

# Talbot County

MARYLAND



## COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEAR ENDED  
June 30, 2019

Prepared by:  
TALBOT COUNTY, MARYLAND  
FINANCE OFFICE

[www.talbgov.org](http://www.talbgov.org)

**TALBOT COUNTY, MARYLAND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2019**

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**Report Prepared By:  
Talbot County, Maryland Finance Office**



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 FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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## INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF ELECTED AND APPOINTED OFFICIALS



TALBOT COUNTY, MARYLAND  
COURT HOUSE  
11 N. WASHINGTON STREET, SUITE 9  
EASTON, MARYLAND 21601

FINANCE OFFICE  
PHONE: 410-770-8020

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

December 23, 2019

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, 2019 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 (GAAP) in the United States of America 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 SB and Company, LLC, Independent Certified Public Accountants. SB and Company, LLC issued an unmodified opinion on the County's financial statements for the year ended June 30, 2019. 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, 2019, 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 MD 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 2022. The Council annually 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. The County's largest revenue source remains property taxes. For FY 2019 actual property tax revenues totaled \$41.6 million or 45.6% of the total General Fund revenues. Employment levels, business income and income from investments directly affect income tax revenue, the second largest revenue source in the County. Potential fluctuations in business and investment income of our taxpayers can have a significant impact on Income tax revenues. In FY 2019 Income tax revenues accounted for 32.4 % of the General Fund revenues. The County received \$29.5 million in Income Tax revenues in FY 2019; \$3.9 million more than budgeted and \$3.7 million more than amount received in FY 2018. The County's housing market continues to be strong as noted by actual Recordation and Transfer tax revenues that were above the amount budgeted for FY 2019. However, Recordation tax revenues collected in FY 2019 were less than the amounts collected in FY 2018. For FY 2020 the County is optimistic that the housing market will remain consistent. 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 emulate both the State (3.8%) and National (3.7%) rates as evidenced by the June 2019 County rate of 3.6 percent.

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 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, 2019, Talbot County's unassigned fund balance was 29.5% of actual expenditures, before other financing uses.

The FY 2020 General Fund Budget increased by \$289 thousand or 0.314% from the FY 2019 Approved Budget. The FY 2020 Budget includes record level funding for the Talbot County Public Schools. The operating funding for the Talbot County Public Schools at \$42 million is \$2.2 million more than the FY 2019 funding and \$1.3 million over the mandated maintenance of effort funding level. The FY 2020 budget includes investment in our largest asset, our employees. A salary increase (STEP) and a 1% COLA for all full time County employees, as well as a salary scale adjustment for Sheriff Deputies, is included in the FY 2020 Budget. The final phase of building a new elementary school that will replace two (2) existing elementary schools is included in the FY 2020 Capital Budget.

In FY 2020 and beyond, the focus will be on providing for various County and school building maintenance projects, the infrastructure requirements associated with the construction of a new hospital facility, and maintaining the current level of services to the citizens and visitors of Talbot County.

#### **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, 2018. 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 eighteen (18) 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

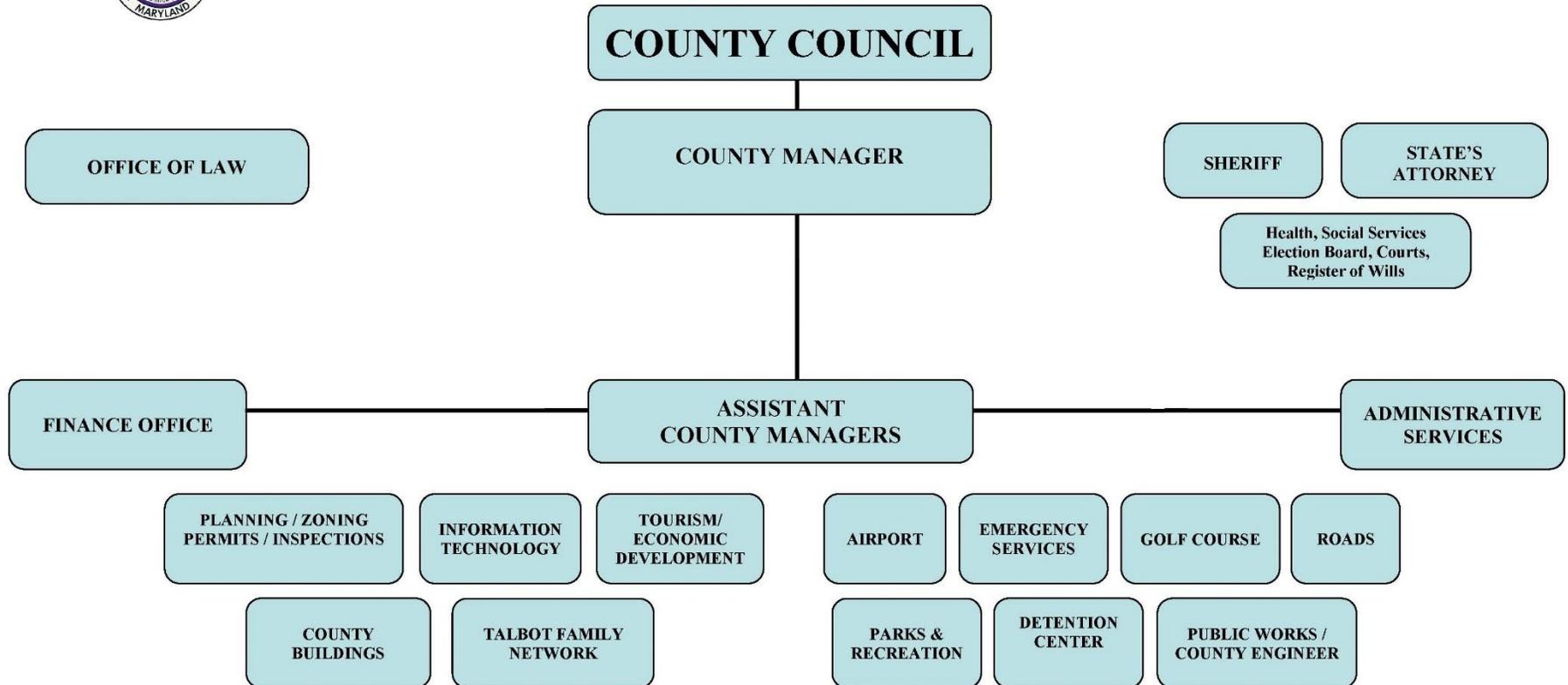
**June 30, 2018**

*Christopher P. Morill*

Executive Director/CEO



## TALBOT COUNTY GOVERNMENT ORGANIZATIONAL CHART



Talbot County, Maryland  
List of Elected and Appointed Officials  
June 30, 2019

Elected Officials

County Council

Corey W. Pack, President  
Chuck F. Callahan  
Frank Divilio  
Pete Leshner  
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  
Micah L. Risher  
Douglas C. Devenyns  
Brian K. LeCates  
Brian Moore  
Angela Lane  
Richard A. Setter  
Parker J. Durham  
Preston P. Peper  
Mary Kay Verdery  
Raymond P. Clarke  
Warren W. Edwards, Jr.  
Cassandra M. Vanhooser

## FINANCIAL SECTION



**SB & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

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, 2019, 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***

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

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Talbot County, Maryland or the Talbot County Free Library Association, Inc. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, are based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

### ***Opinions***

In our opinion, based on our audit and the reports of the 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, 2019, 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.



**SB & COMPANY, LLC**  
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***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 net OPEB liability and related ratios, Maryland State Retirement and Pension System- Schedule of the Proportionate Share of the Net Pension Liability, and Maryland State Retirement and Pension Systems-Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary and 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, statistical tables and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary information are the responsibility of management and were derived from and relate 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. In our opinion, the accompanying combining and individual fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical tables 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.

Owings Mills, Maryland  
December 23, 2019

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## MANAGEMENT'S DISCUSSION & ANALYSIS

## MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the Comprehensive Annual Financial Report of Talbot County, Maryland (the County) presents a narrative overview and analysis of the financial activities of Talbot County Government for the fiscal year ended June 30, 2019. 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**

#### **Government-wide**

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2019 by \$120.6 million (total net position), compared to \$127.5 million at June 30, 2018. For fiscal year ended June 2019, the unrestricted portion of net position is a deficit of \$4.0 million and is comprised of an unrestricted net position of \$1.0 million in the governmental activities and a deficit of \$5.0 million in the business type activities. The 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, but the related debt is recorded on the County's books. At June 30, 2019, the County included \$17.0 million of bonds payable in liabilities for school construction projects and no corresponding capital assets.
- The total net position decreased by \$6.9 million or 5.4%

#### **Fund Level**

- The General Fund had an increase in fund balance of \$18 thousand.
- At June 30, 2019, the County's governmental funds reported combined fund balances of \$33.9 million, a decrease of \$3.9 million from the prior year. Approximately 75.4% of the combined governmental fund balance (\$25.6 million), is available to meet the County's current and future needs (unassigned), 13.0% is assigned, indicating that it is not available for new spending because it has already been assigned for items such as subsequent years expenditures, 9.3% is committed or restricted for future use and 2.3% is nonspendable meaning that it is in the form of prepaid items.
- The unassigned fund balance for the General Fund of \$25.6 million is 28.2 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, 2019 for the "rainy day fund" is \$13.0 million (15 percent of the actual general fund expenditures before Other Financing Uses).
- The business-type activities operating revenue fell short of operating expenses resulting in an operating loss of \$5.2 million in these funds.

