180,276	(1,367)
Other operating	153,419	153,419	154,318	(899)
Capital outlay	-	107,687	107,687	-
Pools				
Salaries and fringe benefits	144,279	144,279	118,464	25,815
Other operating	53,400	53,400	61,986	(8,586)
Capital outlay	14,600	14,600	-	14,600
<b>Total recreation</b>	<b>544,607</b>	<b>652,294</b>	<b>622,731</b>	<b>29,563</b>
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Agricultural Extension Service	177,341	177,341	177,512	(171)
Agricultural Preservation				
Operating appropriation	-	-	53	(53)
Other	7,000	7,000	2,850	4,150
Weed Control:				
Salaries and fringe benefits	61,216	61,216	60,649	567
Other operating	27,137	27,137	9,784	17,353
<b>Total conservation of natural resources</b>	<b>272,694</b>	<b>272,694</b>	<b>250,848</b>	<b>21,846</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2017**

**(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>INTERGOVERNMENTAL</b>				
Payments to Municipalities:				
Fire, rescue and ambulance fund	\$ 50,000	\$ 50,000	\$ 17,429	\$ 32,571
Bank stock	7,535	7,535	7,535	-
Public accommodations tax	820,000	820,000	939,596	(119,596)
<b>Total intergovernmental</b>	<b>877,535</b>	<b>877,535</b>	<b>964,560</b>	<b>(87,025)</b>
<b>EMPLOYEE BENEFITS</b>				
Health insurance, retirees	400,000	500,000	745,506	(245,506)
Employees retirement	150,000	60,000	51,962	8,038
Housing	30,000	30,000	25,000	5,000
Other operating	-	-	2,535	(2,535)
<b>Total employee benefits</b>	<b>580,000</b>	<b>590,000</b>	<b>825,003</b>	<b>(235,003)</b>
<b>MISCELLANEOUS</b>	<b>315,821</b>	<b>315,821</b>	<b>130,261</b>	<b>185,560</b>
<b>DEBT SERVICE</b>				
Principal on long-term debt	833,175	833,175	835,569	(2,394)
Interest on long-term debt	204,411	204,411	185,145	19,266
<b>Total debt service</b>	<b>1,037,586</b>	<b>1,037,586</b>	<b>1,020,714</b>	<b>16,872</b>
<b>RESERVE FOR CONTINGENCIES</b>	<b>612,418</b>	<b>125,000</b>	<b>114,433</b>	<b>10,567</b>
<b>TOTAL EXPENDITURES</b>	<b>78,835,790</b>	<b>78,835,790</b>	<b>79,031,219</b>	<b>(195,429)</b>
<b>OTHER FINANCING USES</b>				
Transfers:				
Capital projects - Operating appropriation	-	800,000	800,000	-
Recreation - Operating appropriation	514,210	514,210	514,210	-
<b>Total other financing uses</b>	<b>514,210</b>	<b>1,314,210</b>	<b>1,314,210</b>	<b>-</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>79,350,000</b>	<b>80,150,000</b>	<b>80,345,429</b>	<b>(195,429)</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,853,368</b>	<b>\$ 3,853,368</b>

**TALBOT COUNTY, MARYLAND**

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

**June 30, 2017**

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>							
2015	July 1, 2013	\$ 8,941,298	\$ 12,460,315	71.76%	\$ 3,519,017	\$ 11,048,309	31.9%
2016	July 1, 2015	10,044,684	13,143,268	76.42%	3,098,584	12,769,983	24.3%
2017	July 1, 2015	11,026,026	13,143,268	83.89%	2,117,242	12,769,983	16.6%
<b><u>Board of Education</u></b>							
2015	July 1, 2015	\$ -	\$ 63,986,000	0.00%	\$ 63,986,000	\$ 31,854,565	200.9%
2016	July 1, 2016	100,000	67,916,000	0.15%	67,816,000	31,869,846	212.8%
2017	July 1, 2017	107,090	81,099,000	0.13%	80,991,910	32,588,049	248.5%
<b><u>Library</u></b>							
2015	July 1, 2013	\$ -	\$ 1,347,733	0.00%	\$ 1,347,733	\$ 583,855	230.8%
2016	July 1, 2015	-	1,076,251	0.00%	1,076,251	644,111	167.1%
2017	July 1, 2015	-	1,076,251	0.00%	1,076,251	644,111	167.1%

**TALBOT COUNTY, MARYLAND**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS  
SCHEDULE OF THE PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Year Ended June 30, 2017**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>County's Proportion of the NPL (Percentage) A</b>	<b>County's Proportionate Share of the NPL B</b>	<b>County's Covered Employee Payroll C</b>	<b>Proportionate Share as a Percentage of Covered Payroll (B / C)</b>	<b>Plan's Total Fiduciary Net Position D</b>	<b>Plan's Total Pension Liability E</b>	<b>Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)</b>
2015	June 30, 2014	0.04601%	\$ 8,165,742	\$ 11,581,689	70.51%	\$ 45,339,988,000	\$ 63,086,719,000	71.87%
2016	June 30, 2015	0.05197%	\$ 10,800,677	\$ 11,975,128	90.19%	\$ 45,789,840,000	\$ 66,571,552,000	68.78%
2017	June 30, 2016	0.05245%	\$ 12,374,154	\$ 12,090,510	102.35%	\$ 45,365,927,000	\$ 68,959,954,000	65.79%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

**TALBOT COUNTY, MARYLAND**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS  
SCHEDULE OF CONTRIBUTIONS  
Year Ended June 30, 2017**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Contractually Required Contribution A</b>	<b>Actual Contribution B</b>	<b>Contribution Deficiency (Excess) (A-B)</b>	<b>Employer's Covered Employee Payroll C</b>	<b>Actual Contribution as a Percentage of Covered Payroll (B/C)</b>
2015	June 30, 2014	\$ 1,095,431	\$ 1,095,431	\$ -	\$ 11,581,689	9.46%
2016	June 30, 2015	\$ 1,021,694	\$ 1,021,694	\$ -	\$ 11,975,128	8.53%
2017	June 30, 2016	\$ 1,003,183	\$ 1,003,183	\$ -	\$ 12,090,510	8.30%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

**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. Required Fund Disclosures**

The General Fund had an excess of actual expenditures over budgeted expenditures of \$195,429 for the year ended June 30, 2017. Additional revenues of \$4,048,797 provided for the excess expenditures.

**Note 3. Schedule of Funding Progress - Other Post-Employment Benefits**

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

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

**Note 4. Pensions**

**Change in Benefit Terms**

There were no benefit changes during the year.

**Changes in Assumptions**

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2016 valuation:

1. Inflation assumption changed from 2.90% to 2.70%

**Method and Assumptions used in Calculations of Actuarially Determined Contributions**

<p>Actuarial  Amortization method  Remaining amortization period  Asset valuation method  Inflation  Salary increases  Investment rate of return  Retirement age</p>	<p>Entry age normal  Level percentage of payroll, closed  25 years for State system  5-year smoothed market; 20% collar  2.70% general, 3.20% wage  3.30% to 9.20%, including inflation  7.55%</p>
<p>Mortality</p>	<p>Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2015 valuation pursuant to an experience study of the period 2010 - 2014  RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.</p>

## 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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - Federal	\$ 2,000,000	\$ 2,000,000	\$ 570,000	\$ (1,430,000)
Intergovernmental - State	100,000	100,000	119,267	19,267
Other grants	-	-	-	-
Interest	-	-	6,017	6,017
<b>Total revenues</b>	<b>2,100,000</b>	<b>2,100,000</b>	<b>695,284</b>	<b>(1,404,716)</b>
<b>EXPENDITURES</b>				
General government	528,000	528,000	735,819	(207,819)
Public safety	350,000	350,000	662,769	(312,769)
Public works	2,775,000	2,775,000	2,205,552	569,448
Education	72,000	72,000	975,823	(903,823)
Recreation	290,000	290,000	287,016	2,984
<b>Total expenditures</b>	<b>4,015,000</b>	<b>4,015,000</b>	<b>4,866,979</b>	<b>(851,979)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated fund balance	1,915,000	1,915,000	-	(1,915,000)
Issuance of long-term debt	-	-	-	-
Proceeds from sale of land	-	-	-	-
Transfer from general fund	-	-	800,000	800,000
<b>Total other financing sources (uses)</b>	<b>1,915,000</b>	<b>1,915,000</b>	<b>800,000</b>	<b>(1,115,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (3,371,695)</b>	<b>\$ (3,371,695)</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, 2017**

	<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	\$ 60,000	\$ 60,000	\$ 132,160	\$ 72,160
Public works	50,000	50,000	245,783	195,783
Education				
Public schools	85,000	85,000	332,526	247,526
Library	20,000	20,000	64,584	44,584
Community College	4,000	4,000	13,671	9,671
Recreation	25,000	25,000	61,835	36,835
Interest	2,000	2,000	5,602	3,602
<b>Total revenues</b>	<b>246,000</b>	<b>246,000</b>	<b>856,161</b>	<b>610,161</b>
<b>EXPENDITURES</b>				
Public works	-	-	100,000	(100,000)
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>100,000</b>	<b>(100,000)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers:				
General fund	(195,000)	(195,000)	(195,000)	-
Recreation fund	(22,250)	(22,250)	(22,250)	-
Reserved for future uses	(28,750)	(28,750)	-	28,750
<b>Total other financing sources (uses)</b>	<b>(246,000)</b>	<b>(246,000)</b>	<b>(217,250)</b>	<b>28,750</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 538,911</b>	<b>\$ 538,911</b>

**TALBOT COUNTY, MARYLAND**

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

**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - Federal	\$ 1,025,930	\$ 1,025,930	\$ 1,227,940	\$ 202,010
Intergovernmental - State	1,173,520	1,173,520	1,113,023	(60,497)
Miscellaneous	210,800	210,800	157,246	(53,554)
Contribution	20,000	20,000	29,742	9,742
<b>Total revenues</b>	<b>2,430,250</b>	<b>2,430,250</b>	<b>2,527,951</b>	<b>97,701</b>
<b>EXPENDITURES</b>				
General government	269,600	269,600	328,497	(58,897)
Public safety	181,630	181,630	13,118	168,512
Public works	1,425,000	1,425,000	1,405,669	19,331
Health and hospitals	-	-	11,385	(11,385)
Social services	554,020	554,020	769,282	(215,262)
<b>Total expenditures</b>	<b>2,430,250</b>	<b>2,430,250</b>	<b>2,527,951</b>	<b>(97,701)</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, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - State	\$ 333,650	\$ 333,650	\$ 326,688	\$ (6,962)
Other grants	2,500	2,500	2,500	-
Interest	-	-	416	416
<b>Total revenues</b>	<b>336,150</b>	<b>336,150</b>	<b>329,604</b>	<b>(6,546)</b>
<b>EXPENDITURES</b>				
Social services	336,150	336,150	328,931	7,219
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 673</b>	<b>\$ 673</b>

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**TALBOT COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**ENTERPRISE FUND - RECREATION FACILITIES**  
**For the Year Ended June 30, 2017**

	<b>Hog Neck Golf Course</b>		
	<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u>
<b>OPERATING REVENUES</b>			
Program fees and admissions	\$ -	\$ -	\$ -
Room rents	-	-	-
Ice revenues	-	-	-
Pro shop and concessions	305,500	323,391	17,891
Cart rentals	40,250	40,947	697
Green fees	900,000	981,002	81,002
Other operating	31,600	14,470	(17,130)
<b>Total operating revenues</b>	<b>1,277,350</b>	<b>1,359,810</b>	<b>82,460</b>
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	687,526	717,592	(30,066)
Professional fees	10,000	9,836	164
Office	20,200	27,707	(7,507)
Insurance	5,800	4,114	1,686
Repairs and maintenance	150,500	150,079	421
Utilities	58,500	61,395	(2,895)
Supplies and equipment	70,500	66,637	3,863
Lessons and programs	-	-	-
Pro shop and concessions	112,000	193,903	(81,903)
Other operating	27,974	75,662	(47,688)
<b>Total operating expenses</b>	<b>1,143,000</b>	<b>1,306,925</b>	<b>(163,925)</b>
Operating income (loss) before depreciation	134,350	52,885	(81,465)
Depreciation	-	176,676	(176,676)
<b>Net operating income (loss)</b>	<b>134,350</b>	<b>(123,791)</b>	<b>(258,141)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Transfers from general fund	125,650	125,650	-
Transfer from developmental impact fund	-	-	-
Gain on disposal of capital assets	-	10,563	10,563
Program open space grant	-	-	-
Interest expense	(175,000)	(26,120)	148,880
<b>Net non-operating revenues (expenses)</b>	<b>(49,350)</b>	<b>110,093</b>	<b>159,443</b>
<b>Change in net position</b>	<b>\$ 85,000</b>	<b>\$ (13,698)</b>	<b>\$ (98,698)</b>
<b>OTHER BUDGETED EXPENSES</b>			
Capital outlay	\$ (85,000)		
<b>Total other budgeted expenses</b>	<b>(85,000)</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>
\$ 193,000	\$ 244,825	\$ 51,825	\$ 193,000	\$ 244,825	\$ 51,825
45,000	71,697	26,697	45,000	71,697	26,697
224,000	305,711	81,711	224,000	305,711	81,711
33,000	37,696	4,696	338,500	361,087	22,587
-	-	-	40,250	40,947	697
-	-	-	900,000	981,002	81,002
15,000	30,270	15,270	46,600	44,740	(1,860)
<u>510,000</u>	<u>690,199</u>	<u>180,199</u>	<u>1,787,350</u>	<u>2,050,009</u>	<u>262,659</u>
307,930	304,752	3,178	995,456	1,022,344	(26,888)
12,500	20,365	(7,865)	22,500	30,201	(7,701)
22,500	23,805	(1,305)	42,700	51,512	(8,812)
14,500	12,311	2,189	20,300	16,425	3,875
77,920	110,092	(32,172)	228,420	260,171	(31,751)
141,500	150,581	(9,081)	200,000	211,976	(11,976)
5,000	5,000	-	75,500	71,637	3,863
116,500	99,894	16,606	116,500	99,894	16,606
25,000	26,045	(1,045)	137,000	219,948	(82,948)
12,000	37,874	(25,874)	39,974	113,536	(73,562)
<u>735,350</u>	<u>790,719</u>	<u>(55,369)</u>	<u>1,878,350</u>	<u>2,097,644</u>	<u>(219,294)</u>
(225,350)	(100,520)	124,830	(91,000)	(47,635)	43,365
-	558,215	(558,215)	-	734,891	(734,891)
<u>(225,350)</u>	<u>(658,735)</u>	<u>(433,385)</u>	<u>(91,000)</u>	<u>(782,526)</u>	<u>(691,526)</u>
388,560	388,560	-	514,210	514,210	-
22,250	22,250	-	22,250	22,250	-
-	1,748	1,748	-	12,311	12,311
-	57,555	57,555	-	57,555	57,555
<u>(185,460)</u>	<u>(42,121)</u>	<u>143,339</u>	<u>(360,460)</u>	<u>(68,241)</u>	<u>292,219</u>
<u>225,350</u>	<u>427,992</u>	<u>202,642</u>	<u>176,000</u>	<u>538,085</u>	<u>362,085</u>
\$ -	\$ (230,743)	\$ (230,743)	\$ 85,000	\$ (244,441)	\$ (329,441)
\$ -			\$ (85,000)		
\$ -			(85,000)		
\$ -			\$ -		

**TALBOT COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**ENTERPRISE FUND - SANITARY DISTRICT**  
**For the Year Ended June 30, 2017**

	<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	\$ 958,887	\$ (13,208)	\$ 251,950	\$ 255,834	\$ 3,884
Sewer connection charges	1,240,000	1,351,400	111,400	24,000	14,000	(10,000)
Residential benefit charges	-	-	-	-	-	-
Wind/solar renewable energy	-	-	-	-	-	-
Miscellaneous	-	506	506	-	190	190
<b>Total operating revenues</b>	<b>2,212,095</b>	<b>2,310,793</b>	<b>98,698</b>	<b>275,950</b>	<b>270,024</b>	<b>(5,926)</b>
<b>OPERATING EXPENSES</b>						
Salaries and related expenses	374,343	391,228	(16,885)	84,000	85,582	(1,582)
Professional fees	100	1,657	(1,557)	150	854	(704)
Office	5,100	6,147	(1,047)	1,600	1,844	(244)
Insurance	12,500	10,665	1,835	1,600	1,115	485
Contracted services	103,000	230,078	(127,078)	49,200	98,802	(49,602)
Repairs and maintenance	78,800	244,610	(165,810)	25,100	52,183	(27,083)
Other operating	20,500	69,047	(48,547)	3,800	13,516	(9,716)
<b>Total operating expenses</b>	<b>594,343</b>	<b>953,432</b>	<b>(359,089)</b>	<b>165,450</b>	<b>253,896</b>	<b>(88,446)</b>
Operating income (loss) before depreciation	1,617,752	1,357,361	(260,391)	110,500	16,128	(94,372)
Depreciation	1,107,452	625,718	481,734	2,000	147,056	(145,056)
<b>Net operating income (loss)</b>	<b>510,300</b>	<b>731,643</b>	<b>221,343</b>	<b>108,500</b>	<b>(130,928)</b>	<b>(239,428)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental revenues	30,000	224,372	194,372	-	15,959	15,959
Interest income	4,500	6,038	1,538	1,500	4,701	3,201
Interest expense	(42,300)	(17,234)	25,066	(21,000)	(13,789)	7,211
<b>Net non-operating revenues (expenses)</b>	<b>(7,800)</b>	<b>213,176</b>	<b>220,976</b>	<b>(19,500)</b>	<b>6,871</b>	<b>26,371</b>
<b>Change in net position</b>	<b>\$ 502,500</b>	<b>\$ 944,819</b>	<b>\$ 442,319</b>	<b>\$ 89,000</b>	<b>\$ (124,057)</b>	<b>\$ (213,057)</b>
<b>OTHER BUDGETED EXPENSES</b>						
Debt service	\$ (415,000)			\$ (84,000)		
Capital outlay	(87,500)			(5,000)		
<b>Total other budgeted expenses</b>	<b>(502,500)</b>			<b>(89,000)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>			<b>\$ -</b>		