## **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, liabilities, and deferred inflows/outflows of resources with the difference being reported as net position. Over time, increases or 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, libraries, and conservation of natural resources, judicial and economic development. The business-type activities of the County include recreation facilities, wastewater and septage 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 27-30 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 on 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 funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for all three types of governmental funds.

Talbot County adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for all governmental funds in the Required Supplementary Information section of this report.

The basic governmental fund financial statements can be found on pages 33-36 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 and septage treatment services, recreation facilities, and an airport facility.

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 37-40 of this report.

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

The basic fiduciary fund financial statements can be found on pages 41-42 of this report.

## **Notes to Financial Statements**

The notes to the financial statements are part of the basic financial statements and provide additional information that is essential to creating a full understanding of the data provided in the government-wide and fund financial statements.

The Notes to the Financial Statements can be found on pages 44-98 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 and Grants 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.

## **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial position. In the case of Talbot County, Total net position was \$120.6 million at the close of the most recent fiscal year, as shown in the schedule of net position below. Components for Talbot County's net position is divided into three categories, Net investment in capital assets, restricted net position and unrestricted net position. 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 related 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 \$1.0 million reflects the imbalance of liabilities without corresponding assets.

Restricted net position of \$99 thousand represents 0.083 percent of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the total government is a deficit of \$4.0 million. See Note 14 for additional information on the County's unrestricted net position.

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

### Talbot County Government's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	\$ 50,862,708	\$ 49,297,324	\$ (3,852,989)	\$ (1,991,748)	\$ 47,009,719	\$ 47,305,576
Capital Assets	80,026,653	83,548,055	64,067,475	65,147,665	144,094,128	148,695,720
Total Assets	130,889,361	132,845,379	60,214,486	63,155,917	191,103,847	196,001,296
Deferred Outflow of Resources	3,697,467	3,974,784	20,537	24,770	3,718,004	3,999,554
Non Current Liabilities	35,660,450	37,449,338	14,770,129	15,914,605	50,430,579	53,363,943
Other Liabilities	20,563,070	15,021,133	2,203,417	2,709,078	22,766,487	17,730,211
Total Liabilities	56,223,520	52,470,471	16,973,546	18,623,683	73,197,066	71,094,154
Deferred Inflow of Resources	1,065,858	1,424,460	-	-	1,065,858	1,424,460
Net Position:						
Net Investment in Capital Assets	76,175,840	78,664,492	48,243,349	48,005,138	124,419,189	126,669,630
Restricted	99,877	97,869	-	-	99,877	97,869
Unrestricted	1,021,733	4,162,871	(4,981,872)	(3,448,134)	(3,960,139)	714,737
Total Net Position	\$ 77,297,450	\$ 82,925,232	\$ 43,261,477	\$ 44,557,004	\$120,558,927	\$ 127,482,236

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 decreased by \$6.9 million during the current fiscal year as the result of a \$5.6 million decrease in governmental activities and a \$1.3 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	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 4,203,710	\$ 4,049,894	\$ 8,201,797	\$ 7,650,124	\$ 12,405,507	\$ 11,700,018
Operating Grants and Contributions	4,451,502	3,836,314	3,680,423	1,496,336	8,131,925	5,332,650
Capital Grants and Contributions	836,659	986,407	-	-	836,659	986,407
<b>General Revenues:</b>						
Property Taxes	41,646,643	38,574,339	-	-	41,646,643	38,574,339
Local Income Tax	29,514,546	25,767,710	-	-	29,514,546	25,767,710
Other Local Taxes	12,107,793	12,354,244	-	-	12,107,793	12,354,244
Investment Income	901,297	604,834	42,322	26,359	943,619	631,193
Miscellaneous	883,578	1,309,428	-	-	883,578	1,309,428
<b>Total Revenues</b>	<b>94,545,728</b>	<b>87,483,170</b>	<b>11,924,542</b>	<b>9,172,819</b>	<b>106,470,270</b>	<b>96,655,989</b>
<b>Expenses:</b>						
General Government	14,456,714	12,144,928	-	-	14,456,714	12,144,928
Public Safety	20,182,065	18,723,695	-	-	20,182,065	18,723,695
Public Works	7,089,362	6,543,225	-	-	7,089,362	6,543,225
Health	2,524,694	2,522,380	-	-	2,524,694	2,522,380
Social Services	1,908,188	1,360,507	-	-	1,908,188	1,360,507
Education	52,481,151	43,745,918	-	-	52,481,151	43,745,918
Recreation	734,182	576,070	-	-	734,182	576,070
Conservation of Natural Resources	267,761	282,789	-	-	267,761	282,789
Interest Charges	43,393	158,714	-	-	43,393	158,714
Recreation Facilities	-	-	3,145,530	3,080,314	3,145,530	3,080,314
Sanitary District	-	-	4,855,689	4,511,793	4,855,689	4,511,793
Airport	-	-	5,704,850	5,805,247	5,704,850	5,805,247
Pools	-	-	-	-	-	-
<b>Total Expenses</b>	<b>99,687,510</b>	<b>86,058,226</b>	<b>13,706,069</b>	<b>13,397,354</b>	<b>113,393,579</b>	<b>99,455,580</b>
Increase (Decrease) in Net Position before transfers	(5,141,782)	1,424,944	(1,781,527)	(4,224,535)	(6,923,309)	(2,799,591)
Transfers In (Out)	(486,000)	(842,250)	486,000	842,250	-	-
Increase (Decrease) in Net Position	(5,627,782)	582,694	(1,295,527)	(3,382,285)	(6,923,309)	(2,799,591)
Net Position – Beginning	82,925,232	82,342,538	44,557,004	47,939,289	127,482,236	130,281,827
<b>Net Position - Ending</b>	<b>\$ 77,297,450</b>	<b>\$ 82,925,232</b>	<b>\$ 43,261,477</b>	<b>\$ 44,557,004</b>	<b>\$120,558,927</b>	<b>\$ 127,482,236</b>

**Governmental Activities.** Governmental Activities decreased the County's net position after transfers by \$5.6 million. Key elements of the decrease in the net position of governmental activities are as follows:

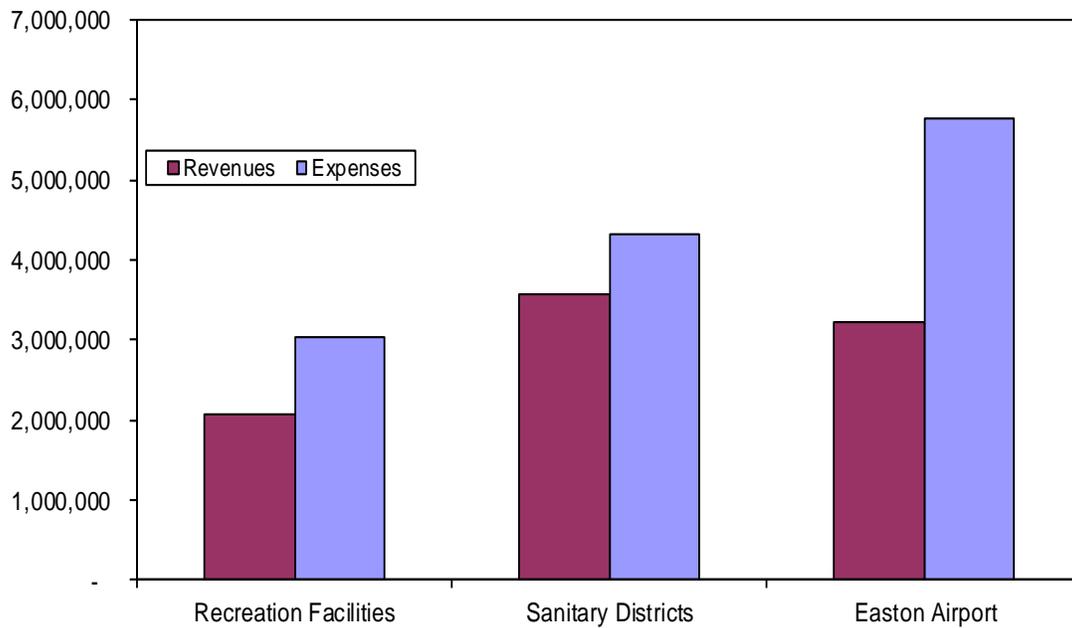
- Income Tax revenues increased by \$3.7 million, a 14.5 percent increase from the prior year actual and were \$3.9 million more than originally budgeted for FY 2019.
- Property tax revenues increased by \$3.0 million, an 8.0 percent increase from the prior fiscal year and were \$470 thousand more than originally budgeted.
- Education expenses increased by \$8.7 million, a 20 percent increase from the prior year. This increase is primarily due to expenditures associated with the construction of a new Easton Elementary School.

- General Government expenses increased by \$2.3 million. This increase is primarily due to increases associated with recording Pension and Other Post-Employment Benefits (OPEB) for the County.

**Business-type Activities.** Business-type activities decreased Talbot County’s net position after transfers by \$1.3 million. The decrease is primarily attributable to expenditures (primarily depreciation) being more than revenues received through charges for services.