<b>Tilghman District</b>			<b>Unionville District</b>		
<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>
\$ 228,500	\$ 231,919	\$ 3,419	\$ 108,200	\$ 104,341	\$ (3,859)
-	4,470	4,470	12,000	-	(12,000)
24,000	24,300	300	-	-	-
-	-	-	-	-	-
5,000	840	(4,160)	-	180	180
<u>257,500</u>	<u>261,529</u>	<u>4,029</u>	<u>120,200</u>	<u>104,521</u>	<u>(15,679)</u>
137,604	140,678	(3,074)	37,116	37,450	(334)
50	379	(329)	100	330	(230)
2,500	3,020	(520)	1,050	1,056	(6)
3,200	2,028	1,172	850	446	404
40,096	72,090	(31,994)	21,600	32,552	(10,952)
38,150	81,833	(43,683)	6,300	19,209	(12,909)
-	535	(535)	1,400	4,570	(3,170)
<u>221,600</u>	<u>300,563</u>	<u>(78,963)</u>	<u>68,416</u>	<u>95,613</u>	<u>(27,197)</u>
35,900	(39,034)	(74,934)	51,784	8,908	(42,876)
-	153,731	(153,731)	6,034	139,381	(133,347)
<u>35,900</u>	<u>(192,765)</u>	<u>(228,665)</u>	<u>45,750</u>	<u>(130,473)</u>	<u>(176,223)</u>
-	-	-	-	-	-
3,000	2,419	(581)	1,800	1,256	(544)
(5,200)	(1,621)	3,579	(9,050)	(6,384)	2,666
<u>(2,200)</u>	<u>798</u>	<u>2,998</u>	<u>(7,250)</u>	<u>(5,128)</u>	<u>2,122</u>
<u>\$ 33,700</u>	<u>\$ (191,967)</u>	<u>\$ (225,667)</u>	<u>\$ 38,500</u>	<u>\$ (135,601)</u>	<u>\$ (174,101)</u>
\$ (30,000)			\$ (36,000)		
<u>(3,700)</u>			<u>(2,500)</u>		
<u>(33,700)</u>			<u>(38,500)</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, 2017 (Continued)**

	<u>Bio-solids Utilization Facility</u>			<u>Onsite Sewage Disposal</u>		
	Revised <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>	Revised <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>OPERATING REVENUES</b>						
Sewer service charges	\$ 260,000	\$ 254,359	\$ (5,641)	\$ -	\$ -	\$ -
Sewer connection charges	-	-	-	-	-	-
Residential benefit charges	-	-	-	-	-	-
Wind/solar renewable energy	50,000	29,823	(20,177)	-	-	-
Miscellaneous	-	-	-	-	8,163	8,163
<b>Total operating revenues</b>	<b>310,000</b>	<b>284,182</b>	<b>(25,818)</b>	<b>-</b>	<b>8,163</b>	<b>8,163</b>
<b>OPERATING EXPENSES</b>						
Salaries and related expenses	150,632	162,063	(11,431)	64,993	66,567	(1,574)
Professional fees	1,100	-	1,100	200	-	200
Office	2,300	905	1,395	150	-	150
Insurance	8,600	6,017	2,583	-	-	-
Contracted services	66,800	108,846	(42,046)	829,650	675,418	154,232
Repairs and maintenance	4,750	48,372	(43,622)	-	-	-
Other operating	3,000	16,658	(13,658)	-	25,800	(25,800)
<b>Total operating expenses</b>	<b>237,182</b>	<b>342,861</b>	<b>(105,679)</b>	<b>894,993</b>	<b>767,785</b>	<b>127,208</b>
Operating income (loss) before depreciation	72,818	(58,679)	(131,497)	(894,993)	(759,622)	135,371
Depreciation	67,818	210,155	(142,337)	19,007	-	19,007
<b>Net operating income (loss)</b>	<b>5,000</b>	<b>(268,834)</b>	<b>(273,834)</b>	<b>(914,000)</b>	<b>(759,622)</b>	<b>154,378</b>
<b>NON-OPERATING REVENUES</b>						
<b>(EXPENSES)</b>						
Intergovernmental revenues	-	-	-	914,000	824,503	(89,497)
Interest income	-	4,401	4,401	-	-	-
Interest expense	-	(43,641)	(43,641)	-	-	-
<b>Net non-operating revenues (expenses)</b>	<b>-</b>	<b>(39,240)</b>	<b>(39,240)</b>	<b>914,000</b>	<b>824,503</b>	<b>(89,497)</b>
<b>Change in net position</b>	<b>\$ 5,000</b>	<b>\$ (308,074)</b>	<b>\$ (313,074)</b>	<b>\$ -</b>	<b>\$ 64,881</b>	<b>\$ 64,881</b>
<b>OTHER BUDGETED EXPENSES</b>						
Debt service	\$ -			\$ -		
Capital outlay	(5,000)			-		
<b>Total other budgeted expenses</b>	<b>(5,000)</b>			<b>-</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>			<b>\$ -</b>		

<u>Martingham District</u>			<u>Combined Totals</u>		
<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>	<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
\$ 232,910	\$ 233,897	\$ 987	\$ 2,053,655	\$ 2,039,237	\$ (14,418)
-	-	-	1,276,000	1,369,870	93,870
-	-	-	24,000	24,300	300
-	-	-	50,000	29,823	(20,177)
20	35	15	5,020	9,914	4,894
<u>232,930</u>	<u>233,932</u>	<u>1,002</u>	<u>3,408,675</u>	<u>3,473,144</u>	<u>64,469</u>
56,365	58,098	(1,733)	905,053	941,666	(36,613)
400	4,494	(4,094)	2,100	7,714	(5,614)
2,200	2,034	166	14,900	15,006	(106)
150	488	(338)	26,900	20,759	6,141
12,350	78,245	(65,895)	1,122,696	1,296,031	(173,335)
1,800	50,251	(48,451)	154,900	496,458	(341,558)
2,700	4,722	(2,022)	31,400	134,848	(103,448)
<u>75,965</u>	<u>198,332</u>	<u>(122,367)</u>	<u>2,257,949</u>	<u>2,912,482</u>	<u>(654,533)</u>
156,965	35,600	(121,365)	1,150,726	560,662	(590,064)
17,035	55,229	(38,194)	1,219,346	1,331,270	(111,924)
<u>139,930</u>	<u>(19,629)</u>	<u>(159,559)</u>	<u>(68,620)</u>	<u>(770,608)</u>	<u>(701,988)</u>
-	-	-	944,000	1,064,834	120,834
70	-	(70)	10,870	18,815	7,945
-	(40,165)	(40,165)	(77,550)	(122,834)	(45,284)
<u>70</u>	<u>(40,165)</u>	<u>(40,235)</u>	<u>877,320</u>	<u>960,815</u>	<u>83,495</u>
<u>\$ 140,000</u>	<u>\$ (59,794)</u>	<u>\$ (199,794)</u>	<u>\$ 808,700</u>	<u>\$ 190,207</u>	<u>\$ (618,493)</u>
\$ (135,000)			\$ (700,000)		
<u>(5,000)</u>			<u>(108,700)</u>		
<u>(140,000)</u>			<u>(808,700)</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, 2017**