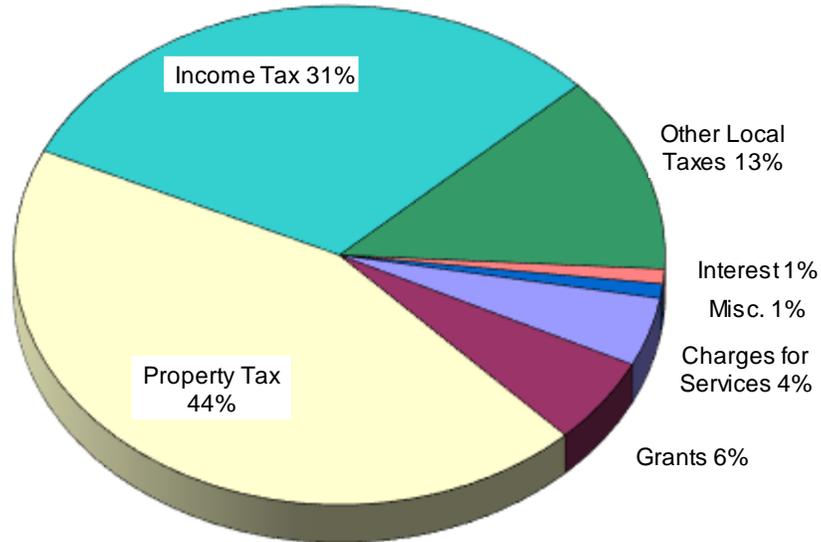
Fiscal year 2019 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

***Expenses and Program Revenues - Business-Type Activities  
For the Year Ended June 30, 2019***



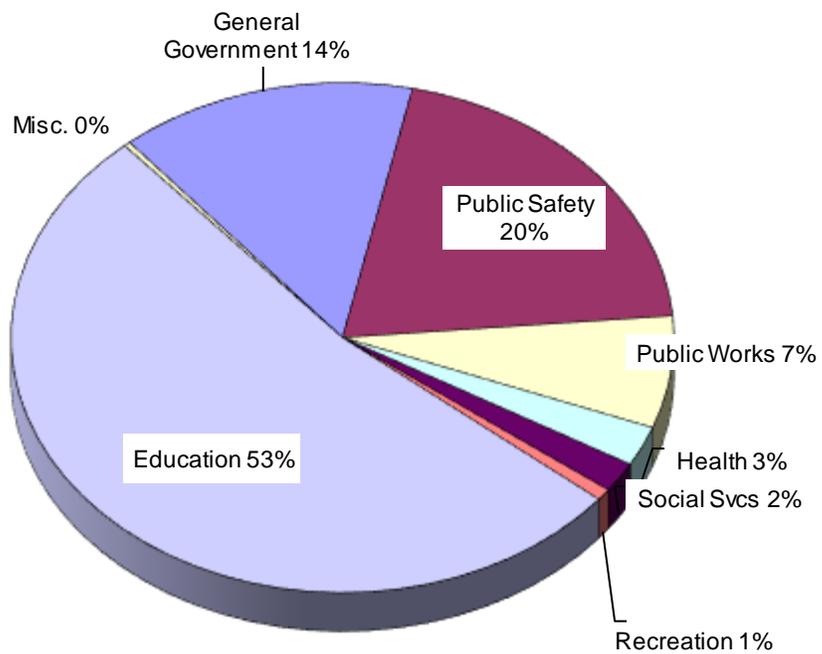
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**Revenues by Source - Governmental Activities  
For the Year Ended June 30, 2019**



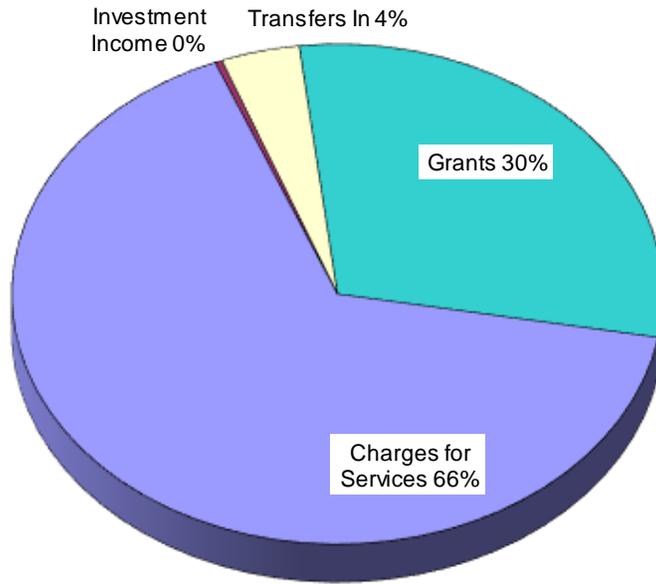
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**Expenses - Governmental Activities  
For the Year Ended June 30, 2019**



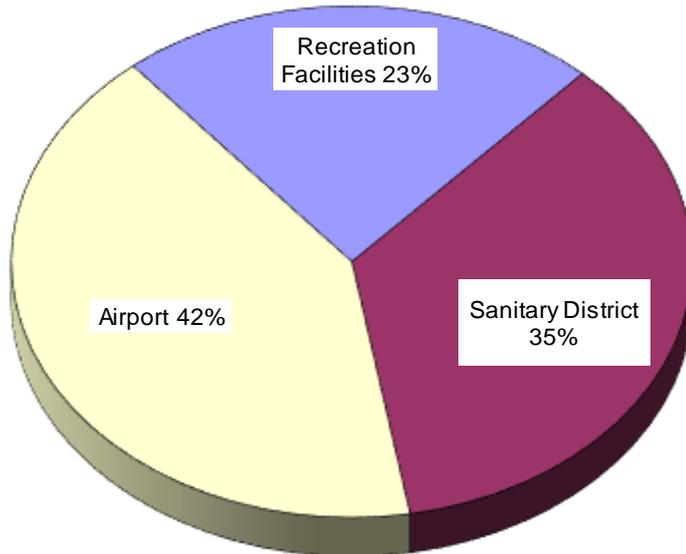
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**Revenues by Source - Business-Type Activities  
For the Year Ended June 30, 2019**



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**Expenses - Business-Type Activities  
For the Year Ended June 30, 2019**



## 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 \$33.9 million. Approximately 75.4 percent of this total (\$25.6 million) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been classified to fund other purposes. Capital projects account for the 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 \$30.3 million, and the unassigned fund balance was \$25.6 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 29.5 percent of total general fund expenditures before Other Financing Uses, while total fund balance represents 35.0 percent of total general fund expenditures before Other Financing Uses.

The fund balance of Talbot County's General Fund increased by \$18 thousand during FY 2019. This increase is due primarily to fluctuations in local (property, income, recordation and transfer) tax revenues and funds transferred to and from other funds.

The fund balance of the County's Capital Projects Fund decreased by \$2.9 million in FY 2019. This decrease is primarily due to the continued construction on the Easton Elementary School.

**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 \$43.3 million. There is a deficit balance of \$5.0 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 \$12.4 million at June 30, 2019.

## GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the final budget and the final actual results for the County totaled \$18 thousand. Revenues received were \$7.5 million more than final budgeted estimates and the County did not use \$8.3 million of prior years' funds and transfers from other funds, resulting in a negative variance of \$812 thousand in revenues. Expenditures were \$830 thousand less than final budgeted estimates. The major variances can be summarized as follows:

- **Revenues.** Revenues before Other Financing Sources were \$7.5 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 \$6.0 million more than budgeted. This total includes \$3.9 million in income tax revenues, \$1.5 million in recordation and transfer taxes, \$0.5 million in property tax revenues. Service charges received were \$.3 million more than the amount budgeted and Interest earnings were \$.6 million more than budgeted.
  - The County had budgeted to use \$7.8 million of prior years' funds to balance the FY 2019 budget. The County did not need to use any prior years' funds in FY 2019.
- **Expenditures.** Expenditures were \$.8 million less than budgeted for the year. The County departments spent less than actually budgeted in all major expenditure areas.

## **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, 2019 totals \$144.0 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total decrease in the County's investment in capital assets for the current fiscal year is \$4.6 million or 3.1 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>	
	2019	2018	2019	2018	2019	2018
Land	\$ 9,735,907	\$ 9,735,907	\$ 2,956,046	\$ 2,956,047	\$ 12,691,953	\$ 12,691,954
Construction in progress	-	887,560	991,472	6,905,404	991,472	7,792,964
Buildings and improvements	29,172,423	31,815,115	56,929,146	51,631,615	86,101,569	83,446,730
Non-deprec. infrastructure	25,449,891	25,449,891	-	-	25,449,891	25,449,891
Infrastructure	9,101,246	9,767,764	-	-	9,101,246	9,767,764
Furniture and equipment	6,567,186	5,891,818	3,190,811	3,654,600	9,757,997	9,546,418
<b>Total</b>	<b>\$ 80,026,653</b>	<b>\$ 83,548,055</b>	<b>\$ 64,067,475</b>	<b>\$ 65,147,666</b>	<b>\$144,094,128</b>	<b>\$ 148,695,721</b>

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

- Purchases of new equipment costing \$2.0 million for Public Safety and Roads Departments.
- Upgrades and renovations to the St. Michaels Wastewater Collection System totaling \$3.3 million increased Buildings and Improvements of the 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 \$37.7 million, a decrease of approximately \$4.6 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, \$15.8 million is considered self-supporting bonds, funded through various charges and assessments related to the enterprise operations of the County.