	Revised <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>OPERATING REVENUES</b>			
Charges - operations	\$ 358,450	\$ 364,098	\$ 5,648
Charges - fuel facility	2,085,350	1,559,306	(526,044)
Charges - hangars	578,720	561,291	(17,429)
Other operating	12,000	39,514	27,514
<hr/>			
Total operating revenues	3,034,520	2,524,209	(510,311)
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	357,255	368,020	(10,765)
Cost of sales - fuel	1,695,000	1,377,911	317,089
Professional fees	20,000	-	20,000
Office	21,600	14,730	6,870
Insurance	20,000	19,519	481
Repairs and maintenance	114,550	111,882	2,668
Utilities	53,000	49,230	3,770
Supplies and equipment	350	461	(111)
Other operating	11,725	21,054	(9,329)
<hr/>			
Total operating expenses	2,293,480	1,962,807	330,673
<hr/>			
Operating income (loss) before depreciation	741,040	561,402	(179,638)
<hr/>			
Depreciation	364,115	2,525,297	(2,161,182)
<hr/>			
Net operating income (loss)	376,925	(1,963,895)	(2,340,820)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenues	337,500	1,178,287	840,787
Other non-operating	-	20,000	20,000
Interest income	750	-	(750)
Interest expense	(43,725)	(37,329)	6,396
<hr/>			
Net non-operating revenues (expenses)	294,525	1,160,958	866,433
<hr/>			
Change in net position	\$ 671,450	\$ (802,937)	\$ (1,474,387)
<hr/>			
<b>OTHER BUDGETED EXPENSES</b>			
Debt service	\$ (210,200)		
Capital outlay	(461,250)		
<hr/>			
Total other budgeted expenses	(671,450)		
<hr/>			
Budgeted net income (loss)	\$ -		

**TALBOT COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**June 30, 2017**

	Special Revenue Funds			
	Developmental Impact	Grants	Talbot Family Network	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and short-term investments	\$ 1,668,500	\$ 599,345	\$ 59,195	\$ 2,327,040
Cash and short-term investments - earned reinvestment	-	-	96,616	96,616
Receivables:				
Accounts receivable	-	5,001	14,274	19,275
Intergovernmental				
State	-	329,672	-	329,672
Federal	-	126,398	-	126,398
Total Assets	<u>\$ 1,668,500</u>	<u>\$ 1,060,416</u>	<u>\$ 170,085</u>	<u>\$ 2,899,001</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 484,450	\$ 16,251	\$ 500,701
Unearned revenue	-	575,966	57,218	633,184
Total Liabilities	<u>-</u>	<u>1,060,416</u>	<u>73,469</u>	<u>1,133,885</u>
<b>FUND BALANCES</b>				
Restricted for: Social Services	-	-	96,616	96,616
Committed for: Capital Projects	1,348,500	-	-	1,348,500
Assigned for: Future Budget	320,000	-	-	320,000
Total Fund Balances	<u>1,668,500</u>	<u>-</u>	<u>96,616</u>	<u>1,765,116</u>
Total Liabilities and Fund Balances	<u>\$ 1,668,500</u>	<u>\$ 1,060,416</u>	<u>\$ 170,085</u>	<u>\$ 2,899,001</u>

**TALBOT COUNTY, MARYLAND**

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
OTHER GOVERNMENTAL FUNDS  
Year Ended June 30, 2017**

	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	\$ -	\$ 1,227,940	\$ -	\$ 1,227,940
State	-	1,113,023	326,688	1,439,711
Licenses and permits	850,559	-	-	850,559
Miscellaneous	-	186,988	2,500	189,488
Interest	5,602	-	416	6,018
<b>Total revenues</b>	<b>856,161</b>	<b>2,527,951</b>	<b>329,604</b>	<b>3,713,716</b>
<b>EXPENDITURES</b>				
General government	-	328,497	-	328,497
Public safety	-	13,118	-	13,118
Public works	100,000	1,405,669	-	1,505,669
Health and hospitals	-	11,385	-	11,385
Social services	-	769,282	328,931	1,098,213
<b>Total Expenditures</b>	<b>100,000</b>	<b>2,527,951</b>	<b>328,931</b>	<b>2,956,882</b>
<b>Excess of Revenues Over Expenditures</b>	<b>756,161</b>	<b>-</b>	<b>673</b>	<b>756,834</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out to other funds:				
General fund	(195,000)	-	-	(195,000)
Recreation fund	(22,250)	-	-	(22,250)
<b>Total Other Financing Sources (Uses)</b>	<b>(217,250)</b>	<b>-</b>	<b>-</b>	<b>(217,250)</b>
Net change in fund balances	538,911	-	673	539,584
Fund balances at beginning of year	1,129,589	-	95,943	1,225,532
<b>Fund balances at end of year</b>	<b>\$ 1,668,500</b>	<b>\$ -</b>	<b>\$ 96,616</b>	<b>\$ 1,765,116</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, 2017**

**REVENUES**

Intergovernmental:		
Community partnership	\$	325,526
Resource development		898
Miscellaneous		2,500
Reinvestment		264
Interest		416
<hr/>		
Total revenues		329,604

**EXPENDITURES**

Social services		
Community partnership programs:		
Healthy habits after school program		41,645
Healthy families		96,977
Community nutrition and gardening		19,604
Mentoring and support group - children with incarcerated parents		33,805
Bridges out of poverty - getting ahead		29,089
Conversations on race		6,992
<hr/>		
Total Community partnership programs		228,112
<hr/>		
Non-community partnership programs:		
Administration		97,421
Talbot County website support		2,500
Resource development		898
<hr/>		
Total non-community partnership programs		100,819
<hr/>		
Total Expenditures		328,931
<hr/>		
Net change in fund balances	\$	673

**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

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

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## STATISTICAL SECTION

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

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

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

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

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

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

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

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

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014*</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 50,706,906	\$ 60,070,294	\$ 75,347,678	\$ 77,628,434	\$ 78,931,013	\$ 80,387,586	\$ 80,625,199	\$ 80,132,665	\$ 78,908,012	\$ 80,610,059
Restricted				547,778	287,350	144,869	94,239	94,396	95,943	96,616
Unrestricted	<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>(3,752,306)</u>	<u>2,973,933</u>	<u>7,325,290</u>	<u>10,659,249</u>
Total governmental activities net position	\$ 99,418,775	\$ 100,098,504	\$ 90,084,050	\$ 79,207,217	\$ 76,607,174	\$ 81,055,657	\$ 76,967,132	\$ 83,200,994	\$ 86,329,245	\$ 91,365,924
Business-type activities										
Net investment in capital assets	\$ 51,317,665	\$ 53,100,037	\$ 54,672,754	\$ 57,872,067	\$ 55,881,195	\$ 54,021,693	\$ 51,985,231	\$ 52,050,922	\$ 49,231,203	\$ 51,133,626
Unrestricted	<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>	<u>(521,710)</u>	<u>(434,743)</u>	<u>(3,194,337)</u>
Total business-type activities net position	\$ 52,258,536	\$ 51,071,220	\$ 54,273,214	\$ 57,561,272	\$ 56,033,352	\$ 53,880,777	\$ 51,883,279	\$ 51,529,212	\$ 48,796,460	\$ 47,939,289
Primary government										
Net investment in capital assets	\$ 102,024,571	\$ 113,170,331	\$ 130,020,432	\$ 135,500,501	\$ 134,812,208	\$ 134,409,279	\$ 132,610,430	\$ 132,183,587	\$ 128,139,215	\$ 131,743,685
Restricted				547,778	287,350	144,869	94,239	94,396	95,943	96,616
Unrestricted	<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>(3,854,258)</u>	<u>2,452,223</u>	<u>6,890,547</u>	<u>7,464,912</u>
Total primary government net position	<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>\$ 128,850,411</u>	<u>\$ 134,730,206</u>	<u>\$ 135,125,705</u>	<u>\$ 139,305,213</u>

\* FY 2014 net position was restated due to the implementation of Governmental Accounting Standards Board's Statement No. 68 *Accounting and Financial Reporting for Pensions*.

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

	<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>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 8,476,977	\$ 10,151,451	\$ 9,518,269	\$ 10,183,649	\$ 9,523,067	\$ 9,358,236	\$ 9,551,119	\$ 10,360,176	\$ 11,224,921	\$ 11,325,690
Public safety	12,911,154	13,731,318	13,185,294	13,657,735	12,854,721	14,018,219	16,071,849	14,798,173	15,364,473	17,276,097
Public works	4,085,559	4,831,967	4,249,569	4,334,793	4,601,524	4,509,239	3,788,820	5,919,975	6,550,228	6,427,502
Health and hospitals	1,964,816	2,338,752	2,410,440	3,120,074	3,576,751	3,829,281	4,099,374	4,394,559	2,550,428	2,520,926
Social services	1,404,799	1,484,690	1,499,755	1,224,920	1,147,850	838,625	857,752	936,371	1,821,647	1,640,895
Education	45,950,955	46,271,163	39,811,132	39,715,193	37,597,612	38,491,514	41,640,092	39,518,549	41,025,371	42,249,348
Recreation	894,668	885,695	864,772	748,414	738,616	642,770	632,538	541,540	734,248	959,049
Conservation of natural resources	274,430	302,516	269,891	255,489	226,264	218,361	252,375	242,700	252,228	250,848
Interest on long-term debt	86,132	71,418	55,936	23,388	15,904	14,456	13,439	173,141	212,886	185,145
Total governmental activities expenses	<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>	<u>76,885,184</u>	<u>79,736,430</u>	<u>82,835,500</u>
Business-type activities:										
Recreation facilities	3,825,521	3,258,076	2,958,425	3,162,507	2,582,398	2,624,390	2,652,143	2,647,744	2,676,732	2,888,465
Sanitary district	2,910,842	3,396,151	2,759,881	2,952,404	3,353,238	3,354,872	3,430,264	3,710,861	3,883,742	4,366,586
Airport	4,089,080	4,280,559	3,855,297	4,712,248	4,655,128	4,903,460	4,837,671	4,464,150	4,312,785	4,525,433
Pool	397,365	397,202	329,445	267,306	233,239	257,766	215,301	249,430	-	-
Total business-type activities expenses	<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>	<u>11,072,185</u>	<u>10,873,259</u>	<u>11,780,484</u>
Total primary government expenses	<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>	<u>\$ 87,957,369</u>	<u>\$ 90,609,689</u>	<u>\$ 94,615,984</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 2,298,674	\$ 2,239,048	\$ 2,083,519	\$ 2,133,251	\$ 2,392,795	\$ 2,400,453	\$ 2,384,760	\$ 2,569,426	\$ 2,459,286	\$ 3,235,487
Public safety	565,415	487,375	318,213	465,453	213,574	111,437	17,709	26,450	40,161	50,098
Public works	321,330	233,621	152,197	30,693	162,353	30,938	228,548	416,507	262,496	245,783
Health and hospitals	75,854	89,123	89,939	70,199	118,979	130,705	133,248	115,961	110,303	95,011
Education	292,956	189,303	267,153	112,872	115,776	80,295	151,045	99,143	105,745	410,781
Recreation	124,690	133,934	144,521	75,602	101,816	102,867	99,968	97,455	183,097	240,526
Operating/Capital grants and contributions	<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>	<u>5,813,482</u>	<u>5,392,962</u>	<u>5,293,139</u>
Total governmental activities program revenues	<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>	<u>9,138,424</u>	<u>8,554,050</u>	<u>9,570,825</u>

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Program Revenues (continued)</b>										
Business-type activities:										
Charges for services										
Recreation facilities	1,726,905	1,475,498	1,446,815	1,473,218	1,637,646	1,490,032	1,417,840	1,445,070	1,845,663	2,050,009
Sanitary district	1,803,762	2,100,885	2,045,673	2,103,019	2,318,164	2,166,256	2,328,288	2,440,190	2,203,946	3,473,144
Easton airport	3,075,162	2,898,388	2,519,061	3,015,851	3,397,868	3,216,518	3,351,214	2,992,658	2,527,763	2,524,209
Pool	79,302	77,082	87,317	113,324	133,023	116,353	109,084	108,506	-	-
Operating/Capital grants and contributions	7,269,502	2,297,603	5,282,059	6,431,135	1,219,494	1,453,759	1,315,605	3,098,649	1,223,632	2,300,676
Total business-type activities program revenues	<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>	<u>10,085,073</u>	<u>7,801,004</u>	<u>10,348,038</u>
Total primary government program revenues	<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>	<u>\$ 19,223,497</u>	<u>\$ 16,355,054</u>	<u>\$ 19,918,863</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (62,261,775)	\$ (67,503,581)	\$ (65,674,889)	\$ (64,498,548)	\$ (61,109,202)	\$ (60,846,447)	\$ (68,251,460)	\$ (67,746,760)	\$ (71,182,380)	\$ (73,264,675)
Business-type activities	<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>	<u>(987,112)</u>	<u>(3,072,255)</u>	<u>(1,432,446)</u>
Total primary government net expense	<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>	<u>\$ (68,733,872)</u>	<u>\$ (74,254,635)</u>	<u>\$ (74,697,121)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 26,371,828	\$ 27,436,368	\$ 28,324,937	\$ 29,154,652	\$ 30,002,020	\$ 32,741,855	\$ 33,660,872	\$ 34,726,851	\$ 35,280,376	\$ 36,531,210
Local income tax	31,626,307	31,635,555	19,260,503	18,551,894	20,269,343	23,140,754	27,108,102	28,562,934	26,568,636	28,007,970
Other local taxes	9,949,967	7,097,837	6,831,278	6,792,369	8,449,480	9,727,044	9,522,629	10,706,846	11,340,994	12,859,841
Interest	3,405,782	2,470,720	980,562	221,952	166,317	105,007	94,004	91,344	132,640	231,807
Miscellaneous	456,406	739,625	1,927,226	136,104	197,427	115,471	2,306,687	514,997	1,317,542	1,206,986
Transfers in (out)	<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>	<u>(622,350)</u>	<u>(329,557)</u>	<u>(536,460)</u>
Total governmental activities	<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>	<u>73,980,622</u>	<u>74,310,631</u>	<u>78,301,354</u>
Business-type activities:										
Interest	115,854	98,421	60,046	10,720	14,460	7,333	6,500	6,195	9,946	18,815
Miscellaneous	2,160	-	-	-	-	2,461	10,500	4,500	-	20,000
Transfers in (out)	<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>	<u>622,350</u>	<u>329,557</u>	<u>536,460</u>
Total business-type activities	<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>	<u>633,045</u>	<u>339,503</u>	<u>575,275</u>
Total primary government	<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>	<u>\$ 74,613,667</u>	<u>\$ 74,650,134</u>	<u>\$ 78,876,629</u>
Prior Period Restatement*	<u>\$ -</u>	<u>\$ (7,930,509)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
<b>Change in Net Position</b>										
Governmental activities	\$ 2,198,393	\$ 679,729	\$ (10,014,454)	\$ (10,876,833)	\$ (2,600,043)	\$ 4,448,483	\$ (4,088,525)	\$ 6,233,862	\$ 3,128,251	\$ 5,036,679
Business-type activities	<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>	<u>(354,067)</u>	<u>(2,732,752)</u>	<u>(857,171)</u>
Total primary government	<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>\$ (6,086,023)</u>	<u>\$ 5,879,795</u>	<u>\$ 395,499</u>	<u>\$ 4,179,508</u>

\* FY 2014 net position was restated due to the implementation of Governmental Accounting Standards Board's Statement No. 68, *Accounting and Financial Reporting for Pensions*.

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

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012*</u>	<u>2013*</u>	<u>2014*</u>	<u>2015*</u>	<u>2016*</u>	<u>2017*</u>
General Fund										
Reserved	\$ 913,869	\$ 966,200	\$ 105,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	15,353,614	17,643,743	15,947,750	-	-	-	-	-	-	-
Undesignated	25,439,870	22,625,265	16,992,681	-	-	-	-	-	-	-
Non spendable										
Prepaid	-	-	-	56,271	94,005	143,711	74,482	205,551	83,672	55,539
Committed	-	-	-	7,000,000	-	-	-	-	-	-
Assigned	-	-	-	1,350,000	1,487,600	761,814	-	1,290,000	2,156,000	2,526,000
Unassigned	-	-	-	15,517,033	15,305,808	18,617,745	20,772,381	23,744,224	23,322,998	26,834,499
<b>Total General Fund</b>	<b>\$ 41,707,353</b>	<b>\$ 41,235,208</b>	<b>\$ 33,045,700</b>	<b>\$ 23,923,304</b>	<b>\$ 16,887,413</b>	<b>\$ 19,523,270</b>	<b>\$ 20,846,863</b>	<b>\$ 25,239,775</b>	<b>\$ 25,562,670</b>	<b>\$ 29,416,038</b>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	32,119,063	22,890,931	20,893,889	-	-	-	-	-	-	-
Designated - Special Revenue Funds	24,295	2,391,733	2,805,745	-	-	-	-	-	-	-
Undesignated - Special Revenue Funds	801,305	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	547,778	287,350	144,869	94,239	94,396	95,943	96,616
Committed	-	-	-	16,971,966	10,501,167	10,118,592	10,628,689	9,883,203	11,411,980	8,505,196
Assigned	-	-	-	1,000,000	1,997,000	910,000	300,000	437,950	246,000	320,000
Unassigned	-	-	-	-	(1,289)	(1,289)	(1,289)	-	-	-
<b>Total all other governmental funds</b>	<b>\$ 32,944,663</b>	<b>\$ 25,282,664</b>	<b>\$ 23,699,634</b>	<b>\$ 18,519,744</b>	<b>\$ 12,784,228</b>	<b>\$ 11,172,172</b>	<b>\$ 11,021,639</b>	<b>\$ 10,415,549</b>	<b>\$ 11,753,923</b>	<b>\$ 8,921,812</b>
<b>Total Governmental Funds</b>	<b>\$ 74,652,016</b>	<b>\$ 66,517,872</b>	<b>\$ 56,745,334</b>	<b>\$ 42,443,048</b>	<b>\$ 29,671,641</b>	<b>\$ 30,695,442</b>	<b>\$ 31,868,502</b>	<b>\$ 35,655,324</b>	<b>\$ 37,316,593</b>	<b>\$ 38,337,850</b>