## Talbot County Government's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds, Notes and Premiums	\$ 21,889,178	\$ 25,216,355	\$ 15,844,663	\$ 17,167,299	\$ 37,733,841	\$ 42,383,654

The County's most recent bond ratings from Moody's Investors Service and Fitch Ratings are Aa2 (May 2019) and AAA (April 2019), 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 2020 approved budget for the General Fund is \$92,328,200 representing an increase of \$289 thousand or .314 percent from the FY 2019 original approved budget.
- Real Property tax revenue is expected to generate \$2.4 million more than the FY 2019 actual collections and is \$2.8 million more than the FY 2019 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 2020 is budgeted to be \$3.0 million less than the FY 2019 actual collections and is \$900 thousand more than the FY 2019 budget.
- Fund balance of \$4.0 million is used to balance the FY 2020 General Fund budget.
- The Operating Appropriation for Talbot County Public Schools increased by \$2.2 million from FY 2019.
- The FY 2020 Budget includes a Step increase and a 1% COLA for eligible full time employees. In addition, adjustments were made to the salary scale of the Sheriff deputies to address recruitment and retention issues.

All of these factors were considered in preparing the County's budget for FY 2020. The County is cognizant of potential economic downturns 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 As of June 30, 2019

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and short-term investments	\$ 32,402,642	\$ 7,873,352	\$ 40,275,994
Investments	-	-	-
Receivables:			
Accounts receivable	657,759	277,130	934,889
Other	-	-	-
Intergovernmental:			
State	3,822,127	470,265	4,292,392
Federal	425,882	106,923	532,805
Local	-	-	-
Due From Trust and Agency Fund	-	-	-
Prepaid items	771,897	-	771,897
Internal balances	12,624,903	(12,624,903)	-
Inventories	-	201,742	201,742
Advances to (from) other funds	157,498	(157,498)	-
Nondepreciable capital assets	35,185,798	3,947,518	39,133,316
Depreciable capital assets, net	44,840,855	60,119,957	104,960,812
<b>TOTAL ASSETS</b>	<b>130,889,361</b>	<b>60,214,486</b>	<b>191,103,847</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions	2,488,851	-	2,488,851
OPEB	460,934	-	460,934
Deferred charge on refunding	747,682	20,537	768,219
<b>TOTAL DEFERRED OUTFLOWS</b>	<b>3,697,467</b>	<b>20,537</b>	<b>3,718,004</b>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	12,024,372	907,171	12,931,543
Other payables	-	-	-
Unearned revenue	4,921,577	111,039	5,032,616
Long-term liabilities, due within one year:			
Compensated absences	387,686	37,954	425,640
Bonds and notes payable	3,229,435	1,147,253	4,376,688
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year:			
Compensated absences	715,523	72,721	788,244
Bonds and notes payable	18,659,743	14,697,408	33,357,151
Obligations under state retirement system	-	-	-
Net pension liability	11,636,717	-	11,636,717
Net other post-employment benefit liability	4,648,467	-	4,648,467
<b>TOTAL LIABILITIES</b>	<b>56,223,520</b>	<b>16,973,546</b>	<b>73,197,066</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions	1,052,645	-	1,052,645
OPEB	13,213	-	13,213
<b>TOTAL DEFERRED INFLOWS</b>	<b>1,065,858</b>	<b>-</b>	<b>1,065,858</b>
<b>NET POSITION</b>			
Net investment in capital assets	76,175,840	48,243,349	124,419,189
Restricted for:			
Social Services (Talbot Family Network)	99,877	-	99,877
Food services	-	-	-
Programs	-	-	-
Unrestricted (deficit)	1,021,733	(4,981,872)	(3,960,139)
<b>TOTAL NET POSITION</b>	<b>\$ 77,297,450</b>	<b>\$ 43,261,477</b>	<b>\$ 120,558,927</b>

# TALBOT COUNTY, MARYLAND

## Statement of Net Position As of June 30, 2019

Component Units	
Board of Education	Library
\$ 6,238,984	\$ 134,487
-	2,534,198
-	46,446
-	-
167,960	-
740,168	-
6,385,396	-
85,507	-
-	1,524
-	-
-	-
-	-
19,164,234	18,914
51,721,823	459,363
<u>84,504,072</u>	<u>3,194,932</u>
932,530	-
8,794,074	96,836
-	-
<u>9,726,604</u>	<u>96,836</u>
9,073,834	35,648
95,628	-
1,820,473	3,727
186,285	-
380,072	-
43,334	-
172,743	-
891,182	-
552,065	-
4,172,107	-
104,310,311	1,344,709
<u>121,698,034</u>	<u>1,384,084</u>
499,395	-
11,227,720	121,970
<u>11,727,115</u>	<u>121,970</u>
69,614,803	478,277
-	-
678,506	-
-	1,455,391
(109,487,782)	(147,954)
<u>\$ (39,194,473)</u>	<u>\$ 1,785,714</u>

**TALBOT COUNTY, MARYLAND**

**Statement of Activities  
For the Year Ended June 30, 2019**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
General government	\$ 14,456,714	\$ 647,619	\$ 641,427	\$ 1,577
Public safety	20,182,065	2,626,903	535,844	469,924
Public works	7,089,362	381,148	1,862,753	365,158
Health and hospitals	2,524,694	102,131	-	-
Social services	1,908,188	-	1,391,478	-
Education	52,481,151	267,625	-	-
Recreation	734,182	146,030	20,000	-
Conservation of natural resources	267,761	32,254	-	-
Interest on long-term debt	43,393	-	-	-
<b>Total Governmental Activities</b>	<b>99,687,510</b>	<b>4,203,710</b>	<b>4,451,502</b>	<b>836,659</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Recreation facilities	3,145,530	2,070,881	-	-
Sanitary district	4,855,689	2,894,922	3,627,950	-
Easton airport	5,704,850	3,235,994	52,473	-
<b>Total Business-Type Activities</b>	<b>13,706,069</b>	<b>8,201,797</b>	<b>3,680,423</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 113,393,579</b>	<b>\$ 12,405,507</b>	<b>\$ 8,131,925</b>	<b>\$ 836,659</b>
<b>COMPONENT UNITS</b>				
Board of Education	75,940,637	695,787	85,093,815	-
Talbot County Free Library	2,063,670	-	1,938,924	-
<b>Total Component Units</b>	<b>\$ 78,004,307</b>	<b>\$ 695,787</b>	<b>\$ 87,032,739</b>	<b>\$ -</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

# TALBOT COUNTY, MARYLAND

## Statement of Activities For the Year Ended June 30, 2019

Net (Expense) Revenue and Changes in Net Position					
Primary Government			Component Units		
Governmental Activities	Business-Type Activities	Total	Board of Education	Library	
\$ (13,166,091)	\$ -	\$ (13,166,091)	\$ -	\$ -	
(16,549,394)	-	(16,549,394)	-	-	
(4,480,303)	-	(4,480,303)	-	-	
(2,422,563)	-	(2,422,563)	-	-	
(516,710)	-	(516,710)	-	-	
(52,213,526)	-	(52,213,526)	-	-	
(568,152)	-	(568,152)	-	-	
(235,507)	-	(235,507)	-	-	
(43,393)	-	(43,393)	-	-	
(90,195,639)	-	(90,195,639)	-	-	
-	(1,074,649)	(1,074,649)	-	-	
-	1,667,183	1,667,183	-	-	
-	(2,416,383)	(2,416,383)	-	-	
-	(1,823,849)	(1,823,849)	-	-	
(90,195,639)	(1,823,849)	(92,019,488)	-	-	
-	-	-	9,848,965	-	
-	-	-	-	(124,746)	
-	-	-	9,848,965	(124,746)	
41,646,643	-	41,646,643	-	-	
29,514,546	-	29,514,546	-	-	
22,602	-	22,602	-	-	
6,418,224	-	6,418,224	-	-	
4,146,546	-	4,146,546	-	-	
1,469,084	-	1,469,084	-	-	
51,337	-	51,337	-	-	
901,297	42,322	943,619	100,464	141,479	
883,578	-	883,578	16,978	-	
85,053,857	42,322	85,096,179	117,442	141,479	
(486,000)	486,000	-	-	-	
84,567,857	528,322	85,096,179	117,442	141,479	
(5,627,782)	(1,295,527)	(6,923,309)	9,966,407	16,733	
82,925,232	44,557,004	127,482,236	(49,160,880)	1,768,981	
\$ 77,297,450	\$ 43,261,477	\$ 120,558,927	\$ (39,194,473)	\$ 1,785,714	

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## FUND FINANCIAL STATEMENTS

**TALBOT COUNTY, MARYLAND**

**Balance Sheet – Governmental Funds  
June 30, 2019**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and short -term investments	\$ 21,760,125	\$ 8,949,526	\$ 1,692,991	\$ 32,402,642
Receivables:				
Accounts receivable	581,685	63,354	12,720	657,759
Intergovernmental:				
State	3,359,746	-	462,381	3,822,127
Federal	60,767	-	365,115	425,882
Prepaid items	771,897	-	-	771,897
Due from other funds	12,624,903	-	-	12,624,903
Advances to other funds	157,498	-	-	157,498
<b>TOTAL ASSETS</b>	<b>\$ 39,316,621</b>	<b>\$ 9,012,880</b>	<b>\$ 2,533,207</b>	<b>\$ 50,862,708</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 4,739,813	\$ 6,450,233	\$ 834,326	\$ 12,024,372
Unearned revenue	4,260,255	-	661,322	4,921,577
<b>TOTAL LIABILITIES</b>	<b>9,000,068</b>	<b>6,450,233</b>	<b>1,495,648</b>	<b>16,945,949</b>
<b>FUND BALANCES</b>				
Nonspendable	771,897	-	-	771,897
Restricted for:				
Social Services	-	-	99,877	99,877
Committed for:				
Capital projects	-	2,562,647	502,682	3,065,329
Assigned for:				
Future budget	3,963,460	-	435,000	4,398,460
Unassigned	25,581,196	-	-	25,581,196
<b>TOTAL FUND BALANCES</b>	<b>30,316,553</b>	<b>2,562,647</b>	<b>1,037,559</b>	<b>33,916,759</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 39,316,621</b>	<b>\$ 9,012,880</b>	<b>\$ 2,533,207</b>	<b>\$ 50,862,708</b>

The notes to financial statements are an integral part of this statement.