\*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)*

	<b>Fiscal Year</b>									
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Revenues</b>										
Property tax	\$ 26,371,828	\$ 27,436,368	\$ 28,324,937	\$ 29,154,652	\$ 30,002,020	\$ 32,741,855	\$ 33,660,872	\$ 34,726,851	\$ 35,280,376	\$ 36,531,210
Income tax	31,626,307	31,635,555	19,260,503	18,551,894	20,269,343	23,140,754	27,108,102	28,562,934	26,568,636	28,007,970
Other local taxes	9,949,967	7,097,837	6,831,278	6,792,369	8,449,480	9,727,044	9,522,629	10,706,846	11,340,994	12,859,841
Licenses and permits	1,451,225	1,031,899	1,079,221	754,521	921,714	709,104	1,064,650	1,197,384	1,131,327	1,534,397
Intergovernmental:										
Federal	986,313	1,440,141	862,601	3,204,079	3,255,988	2,458,706	2,611,375	2,711,862	1,806,977	1,969,264
State	9,122,483	7,752,844	2,272,026	2,672,958	2,811,826	2,618,853	2,980,645	3,096,220	3,585,985	3,323,875
Contributions/Cost Sharing						1,500,000	-	-		
Other Grants						6,268	48,600	5,400	-	-
Service charges	2,220,939	2,336,814	1,967,453	2,129,649	2,178,232	2,135,969	1,939,522	2,124,798	2,026,744	2,741,847
Fines and forfeitures	6,755	3,691	8,868	3,900	5,347	5,354	11,106	2,760	3,017	1,442
Miscellaneous	456,406	739,625	1,927,226	136,104	197,427	115,471	2,306,687	514,997	1,317,542	1,206,986
Interest Income	3,405,782	2,470,720	980,562	221,952	166,317	105,007	94,004	91,344	132,640	231,807
<b>Total revenues</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>83,741,396</b>	<b>83,194,238</b>	<b>88,408,639</b>
<b>Expenditures</b>										
General Government	5,958,766	12,998,191	5,704,039	8,000,023	8,964,591	5,846,871	6,070,668	6,350,740	7,642,163	8,802,050
Public Safety	11,246,960	11,633,072	11,048,315	11,736,551	10,525,791	12,240,008	13,799,168	20,277,465	17,363,993	17,499,498
Public Works	6,371,000	6,148,333	3,563,248	4,592,005	4,554,963	5,059,652	5,182,051	5,781,264	6,953,835	7,930,246
Debt service interest - Public Works							4,375	4,555	3,618	2,429
Debt service principal - Public Works							43,339	47,658	48,610	49,582
Health and hospitals	3,963,933	2,331,749	2,404,180	3,113,814	3,570,491	3,823,021	4,093,114	4,416,125	2,544,168	2,520,926
Social services	1,390,590	1,468,953	1,484,019	1,209,401	1,033,099	838,625	857,752	936,371	1,821,647	1,640,895
Education	44,676,973	44,485,803	38,135,444	38,808,462	36,421,420	37,384,195	40,601,847	38,573,503	39,829,829	40,741,943
Debt service interest - Educ	1,273,144	1,751,927	1,701,468	1,393,224	1,253,516	1,184,643	1,115,569	1,022,369	711,277	798,087
Debt service principal - Educ	1,162,079	2,027,389	2,138,863	2,278,475	2,143,416	2,233,937	2,298,447	2,464,368	2,705,900	2,653,858
Recreation	2,497,017	1,279,319	491,376	329,191	286,009	550,994	389,354	490,067	601,223	909,747
Conservation of natural resources	274,430	313,771	269,891	255,489	226,264	218,361	252,375	242,700	252,228	250,848
Employee Benefits	2,644,213	2,926,325	3,116,961	3,460,899	10,461,176	3,247,384	5,695,880	4,038,964	1,695,449	825,003
Miscellaneous	233,696	122,362	130,043	216,666	77,239	95,150	79,206	101,568	74,127	130,261
Intergovernmental	860,442	750,180	722,861	761,613	820,446	822,434	874,438	1,068,923	948,472	964,560
Debt service interest	86,132	71,418	55,936	23,388	15,904	14,456	13,439	173,141	212,886	185,145
Debt service principal	333,097	345,390	363,245	381,392	59,651	48,355	48,645	50,680	799,855	835,569
Debt issuance costs	-	-	-	-	-	-	-	-	124,648	-
Contingencies	157,807	228,661	306,253	440,569	39,697	97,297	214,355	41,972	81,219	114,433
<b>Total expenditures</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>	<b>86,082,433</b>	<b>84,415,147</b>	<b>86,855,080</b>
Excess of revenues over (under) expenditures	2,467,726	(6,937,349)	(8,121,467)	(13,379,084)	(12,195,979)	1,559,002	(285,830)	(2,341,037)	(1,220,909)	1,553,559
<b>Other Financing Sources (Uses)</b>										
Proceeds from long-term debt	25,020,000	-	13,000	12,281,271	-	-	2,057,740	6,750,209	15,243,760	-
Payment to refunded debt escrow agent	-	-	-	(12,650,858)	-	-	-	-	(16,410,830)	-
Bond premium	307,130	-	-	681,641	-	-	-	-	1,327,418	4,158
Proceeds from Sale of Land	-	-	-	-	-	-	-	-	3,510,650	-
Transfers in (out)										
Pools	(152,776)	(144,014)	(79,561)	(164,281)	(100,216)	(142,231)	(113,850)	(107,950)	(191,030)	-
Recreation	(7,197,346)	(1,052,781)	(1,584,510)	(1,070,975)	(475,212)	(392,970)	(485,000)	(514,400)	(597,790)	(536,460)
<b>Total other financing sources (uses)</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>6,127,859</b>	<b>2,882,178</b>	<b>(532,302)</b>
<b>Net change in fund balances</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>	<b>\$ 3,786,822</b>	<b>\$ 1,661,269</b>	<b>\$ 1,021,257</b>

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

	<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>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Total expenditures	83,130,279	88,882,843	71,636,142	77,001,162	80,453,673	73,705,383	81,634,022	86,082,433	84,415,147	86,855,080
Less Capital Outlay Expenditures	<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>	<u>10,214,790</u>	<u>4,676,266</u>	<u>5,133,230</u>
Non-Capital Expenditures	74,445,949	77,696,122	69,354,984	71,010,419	75,474,862	69,988,620	77,771,399	75,867,643	79,738,881	81,721,850
Debt Service Expenditures*										
Principal	1,495,176	2,372,779	2,502,108	2,659,867	2,203,067	2,282,292	2,390,431	2,562,706	3,554,365	3,539,009
Interest	<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>	<u>1,200,065</u>	<u>927,781</u>	<u>985,661</u>
Total Debt Service Expenditures	2,854,452	4,196,124	4,259,512	4,076,479	3,472,487	3,481,391	3,523,814	3,762,771	4,482,146	4,524,670
Debt service as a percentage of Non-capital expenditures	3.83%	5.40%	6.14%	5.74%	4.60%	4.97%	4.53%	4.96%	5.62%	5.54%

\* Note - Debt Service Expenditures include Debt Service in Public Works, Education and Debt Service categories of expenditures. See Schedule 4 for Debt Service detail by function.