# TALBOT COUNTY, MARYLAND

## Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2019

Total Governmental Funds Balances		\$	33,916,759
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds			
			80,026,653
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	(21,889,178)		
Net pension liability	(11,636,717)		
Net OPEB liability	(4,648,467)		
Compensated absences	(1,103,209)		
			<u>(39,277,571)</u>
Deferred outflows - Maryland State Pension			2,488,851
Deferred inflows - Maryland State Pension			(1,052,645)
Deferred outflows - OPEB			460,934
Deferred inflows - OPEB			(13,213)
Deferred charge on refunding			747,682
			<u>747,682</u>
Net Position of Governmental Activities		\$	<u>77,297,450</u>

The notes to financial statements are an integral part of this statement.

**TALBOT COUNTY, MARYLAND**

**Statement of Revenues, Expenditures and Changes in Fund Balances -  
Governmental Funds  
For the Year Ended June 30, 2019**

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUE</b>				
Real property taxes	\$ 41,646,643	\$ -	\$ -	\$ 41,646,643
Local income taxes	29,514,546	-	-	29,514,546
Other local taxes	12,107,793	-	-	12,107,793
Licenses and permits	708,393	-	493,881	1,202,274
Intergovernmental:				
Federal	156,719	301,951	1,311,333	1,770,003
State	2,057,584	-	1,280,107	3,337,691
Service charges	2,940,620	-	-	2,940,620
Fines and forfeitures	60,815	-	-	60,815
Miscellaneous	664,677	-	399,369	1,064,046
Interest	868,997	4,313	27,987	901,297
<b>Total Revenue</b>	<b>90,726,787</b>	<b>306,264</b>	<b>3,512,677</b>	<b>94,545,728</b>
<b>EXPENDITURES</b>				
Current:				
General government	8,737,326	37,730	555,643	9,330,699
Public safety	18,470,168	-	22,855	18,493,023
Public works	5,450,667	251,816	1,124,340	6,826,823
Health and hospitals	2,524,694	-	-	2,524,694
Social services	620,217	-	1,287,971	1,908,188
Education	46,570,251	8,125,820	-	54,696,071
Recreation	624,825	-	-	624,825
Conservation of natural resources	267,761	-	-	267,761
Employee benefits	1,010,251	-	-	1,010,251
Miscellaneous	132,842	-	-	132,842
Intergovernmental	1,176,405	-	-	1,176,405
Debt service interest	43,393	-	-	43,393
Debt service principal	889,579	-	-	889,579
Contingencies	34,030	-	-	34,030
<b>Total Expenditures</b>	<b>86,552,409</b>	<b>8,415,366</b>	<b>2,990,809</b>	<b>97,958,584</b>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<b>4,174,378</b>	<b>(8,109,102)</b>	<b>521,868</b>	<b>(3,412,856)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	500,000	5,223,000	-	5,723,000
Transfers out	(4,656,000)	-	(1,553,000)	(6,209,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,156,000)</b>	<b>5,223,000</b>	<b>(1,553,000)</b>	<b>(486,000)</b>
<b>NET CHANGES IN FUND BALANCE</b>	<b>18,378</b>	<b>(2,886,102)</b>	<b>(1,031,132)</b>	<b>(3,898,856)</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b>30,298,175</b>	<b>5,448,749</b>	<b>2,068,691</b>	<b>37,815,615</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 30,316,553</b>	<b>\$ 2,562,647</b>	<b>\$ 1,037,559</b>	<b>\$ 33,916,759</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, 2019**

Net change in fund balances - total Governmental Funds	\$ (3,898,856)
Amounts reported for governmental activities in the statement of net position 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	1,549,501
Current year depreciation	(5,059,553)
Disposals	(11,350)
Total	<u>(3,521,402)</u>
Repayment of debt obligations is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.	
Principal payments and retirements of long-term debt	3,151,738
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 net other post-employment benefits	(324,531)
Change in pension expense	(1,062,610)
Change in compensated absences	<u>(53,012)</u>
Change in net position of Governmental Activities	<u>\$ (5,627,782)</u>

The notes to financial statements are an integral part of this statement.

**TALBOT COUNTY, MARYLAND**

**Statement of Fund Net Position – Business-Type Activities  
June 30, 2019**

	<u>Major Funds</u>			<u>Total</u>
	<u>Recreation Facilities</u>	<u>Sanitary District</u>	<u>Easton Airport</u>	
<b>ASSETS</b>				
Current Assets:				
Cash and short-term investments	\$ 4,155	\$ 1,691,269	\$ 469,314	\$ 2,164,738
Cash and short-term investments - capital projects	5,708,614	-	-	5,708,614
Accounts receivable:				
Accounts receivable, customers	-	128,901	148,229	277,130
Intergovernmental:				
State	-	469,854	411	470,265
Federal	-	105,590	1,333	106,923
Inventories	47,796	-	153,946	201,742
Total current assets	<u>5,760,565</u>	<u>2,395,614</u>	<u>773,233</u>	<u>8,929,412</u>
Noncurrent Assets:				
Land	450,000	2,463,800	42,246	2,956,046
Construction in progress	404,540	20,693	566,239	991,472
Buildings and improvements	16,436,625	54,166,837	49,676,271	120,279,733
Furniture and equipment	2,149,031	4,244,968	1,646,548	8,040,547
Less: accumulate depreciation	<u>(12,956,334)</u>	<u>(23,588,514)</u>	<u>(31,655,475)</u>	<u>(68,200,323)</u>
Total Noncurrent Assets	<u>6,483,862</u>	<u>37,307,784</u>	<u>20,275,829</u>	<u>64,067,475</u>
<b>TOTAL ASSETS</b>	<u>12,244,427</u>	<u>39,703,398</u>	<u>21,049,062</u>	<u>72,996,887</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on refundings	<u>20,537</u>	<u>-</u>	<u>-</u>	<u>20,537</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	180,065	562,720	164,386	907,171
Compensated absences	10,930	15,653	11,371	37,954
Due to other funds	4,282,520	2,529,980	5,812,403	12,624,903
Unearned revenue	32,410	19,000	59,629	111,039
Advances from other funds	-	-	157,498	157,498
Current maturities of long-term debt	<u>207,485</u>	<u>838,100</u>	<u>101,668</u>	<u>1,147,253</u>
Total current liabilities	<u>4,713,410</u>	<u>3,965,453</u>	<u>6,306,955</u>	<u>14,985,818</u>
Noncurrent Liabilities:				
Compensated absences	10,809	40,004	21,908	72,721
Long-term debt, less current maturities	<u>1,283,672</u>	<u>13,020,444</u>	<u>393,292</u>	<u>14,697,408</u>
Total noncurrent liabilities	<u>1,294,481</u>	<u>13,060,448</u>	<u>415,200</u>	<u>14,770,129</u>
<b>TOTAL LIABILITIES</b>	<u>6,007,891</u>	<u>17,025,901</u>	<u>6,722,155</u>	<u>29,755,947</u>
<b>NET POSITION</b>				
Net investment in capital assets	5,013,238	23,449,243	19,780,868	48,243,349
Unrestricted (deficit)	<u>1,243,835</u>	<u>(771,746)</u>	<u>(5,453,961)</u>	<u>(4,981,872)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,257,073</u>	<u>\$ 22,677,497</u>	<u>\$ 14,326,907</u>	<u>\$ 43,261,477</u>

The notes to financial statements are an integral part of this statement.

**TALBOT COUNTY, MARYLAND**

**Statement of Revenue, Expenses and Changes in Fund Net Position –  
Business-type Activities  
For the Year Ended June 30, 2019**