**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>	Weighted Average Tax Rate <sup>d</sup>	Assessed Value	Estimated Market Value	Tax Rate <sup>c</sup>	
2017	\$ 8,367,983,282	\$ 8,367,983,282	\$ 0.547	\$ 0.499	\$ 64,786,610	\$ 64,786,610	\$ 1.368	\$ 8,432,769,892
2016	8,354,090,629	8,354,090,629	0.536	0.488	63,153,192	63,153,192	1.340	8,417,243,821
2015	8,494,000,738	8,494,000,738	0.527	0.481	62,229,920	62,229,920	1.318	8,556,230,658
2014	8,812,185,090	8,812,185,090	0.512	0.466	56,604,950	56,604,950	1.280	8,868,790,040
2013	9,278,557,414	9,278,557,414	0.491	0.447	59,473,730	59,473,730	1.228	9,338,031,144
2012	9,710,928,300	9,710,928,300	0.448	0.405	59,151,090	59,151,090	1.120	9,770,079,390
2011	10,093,360,351	10,093,360,351	0.432	0.389	58,123,220	58,123,220	1.080	10,151,483,571
2010	10,076,574,525	10,076,574,525	0.432	0.389	56,285,760	56,285,760	1.080	10,132,860,285
2009	9,079,721,565	9,079,721,565	0.449	0.407	54,920,220	54,920,220	1.123	9,134,641,785
2008	7,849,685,172	7,849,685,172	0.475	0.434	54,664,610	54,664,610	1.188	7,904,349,782

**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. Direct tax rate for properties located in the unincorporated areas of the County

<sup>d</sup> Per \$100 of value. Weighted Average tax rate for all properties in the County.

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 Anne	St. Michaels	Trappe	Weighted Average Tax Rate	Easton	Oxford	Queen Anne	St. Michaels	Trappe	Unincorporated Area of County	Easton	Oxford	Queen Anne	St. Michaels	Trappe
2017	\$ 0.5471	0.4142	0.4302	0.4862	0.4202	0.4492	0.499	0.520	0.2952	0.180	0.460	0.310	\$ 0.5471	0.9342	0.7254	0.6662	0.8802	0.7592
2016	\$ 0.5360	0.4030	0.4190	0.4750	0.4090	0.4380	0.488	0.520	0.2952	0.180	0.450	0.290	\$ 0.5360	0.9230	0.7142	0.6550	0.8590	0.7280
2015	\$ 0.5270	0.3950	0.4100	0.4660	0.4000	0.4300	0.481	0.520	0.2783	0.180	0.450	0.290	\$ 0.5270	0.9150	0.6883	0.6460	0.8500	0.7200
2014	\$ 0.5120	0.3800	0.3960	0.4520	0.3860	0.4250	0.466	0.520	0.2438	0.180	0.450	0.290	\$ 0.5120	0.9000	0.6398	0.6320	0.8360	0.7150
2013	\$ 0.4910	0.3610	0.3770	0.4330	0.3670	0.4060	0.447	0.520	0.2438	0.180	0.520	0.290	\$ 0.4910	0.8810	0.6208	0.6130	0.8870	0.6960
2012	\$ 0.4480	0.3190	0.3350	0.3910	0.3250	0.3640	0.405	0.520	0.2200	0.180	0.580	0.290	\$ 0.4480	0.8390	0.5550	0.5710	0.9050	0.6540
2011	\$ 0.4320	0.3020	0.3180	0.3740	0.3080	0.3470	0.389	0.520	0.2306	0.180	0.640	0.290	\$ 0.4320	0.8220	0.5486	0.5540	0.9480	0.6370
2010	\$ 0.4320	0.3030	0.3190	0.3750	0.3090	0.3480	0.389	0.520	0.2438	0.180	0.640	0.300	\$ 0.4320	0.8230	0.5628	0.5550	0.9490	0.6480
2009	\$ 0.4490	0.3210	0.3370	0.3930	0.3270	0.3680	0.407	0.520	0.2560	0.180	0.640	0.300	\$ 0.4490	0.8410	0.5930	0.5730	0.9670	0.6680
2008	\$ 0.4750	0.3490	0.3650	0.4200	0.3550	0.3950	0.434	0.520	0.2800	0.180	0.640	0.300	\$ 0.4750	0.8690	0.6450	0.6000	0.9950	0.6950

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 2017</b>			<b>Fiscal Year 2008</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>
RDC Inn at Perry Cabin LLC	\$ 16,130,300	1	0.19%			
Easton Shoppes Business Trust	13,867,800	2	0.17%	\$ 13,427,800	3	0.17%
Bayleigh Chase, Inc	13,781,200	3	0.16%			
Remco Properties, LLC	11,686,566	4	0.14%			
Lowe's Home Centers, Inc.	11,570,600	5	0.14%			
Fre USA LLC	10,501,500	6	0.13%			
Target Corporation	10,437,900	7	0.12%			
Achievement Park LLC	10,187,300	8	0.12%			
Wal Mart Real Estate Business Trust	9,996,733	9	0.12%	8,445,200	6	0.11%
Tred Avon LLC	9,681,067	10	0.12%			
Retirement Comm of Easton Inc				19,285,933	1	0.25%
Perry Cabin Acquisitions Corp.				17,188,000	2	0.22%
Eastern Shore Retirement Assoc.				12,705,700	4	0.16%
Hampden Investment Properties LLC				9,885,500	5	0.13%
Individual				9,543,833	7	0.12%
Cal-Mar Associates				7,716,200	8	0.10%
Easton Marketplace LLC				7,351,566	9	0.09%
Individual				7,154,212	10	0.09%
<b>Total</b>	<b>\$ 117,840,966</b>		<b>1.41%</b>	<b>\$ 112,703,944</b>		<b>1.44%</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
2017	\$ 35,775,649	\$ 35,760,252	99.96%	\$ -	\$ 35,760,252	99.96%
2016	34,576,428	34,546,760	99.91%	-	34,546,760	99.91%
2015	34,024,027	33,996,787	99.92%	5,080	34,001,867	99.93%
2014	33,071,077	33,026,089	99.86%	(3,756)	33,022,333	99.85%
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%

**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
2016	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2015	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2014	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
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%					

State Income Tax Rates*							Talbot County Income Tax Direct Rate
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		
2016	N/A	N/A	N/A	N/A	N/A	N/A	2.40%
2015	N/A	N/A	N/A	N/A	N/A	N/A	2.40%
2014	N/A	N/A	N/A	N/A	N/A	N/A	2.40%
2013	N/A	N/A	N/A	N/A	N/A	N/A	2.40%
2012	N/A	N/A	N/A	N/A	N/A	N/A	2.25%
2011	4.75%	5.00%	5.25%	5.50%	5.50%	5.50%	2.25%
2010	4.75%	5.00%	5.25%	5.50%	6.25%	6.25%	2.25%
2009	4.75%	5.00%	5.25%	5.50%	6.25%	6.25%	2.25%
2008	4.75%	5.00%	5.25%	5.50%	6.25%	6.25%	2.25%
2007							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>
2015	14,528	\$ 1,481,708,151	\$ 1,169,805,337	\$ 54,581,324	\$ 27,153,206	\$ 81,734,530	2.40%
2014	14,603	1,403,550,972	1,135,662,569	52,780,635	26,577,777	79,358,412	2.40%
2013	14,331	1,386,024,598	1,111,304,912	50,085,415	26,353,729	76,439,144	2.40%
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%

**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 2015						
	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	255	1.8%	\$ 364,569,607	31.2%	\$ 8,249,411	30.4%
\$250,000 - 499,999	531	3.7%	160,966,407	13.8%	3,803,070	14.0%
\$100,000 - 249,999	2,606	17.9%	318,083,752	27.2%	7,596,806	28.0%
\$50,000 - 99,999	3,664	25.2%	194,454,570	16.6%	4,664,114	17.2%
\$25,000 - 49,999	4,125	28.4%	100,049,842	8.6%	2,211,063	8.1%
\$5,000 - 24,999	3,283	22.6%	31,558,643	2.7%	626,042	2.3%
Under \$5,000	64	0.4%	122,516	0.0%	2,700	0.0%
Totals	14,528	100.0%	\$ 1,169,805,337	100.0%	\$ 27,153,206	100.0%

Tax Year 2006						
	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	316	2.1%	\$ 494,646,879	41.3%	\$ 11,129,556	41.7%
\$250,000 - 499,999	715	4.8%	181,625,050	15.2%	4,086,564	15.3%
\$100,000 - 249,999	1,787	12.0%	190,955,305	15.9%	4,296,642	16.1%
\$50,000 - 99,999	3,600	24.1%	189,044,051	15.8%	4,253,450	15.9%
\$25,000 - 49,999	4,197	28.1%	101,753,228	8.5%	2,216,947	8.3%
\$5,000 - 24,999	4,187	28.1%	40,070,914	3.3%	718,993	2.7%
Under \$5,000	110	0.7%	147,033	0.0%	2,822	0.0%
Totals	14,912	100.0%	\$ 1,198,242,460	100.0%	\$ 26,704,974	100.0%

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

**Schedule 13**  
**Talbot County, Maryland**  
**Ratios of Outstanding Debt by Type,**  
**Last Ten Fiscal Years**

Fiscal Year	Governmental Activities	Business Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	General Obligation Bonds	Capital Leases			
2017	\$ 29,043,335	\$ 16,322,002	\$ 324,066	\$ 45,689,403	1.83%	\$ 1,226
2016	32,753,625	8,806,100	151,602	41,711,327	1.67%	1,119
2015	35,367,806	9,641,102	193,364	45,202,272	1.86%	1,205
2014	31,257,626	10,503,339	48,875	41,809,840	1.76%	1,111
2013	31,667,641	11,114,740	95,555	42,877,936	1.85%	1,130
2012	34,027,257	11,969,066	159,691	46,156,014	2.01%	1,213
2011	36,307,648	12,809,338	210,316	49,327,302	2.33%	1,297
2010	39,141,954	13,596,277	70,269	52,808,500	2.55%	1,398
2009	41,656,842	13,582,399	129,153	55,368,394	2.70%	1,527
2008	44,076,728	14,074,978	180,211	58,331,917	2.76%	1,615

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

**Notes:**

2017 percentages calculated using 2016 personal income data, which is the most recent available.