	<u>Major Funds</u>			<u>Total</u>
	<u>Recreation Facilities</u>	<u>Sanitary District</u>	<u>Easton Airport</u>	
<b>OPERATING REVENUE</b>				
Airport - operations	\$ -	\$ -	\$ 510,848	\$ 510,848
Airport - fuel facility	-	-	2,161,283	2,161,283
Airport - hangars	-	-	563,863	563,863
Sewer service charges	-	2,493,499	-	2,493,499
Sewer connection charges	-	366,300	-	366,300
Residential benefit charges	-	20,741	-	20,741
Wind/solar renewable energy	-	11,683	-	11,683
Admissions	266,105	-	-	266,105
Room rents	73,770	-	-	73,770
Ice revenue	298,366	-	-	298,366
Pro shop and concessions	313,531	-	-	313,531
Cart rentals	16,565	-	-	16,565
Green fees	1,008,322	-	-	1,008,322
Other operating	94,222	2,699	-	96,921
<b>TOTAL OPERATING REVENUE</b>	<u>2,070,881</u>	<u>2,894,922</u>	<u>3,235,994</u>	<u>8,201,797</u>
<b>OPERATING EXPENSES</b>				
Salaries and related expenses	1,128,124	1,022,822	390,159	2,541,105
Cost of sales - fuel	-	-	1,965,969	1,965,969
Professional fees	24,593	-	26,033	50,626
Office	99,070	36,135	30,982	166,187
Insurance	14,758	20,751	14,835	50,344
Contracted services	-	1,137,466	-	1,137,466
Repairs and maintenance	163,661	269,099	133,577	566,337
Utilities	205,560	313,918	45,497	564,975
Supplies and equipment	128,302	209,210	2,918	340,430
Lessons and programs	119,699	-	-	119,699
Concessions	156,964	-	-	156,964
Depreciation	822,934	1,606,148	2,569,130	4,998,212
Other operating	173,891	44,830	497,459	716,180
<b>TOTAL OPERATING EXPENSES</b>	<u>3,037,556</u>	<u>4,660,379</u>	<u>5,676,559</u>	<u>13,374,494</u>
<b>OPERATING LOSS</b>	<u>(966,675)</u>	<u>(1,765,457)</u>	<u>(2,440,565)</u>	<u>(5,172,697)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenues	-	3,627,950	52,473	3,680,423
Loss on sale of asset	(67,856)	-	-	(67,856)
Interest income	-	42,322	-	42,322
Interest expense	(40,118)	(195,310)	(28,291)	(263,719)
<b>TOTAL NON -OPERATING REVENUES (EXPENSES)</b>	<u>(107,974)</u>	<u>3,474,962</u>	<u>24,182</u>	<u>3,391,170</u>
<b>Loss Before Transfers</b>	<u>(1,074,649)</u>	<u>1,709,505</u>	<u>(2,416,383)</u>	<u>(1,781,527)</u>
<b>Transfers In</b>	<u>486,000</u>	<u>-</u>	<u>-</u>	<u>486,000</u>
<b>Change in Net Position</b>	<u>(588,649)</u>	<u>1,709,505</u>	<u>(2,416,383)</u>	<u>(1,295,527)</u>
<b>NET POSITION - BEGINNING OF YEAR</b>	<u>6,845,722</u>	<u>20,967,992</u>	<u>16,743,290</u>	<u>44,557,004</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 6,257,073</u>	<u>\$ 22,677,497</u>	<u>\$ 14,326,907</u>	<u>\$ 43,261,477</u>

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, 2019

	Major Funds			Total
	Recreation Facilities	Sanitary District	Easton Airport	
<b>Cash flows from operating activities:</b>				
Cash received from customers	\$ 2,069,548	\$ 3,246,886	\$ 3,142,891	\$ 8,459,325
Cash payments for salaries and related expenses	(1,130,784)	(1,011,178)	(385,084)	(2,527,046)
Cash payments to suppliers	(1,028,431)	(1,137,980)	(2,846,121)	(5,012,532)
Cash payments for contracted services	-	(1,137,466)	-	(1,137,466)
Other receipts	48,929	-	394,081	443,010
Other payments	-	1,003,328	-	1,003,328
Net Cash (used) provided by operating activities	(40,738)	963,590	305,767	1,228,619
<b>Cash flows from noncapital financing activities:</b>				
Transfers from other funds	486,000	-	-	486,000
Intergovernmental revenues	-	3,432,589	92,433	3,525,022
Net cash provided by noncapital financing activities	486,000	3,432,589	92,433	4,011,022
<b>Cash flows from capital and related financing activities:</b>				
Issuance of long-term debt	-	-	-	-
Principal paid on long-term notes and bonds	(315,278)	(862,466)	(144,892)	(1,322,636)
Deferred refunding costs on sale of bonds	2,934	503	796	4,233
Interest paid on long-term notes and bonds	(40,119)	(195,310)	(28,289)	(263,718)
Proceeds from sale of capital assets	66,336	-	-	66,336
Acquisition and construction of capital assets	(161,585)	(3,743,917)	(145,911)	(4,051,413)
Net cash (used) provided by capital and related financing activities	(447,712)	(4,801,190)	(318,296)	(5,567,198)
<b>Cash flows from investing activities:</b>				
Interest income on investments	-	42,322	-	42,322
Repayment of advances from other funds	-	-	(68,491)	(68,491)
Net cash provided (used) by investing activities	-	42,322	(68,491)	(26,169)
Increase (Decrease) in Cash and Cash Equivalents	(2,450)	(362,689)	11,413	(353,726)
Cash and Cash Equivalents at Beginning of Year	5,715,219	2,053,958	457,901	8,227,078
Cash and Cash Equivalents at End of Year	\$ 5,712,769	\$ 1,691,269	\$ 469,314	\$ 7,873,352

The notes to financial statements are an integral part of this statement.

**TALBOT COUNTY, MARYLAND**

**Statement of Cash Flows – Business-Type Activities  
For the Year Ended June 30, 2019**

	Major Funds			Total
	Recreation Facilities	Sanitary District	Easton Airport	
<b>Reconciliation of operating loss to net cash (used)</b>				
<b>Provided by operating activities:</b>				
Operating loss	\$ (966,675)	\$ (1,765,457)	\$ (2,440,565)	\$ (5,172,697)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities				
Depreciation	822,934	1,606,148	2,569,130	4,998,212
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable, customers	-	351,964	(87,719)	264,245
(Increase) decrease in inventories	12,180	-	7,842	20,022
Increase (decrease) in accounts payable	45,887	(244,037)	(136,693)	(334,843)
(Decrease) increase in compensated absences	(2,660)	11,644	5,075	14,059
(Decrease) increase in due to other funds	48,929	1,003,328	394,081	1,446,338
Increase (Decrease) in unearned revenue	(1,333)	-	(5,384)	(6,717)
Net cash (used) provided by operating activities	<u>\$ (40,738)</u>	<u>\$ 963,590</u>	<u>\$ 305,767</u>	<u>\$ 1,228,619</u>

The notes to financial statements are an integral part of this statement.

**TALBOT COUNTY, MARYLAND**

**Statement of Fiduciary Net Position – Fiduciary Fund  
June 30, 2019**

	<b>Other Post-Employment Benefits Trust Fund</b>
<b>ASSETS</b>	
Cash and equivalents	\$ 1,113,693
Investments	11,324,809
<b>TOTAL ASSETS</b>	<u>12,438,502</u>
<b>LIABILITIES</b>	
Accrued expenses	<u>13,983</u>
<b>NET POSITION</b>	
Net Position Restricted for OPEB	<u>\$ 12,424,519</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, 2019**

	<u>Other Post - Employment Benefits Trust Fund</u>
<b>ADDITIONS:</b>	
Investment earnings	
Interest	\$ 474,312
Net appreciation in the fair value of investments	250,443
Less: investment expenses	6,850
Net investment income	<u>717,905</u>
<b>Total additions</b>	<u>717,905</u>
<b>DEDUCTIONS:</b>	
Administrative expenses	<u>53,845</u>
<b>Total deductions</b>	<u>53,845</u>
<b>Change in net position</b>	664,060
<b>Net position restricted for OPEB - beginning of year</b>	<u>11,760,459</u>
<b>Net position restricted for OPEB - end of year</b>	<u>\$ 12,424,519</u>

The notes to financial statements are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 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 significant policies.

### 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 Association, Inc. 12 Magnolia Street Easton, MD 21601	Talbot County Free Library 100 W. Dover Street Easton, MD 21601
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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 of the 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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 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 and Fund 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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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:

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 funds.

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 Facilities Fund: The Recreation Facilities 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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Fund Accounting (continued)

##### 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.

##### 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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### F. Budgetary Process

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

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.

A minimum of two public hearings are conducted to obtain taxpayer comments.

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.

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.

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.

Budgets are prepared and adopted on a basis consistent with generally accepted accounting principles.

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.

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

June 30, 2019

### 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

Inventories, consisting of expendable items held for consumption, are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and vehicle repair parts. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased. 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

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### K. Compensated Absences

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

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

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

#### L. Accrued Liabilities and Long-Term Obligations

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

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

#### M. Net 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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### M. Net Position (continued)

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 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 pension and OPEB 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 pension and OPEB 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.

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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### O. Fund Balance Reserves (continued)

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

Unassigned – Amounts 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 June 30, 2019

### 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, 2019, the County Primary Government had deposits of \$20,650,551 with local banks (carrying value \$19,762,474). 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, 2019, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$13,520 as of June 30, 2019.

##### Board of Education

At June 30, 2019, the reported amount of the Board's bank deposits (carrying value) was \$7,119,971 and the bank balance was \$10,455,455. These balances include \$880,987 of trust and agency cash and MLGIP of \$4,405,583. 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 \$120,162 in funds held by the Retiree Health Plan (OPEB) trust fund.

##### Library

At June 30, 2019, the Library had deposits totaling \$177,476 (carrying value \$134,487), which were fully insured by federal depository insurance issued by the Federal Depository Insurance Corporation (FDIC).

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 3. DEPOSITS AND INVESTMENTS (continued)

#### 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 of Maryland 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, 2019, the County had investments in MLGIP of \$20,500,000, which are recorded at cost, which approximates fair value.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The County's exposure to credit risk on deposits is minimal, as all deposits are in the form of cash fully insured by the FDIC or collateralized by securities pledged in the County's name. The County minimizes its exposure to credit risk on investments by limiting its investments to U.S. Treasury obligations and MLGIP.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the County manages its investment time horizons by averaging investment maturities and chooses to disclose its exposure to interest rate changes using the weighted average maturity method. Generally, the County limits its weighted average maturity of its investment portfolio to less than 12 months.

At June 30, 2019, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (months)</u>
MLGIP	\$ 20,500,000	<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 twelve 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, St. Mary's County Metropolitan Commission, Harford Community College, Harford County Public Library and LaVale Sanitary Commission.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 3. DEPOSITS AND INVESTMENTS (continued)

#### B. Investments (continued)

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, 2019, the weighted average maturity (WAM) for the Trust's money market mutual fund was 30 days. At June 30, 2019, 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.

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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 3. DEPOSITS AND INVESTMENTS (continued)

#### B. Investments (continued)

Equity securities classified in Level 1 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, 2019, of which Talbot County's portion was 28% of the total:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level:				
Debt Securities				
U.S. Treasury Obligations	\$ -	\$ 2,704,422	\$ -	\$ 2,704,422
U.S. Governmental Agencies	-	2,517,733	-	2,517,733
Corporate & Foreign Bonds	-	5,566,111	-	5,566,111
Municipal Obligations	-	536,004	-	536,004
Equity and Mutual Fund Investments				
Taxable Fixed Income Securities	-	2,301,657	-	2,301,657
Mutual Funds	17,110,521	-	-	17,110,521
Global Funds	2,568,839	-	-	2,568,839
International Funds	7,782,289	-	-	7,782,289
Total	<u>\$ 27,461,649</u>	<u>\$ 13,625,927</u>	<u>\$ -</u>	<u>\$ 41,087,576</u>

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 the Barclays Capital Aggregate Bond Index. The Trusts' weighted average years to maturity as of June 30, 2019 was 11.9 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, 2019:

	<u>Investment Maturities (in Years)</u>				<u>Total</u>
	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>	
Investments with maturities					
U.S. Treasury Obligations	\$ -	\$ 1,736,664	\$ 161,856	\$ 805,902	\$ 2,704,422
U.S. Governmental Agencies	-	171,190	348,725	1,997,818	2,517,733
Corporate & Foreign Bonds	-	2,223,470	1,966,986	1,375,655	5,566,111
Municipal Obligations	-	392,053	143,951	-	536,004
Total	<u>\$ -</u>	<u>\$ 4,523,377</u>	<u>\$ 2,621,518</u>	<u>\$ 4,179,375</u>	<u>\$ 11,324,270</u>

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 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, 2019 the ratings of the underlying investments of the Trust's investments were as follows:

Type	Rating					Not Rated	Total
	Aaa	Aa1/Aa2/Aa3	A1/A2/A3	Baa1/Baa2/Baa3	Ba1		
U.S. Treasury Obligations	\$ 2,704,422	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,704,422
U.S. Governmental Agencies	56,197	-	-	-	-	2,461,536	2,517,733
Corporate & Foreign Bonds	310,291	900,831	1,934,214	1,970,273	-	450,502	5,566,111
Municipal Obligations	102,599	342,194	-	-	-	91,211	536,004
Total	\$ 3,173,509	\$ 1,243,025	\$ 1,934,214	\$ 1,970,273	\$ -	\$ 3,003,249	\$ 11,324,270

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, 2019, which are uninsured and unregistered:

	<b>Fair Value</b>
	<b>June 30, 2019</b>
U.S. Treasury Obligations	\$ 2,704,422
U.S. Governmental Agencies	2,517,733
Corporate & Foreign Bonds	5,566,111
Municipal Obligations	536,004
Taxable Fixed Income Securities	2,301,657
Mutual Funds	17,110,521
Global Funds	2,568,839
International	7,782,289
Total	<u>\$ 41,087,576</u>

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 3. DEPOSITS AND INVESTMENTS (continued)

#### B. Investments (continued)

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

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

The Trust held the following investments as of June 30, 2019 that exceeded 5% of the total investment balances as of June 30, 2019:

<u>Name</u>	<u>Amount</u>
DFA US Small-Cap Value Fund	\$ 3,135,723
Lazard International Strategic Equity Funds	3,913,139
Transamerica TS&W International Equity Funds	3,865,569
Vanguard 500 Index Fund	7,868,636
Vanguard Mid-Cap Index Fund - Admiral Shares	3,191,016
New World Fund	2,568,839
BlackRock High Yield Bond	2,301,657
Cohen & Syeers Realty	2,915,146

*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, 2019 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.

#### Board of Education

The Board is also authorized to invest in the 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, 2019, the Board had investments in MLGIP of \$4,405,583.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 3. DEPOSITS AND INVESTMENTS (continued)

#### Investments (continued)

##### 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.

As of June 30, 2019, the Foundation's investments consisted of the following:

Investment Type	Fair Value	% of Total	Investment Maturities (in Years)			
			Less than 1	1-5	6-10	Total
Cash and bank sweep	\$ 187,087	7%	\$ 187,087	\$ -	\$ -	\$ 187,087
Money Market funds (non-sweep)	251,604	10%	\$ 251,604	-	-	251,604
Fixed income:						
U.S. Treasury	288,289	11%	288,289	-	-	288,289
Corporate bonds	135,415	5%	-	68,479	66,936	135,415
CD's & BA's	140,586	6%	140,586	-	-	140,586
Equities:						
Mutual funds	804,458	32%	804,458	-	-	804,458
Exchange traded funds	666,407	26%	666,407	-	-	666,407
Other Assets	60,352	2%	60,352	-	-	60,352
<b>Total</b>	<b>\$ 2,534,198</b>	<b>100%</b>	<b>\$ 2,398,783</b>	<b>\$ 68,479</b>	<b>\$ 66,936</b>	<b>\$ 2,534,198</b>

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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 3. DEPOSITS AND INVESTMENTS (continued)

#### Investments (continued)

#### Library (continued)

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.

Cash and bank sweep, money market funds, fixed income, and equities are classified as Level 1 of the fair value hierarchy.

### 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, 2019, appropriate due from/to other funds have been established.

Interfund transactions are classified as follows:

- 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.
- 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 2019, to support operations, the general fund transferred \$4,205,000 and \$451,000 to the capital projects fund and recreation fund, respectively. In addition, to support operations, the developmental impact fund transferred \$500,000, \$1,018,000 and \$35,000 to the general fund, capital projects fund and recreation fund, respectively.

Due from/to other funds balances as of June 30, 2019 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	Transfers	\$ 12,624,903	\$ -
Enterprise Fund - Recreation Facilities	Transfers	-	4,282,520
Enterprise Fund - Sanitary District	Transfers	-	2,529,980
Enterprise Fund - Airport	Transfers	-	5,812,403
		<u>\$ 12,624,903</u>	<u>\$ 12,624,903</u>

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

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**4. INTERFUND RECEIVABLES AND PAYABLES (continued)**

Advances to/from other funds balances as of June 30, 2019 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	Construction projects	\$ 157,498	\$ -
Enterprise Fund - Airport	Construction projects	-	157,498
		<u>\$ 157,498</u>	<u>\$ 157,498</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, 2019 was \$157,498.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 5. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2019 is as follows:

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Transfers and Reductions</b>	<b>Balance June 30, 2019</b>
<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	887,560	-	(887,560)	-
<b>Total Nondepreciable Capital Assets</b>	<b>36,073,358</b>	<b>-</b>	<b>(887,560)</b>	<b>35,185,798</b>
Depreciable Capital Assets:				
Buildings and improvements	54,592,583	66,443	-	54,659,026
Infrastructure	18,812,975	-	-	18,812,975
Furniture and equipment	28,088,366	2,370,618	(837,489)	29,621,495
<b>Total capital assets being depreciated</b>	<b>101,493,924</b>	<b>2,437,061</b>	<b>(837,489)</b>	<b>103,093,496</b>
Less accumulated depreciation for:				
Buildings and improvements	22,777,468	2,709,135	-	25,486,603
Infrastructure	9,045,211	666,518	-	9,711,729
Furniture and equipment	22,196,548	1,683,900	(826,139)	23,054,309
<b>Total accumulated depreciation</b>	<b>54,019,227</b>	<b>5,059,553</b>	<b>(826,139)</b>	<b>58,252,641</b>
<b>Total depreciable Capital Assets, Net</b>	<b>47,474,697</b>	<b>(2,622,492)</b>	<b>(11,350)</b>	<b>44,840,855</b>
<b>Total Governmental Activities, Net</b>	<b>\$ 83,548,055</b>	<b>\$ (2,622,492)</b>	<b>\$ (898,910)</b>	<b>\$ 80,026,653</b>
	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Transfers and Reductions</b>	<b>Balance June 30, 2019</b>
<b>Business-Type Activities</b>				
Nondepreciable Capital Assets:				
Land	\$ 2,956,046	\$ -	\$ -	\$ 2,956,046
Construction in progress	6,905,404	78,057	(5,991,989)	991,472
<b>Total Nondepreciable Capital Assets</b>	<b>9,861,450</b>	<b>78,057</b>	<b>(5,991,989)</b>	<b>3,947,518</b>
Depreciable Capital Assets:				
Buildings and improvements	110,423,283	3,864,458	5,991,992	120,279,733
Furniture and equipment	8,205,843	109,698	(274,994)	8,040,547
<b>Total capital assets being depreciated</b>	<b>118,629,126</b>	<b>3,974,156</b>	<b>5,716,998</b>	<b>128,320,280</b>
Less accumulated depreciation for:				
Buildings and improvements	58,791,668	4,426,519	132,400	63,350,587
Furniture and equipment	4,551,243	439,293	(140,800)	4,849,736
<b>Total accumulated depreciation</b>	<b>63,342,911</b>	<b>4,865,812</b>	<b>(8,400)</b>	<b>68,200,323</b>
<b>Total depreciable Capital Assets, Net</b>	<b>55,286,215</b>	<b>(891,656)</b>	<b>5,725,398</b>	<b>60,119,957</b>
<b>Total Business-Type Activities, Net</b>	<b>\$ 65,147,665</b>	<b>\$ (813,599)</b>	<b>\$ (266,591)</b>	<b>\$ 64,067,475</b>