2017 debt per capita is calculated using 2016 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>
2017	45,365,337	8,432,769,892	0.54%	*	1,217
2016	41,559,725	8,417,243,821	0.49%	37,278	1,115
2015	45,008,908	8,556,230,658	0.53%	37,512	1,200
2014	41,760,965	8,868,790,040	0.47%	37,643	1,109
2013	42,782,381	9,338,031,144	0.46%	37,931	1,128
2012	45,996,323	9,770,079,390	0.47%	38,040	1,209
2011	49,116,986	10,151,483,571	0.48%	38,025	1,292
2010	52,738,231	10,132,860,285	0.52%	37,782	1,396
2009	55,239,241	9,134,641,785	0.60%	36,262	1,523
2008	58,151,706	7,904,349,782	0.74%	36,112	1,610

**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; 2017 debt per capita is calculated using 2016 population estimate data.

**Schedule 15**  
**Talbot County, Maryland**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2017**

<u>Governmental Unit</u>	<u>Total Assessed Valuation of Real Property<sup>a</sup></u>	<u>% of Assessed Valuation to County Total</u>	<u>Direct Debt - Pro Rata Share of County General Obligation Bonded Debt</u>	<u>Overlapping Debt - Municipal Debt Outstanding<sup>b</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Easton	2,109,185,860	25.21%	7,320,496	\$ 11,075,000	\$ 18,395,496
Oxford	334,647,964	4.00%	1,161,486	-	1,161,486
Queen Anne	7,982,900	0.10%	27,707	-	27,707
St. Michaels	285,260,200	3.41%	990,072	-	990,072
Trappe	84,332,631	1.01%	292,699	265,885	558,584
Unincorporated	<u>5,546,573,727</u>	<u>66.28%</u>	<u>19,250,875</u>	<u>-</u>	<u>19,250,875</u>
<b>Total</b>	<u><u>8,367,983,282</u></u>	<u><u>100%</u></u>	<u><u>29,043,335</u></u>	<u><u>\$ 11,340,885</u></u>	<u><u>\$ 40,384,220</u></u>

**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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Taxable Assessable Base *	\$ 7,508,763	\$ 8,695,733	\$ 9,633,030	\$ 10,093,360	\$ 9,710,928	\$ 9,278,557	\$ 8,812,185	\$ 8,494,001	\$ 8,354,091	\$ 8,367,983
Debt Limit, 15% of Assessable Base	1,126,314	1,304,360	1,444,955	1,514,004	1,456,639	1,391,784	1,321,828	1,274,100	1,253,114	1,255,197
Amount of Debt Applicable to Limit										
General Obligation Bonds	43,777	41,373	38,873	35,404	33,201	31,668	31,258	35,368	32,754	29,043
Legal Debt Margin	<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>	<u>\$ 1,238,732</u>	<u>\$ 1,220,360</u>	<u>\$ 1,226,154</u>
Total net debt applicable to the limit as a percentage of debt limit	3.89%	3.17%	2.69%	2.34%	2.28%	2.28%	2.36%	2.78%	2.61%	2.31%

**Source:**

\* State of Maryland, Department of Assessments and Taxation

**Note:**

Section 222 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>
2017	*	*	*	4,593	4.0%
2016	37,278	2,496,549	66,971	4,625	4.1%
2015	37,512	2,430,909	64,804	4,630	5.2%
2014	37,643	2,375,672	63,111	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%

**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 2016</u>			<u>CY 2007</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>
Univ. of MD/Shore Medical Systems	1,640	1	8.77%			
Quality Health Strategies	450	2	2.41%			
Bayleigh Chase	220	3	1.18%			
Shore Bancshares	200	4	1.07%			
Genesis Healthcare/The Pines	170	5	0.91%	186	10	0.96%
EAG Laboratories	160	6	0.86%			
Inn at Perry Cabin by Belmond	160	7	0.86%			
Chesapeake Building Components	155	8	0.83%	187	9	0.96%
APG Chesapeake Publishing	135	9	0.72%			
Aphena Pharma Solutions	135	10	0.72%			
Target						
Shore Health Systems/EMH				1,200	1	6.17%
Allen Family Foods				640	2	3.29%
Wal-Mart				300	3	1.54%
William Hill Manor				300	4	1.54%
Cadmus Prof. Communications				250	5	1.28%
Delmarva Foundation				250	6	1.28%
Lowe's				215	7	1.11%
Wildlife International				200	8	1.03%
	<u>3,425</u>		<u>18.32%</u>	<u>3,728</u>		<u>19.16%</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>	<b>Full-time Equivalent Employees as of June 30,</b>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Government	66.7	68.4	66.0	63.0	60.3	61.1	63.8	65.8	65.4	66.8
Public Safety	139.6	151.1	151.3	152.0	146.7	151.2	156.3	161.7	170.2	161.3
Public Works	44.7	48.3	50.5	46.0	42.5	41.2	40.8	41.9	44.7	46.1
Social Services	4.8	4.0	3.4	3.0	0.8	-	-	-	-	-
Recreation	52.4	51.8	46.0	34.0	32.8	33.0	35.1	35.9	35.6	38.0
Airport	<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>	<u>5.0</u>	<u>5.1</u>	<u>5.3</u>
Total	<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>	<u>310.3</u>	<u>321.0</u>	<u>317.5</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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>General Government</b>										
Building Permits issued	529	388	316	308	267	261	245	239	259	294
Value of new construction (000's)	58,812	36,505	31,116	36,974	27,067	28,540	24,379	28,289	34,149	58,099
<b>Public Safety</b>										
Detention Center										
Avg. daily population	106	90	92	104	85	81	72	63	67	75
Bookings	989	821	807	771	1,020	954	880	804	775	727
9-1-1 Calls Answered										
Fire	1,557	1,427	1,724	1,705	1,975	2,034	1,917	2,112	2,523	3,338
Emergency Medical Services	4,330	4,334	4,408	4,330	4,458	4,551	4,358	4,774	4,682	3,894
Sheriff	12,592	14,891	15,191	13,627	13,923	12,165	13,139	13,397	14,896	16,879
Other Police	7,289	7,755	7,399	7,383	8,367	11,533	12,040	11,184	11,834	32,403
<b>Education</b>										
Students	4,396	4,419	4,495	4,504	4,547	4,570	4,537	4,630	4,625	4,593
Teachers Instructional	301	308	304	316	312	321	321	321	326	327
<b>Recreation Facilities</b>										
Boat ramp permits	6,673	6,288	6,848	6,724	6,689	6,443	6,185	6,034	5,886	3,957
Golf rounds	30,140	33,670	22,781	27,969	31,467	28,439	29,057	26,889	35,998	37,903
<b>Public Works</b>										
Centerline miles of road maintained	372	372	372	372	374	374	374	374	373	373
Wastewater treated (mgd)	0.450	0.415	0.558	0.481	0.477	0.483	0.460	0.363	0.428	0.401
<b>Airport</b>										
Based aircraft	185	147	143	146	146	176	220	216	229	233
Gallons of fuel sold	690,904	679,857	614,612	646,268	633,071	581,342	642,726	648,140	660,362	642,921

**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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Public Safety</b>										
Detention center capacity	140	140	140	140	145	145	145	145	145	145
Fire stations	7	7	7	7	7	7	7	7	7	7
Emergency Medical Services Stations	5	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	2	2	2	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	8	8	12	12	12	14	14	14	14	14
Park acreage	232	272	272	272	272	293	293	293	293	293
Public Landings & Wharves	29	29	29	30	30	30	30	30	30	30
Boat Slips	113	113	117	117	136	136	136	136	136	136
Public Pools	2	2	2	2	2	2	2	2	2	2
<b>Public Works</b>										
Centerline miles of county roads	372	372	372	372	374	374	374	374	373	373
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	3	3	3	3	3	3	3	3	3	2
Miles of mains	38	38	38	38	38	38	40	40	40	42
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.