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**5. CAPITAL ASSETS (continued)**

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 1,031,473
Public Safety	2,383,675
Public Works	1,467,208
Recreation	177,197
Total Depreciation Expense - Governmental Activities	<u>\$ 5,059,553</u>

A summary of changes in capital assets for the component units at June 30, 2019 is as follows:

<u>Component Units</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Transfers and Reductions</u>	<u>Balance June 30, 2019</u>
<b>Board of Education</b>				
Nondepreciable Capital Assets:				
Land	\$ 624,446	\$ -	\$ -	\$ 624,446
Buses Not in Service	-	381,594	-	381,594
Construction in progress	1,650,515	16,507,679	-	18,158,194
Total Nondepreciable Capital Assets	<u>2,274,961</u>	<u>16,889,273</u>	<u>-</u>	<u>19,164,234</u>
Depreciable Capital Assets:				
Buildings and improvements	95,382,804	6,327	-	95,389,131
Furniture and equipment	26,584,278	1,241,382	(623,931)	27,201,729
Total capital assets being depreciated	<u>121,967,082</u>	<u>1,247,709</u>	<u>(623,931)</u>	<u>122,590,860</u>
Less accumulated depreciation for:				
Buildings and improvements	45,515,464	2,120,595	-	47,636,059
Furniture and equipment	22,524,665	1,331,663	(623,350)	23,232,978
Total accumulated depreciation	<u>68,040,129</u>	<u>3,452,258</u>	<u>(623,350)</u>	<u>70,869,037</u>
Total depreciable Capital Assets, Net	<u>\$ 53,926,953</u>	<u>\$ (2,204,549)</u>	<u>\$ (581)</u>	<u>\$ 51,721,823</u>
<u>Library</u>	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Transfers and Reductions</u>	<u>Balance June 30, 2019</u>
Nondepreciable Capital Assets:				
Construction in progress	\$ 10,649	\$ 8,265	\$ -	\$ 18,914
Total Nondepreciable Capital Assets	<u>10,649</u>	<u>8,265</u>	<u>-</u>	<u>18,914</u>
Depreciable Capital Assets:				
Buildings and improvements	465,898	-	-	465,898
Furniture and equipment	1,354,976	98,542	(52,476)	1,401,042
Total capital assets being depreciated	<u>1,820,874</u>	<u>98,542</u>	<u>(52,476)</u>	<u>1,866,940</u>
Less accumulated depreciation for:				
	1,296,955	163,098	(52,476)	1,407,577
Total depreciable Capital Assets, Net	<u>\$ 523,919</u>	<u>\$ (64,556)</u>	<u>\$ -</u>	<u>\$ 459,363</u>

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 6. LONG-TERM DEBT

The following is a summary of long-term debt at June 30, 2019:

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2019</u>	<u>Amount Due in One Year</u>
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
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.	\$ 72,800	\$ -	\$ 9,100	\$ 63,700	\$ 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%.	61,015	-	11,051	49,964	11,581
Chesapeake College Bond of 2000; original issue \$620,000, a contractual liability payable to Queen Anne's County, the registered owner, payable in annual principal installments from \$20,000 to \$50,000; interest payable annually at rates from 5.10% to 5.75%.	90,461	-	42,850	47,611	47,611
Public Improvement and Refunding Bonds of 2010; original issue \$12,157,711, 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%.	3,040,706	-	727,125	2,313,581	744,755
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.	47,239	-	47,239	-	-
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.	68,952	-	8,619	60,333	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.	1,506,887	-	69,174	1,437,713	71,925
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.	4,398,005	-	823,880	3,574,125	850,844

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 6. LONG-TERM DEBT (continued)

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2019</u>	<u>Amount Due in One Year</u>
<b>Primary Government (continued)</b>					
<b>Governmental Activities (continued):</b>					
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%.	\$ 14,726,400	\$ -	\$ 1,412,700	\$ 13,313,700	\$ 1,485,000
	24,012,465	-	3,151,738	20,860,727	3,229,435
Unamortized bond premium	1,203,890	-	175,439	1,028,451	-
Compensated absences	1,050,197	889,022	836,010	1,103,209	387,686
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<u>\$ 26,266,552</u>	<u>\$ 889,022</u>	<u>\$ 4,163,187</u>	<u>\$ 22,992,387</u>	<u>\$ 3,617,121</u>
	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018	Amount Due in One Year
<b>Business-type Activities:</b>					
<b>Recreation Facilities</b>					
Golf Course Equipment lease of 2019; original issue \$5,387 payable in monthly payments of \$128, which include principal and interest at a rate of 6.05% payable through May 30, 2023.	\$ -	\$ 5,369	\$ -	5,369	\$ -
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%.	275,538	-	65,890	209,648	67,485
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.	61,416	-	61,416	-	-
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%.	1,196,300	-	145,000	1,051,300	140,000
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.	180,883	-	36,804	144,079	-
Unamortized bond premium	92,299	-	11,537	80,762	-
<b>Total Recreation Facilities</b>	<u>\$ 1,806,436</u>	<u>\$ 5,369</u>	<u>\$ 320,647</u>	<u>\$ 1,491,158</u>	<u>\$ 207,485</u>

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 6. LONG-TERM DEBT (continued)

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2019</u>	<u>Amount Due in One Year</u>
<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%.	\$ 4,459,222	\$ -	\$ 513,580	\$ 3,945,642	\$ 515,634
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%.	172,962	-	28,417	144,545	29,908
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%.	104,571	-	6,735	97,836	7,043
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.	30,000	-	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 1.375%.	2,469,719	-	71,368	2,398,351	72,265
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%.	5,718,766	-	165,597	5,553,169	167,678
Bio-Solids Facility Consolidated Public Improvement Bonds of 2018; original issue \$1,786,000, payable quarterly in payments of \$80,598 through November 16, 2047, including interest at 1.375% to 2.215%.	1,763,787	-	44,786	1,719,001	45,572
Unamortized bond premium	1,983	-	1,983	-	-
Total Sanitary District	<u>\$ 14,721,010</u>	<u>\$ -</u>	<u>\$ 862,466</u>	<u>\$ 13,858,544</u>	<u>\$ 838,100</u>

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 6. LONG-TERM DEBT (continued)

	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2019</u>	<u>Amount Due in One Year</u>
<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%.	\$ 165,001	\$ -	\$ 40,000	\$ 125,001	\$ 40,000
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%.	133,756	-	31,985	101,771	32,760
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 of 5.3% per annum.	52,385	-	22,066	30,319	23,264
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.	243,280	-	5,410	237,870	5,644
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.	42,300	-	42,300	-	-
Unamortized bond premium	3,131	-	3,131	-	-
Total Easton Airport	<u>639,853</u>	<u>-</u>	<u>144,892</u>	<u>494,961</u>	<u>101,668</u>
Compensated absences	100,520	85,942	75,787	110,675	37,954
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 17,267,819</u>	<u>\$ 91,311</u>	<u>\$ 1,403,792</u>	<u>\$ 15,955,338</u>	<u>\$ 1,185,207</u>

The bonds outstanding at June 30, 2019 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

June 30, 2019

### 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	\$	257,295
Less: accumulated depreciation		(158,352)
Total	\$	<u>98,943</u>

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

#### **Business-Type Activities**

##### Year Ending June 30

2020	\$	44,194
2021		107,802
2022		1,536
2023		1,408
Less: amounts representing interest		(5,493)
Present value of future minimum lease payments	\$	<u>149,447</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 June 30, 2019

### 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, 2019 is \$152,349.

<u>Component Units</u>	<u>Balance at June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2019</u>
<u>Board of Education</u>				
Note payable to Signature Bank; principal and interest payments of \$2,207 are payable monthly through August 26, 2021; interest is payable at 2.09% per annum; collateralized by a school bus.	\$ 81,081	\$ -	\$ 25,028	\$ 56,053
Note payable to SunTrust Equipment Finance & Leasing Corp; principal and interest payments of \$8,638 are payable monthly through September 1, 2018; interest is payable at 1.597% per annum; collateralized by school buses.	17,242	-	17,242	-
Note payable to Branch Banking & Trust Co. (BB&T); principal and interest payments of \$2,042 are payable monthly through June 11, 2020; interest is payable at 1.98% per annum; collateralized by school buses.	53,882	-	23,652	30,230
Note payable to American Capital Financial Services, Inc.: principal and interest payments of \$51,594 are payable annually through September 1, 2021; interest is payable at 3.18% per annum; collateralized by servers.	190,949	-	45,518	145,431
Note payable to City National Capital Finance; principal and interest payments of \$104,353 are payable annually through September 1, 2021; interest is payable at 1.8% per annum; collateralized by school buses.	597,905	-	294,329	303,576
Note payable to City National Capital Finance; principal and interest payments of \$12,838 are payable annually through September 1, 2021; interest is payable at 1.9% per annum; collateralized by school buses.	37,162	-	12,199	24,963
Note payable to City National Capital Finance; principal and interest payments of \$110,108 are payable annually through July 31, 2022; interest is payable at 2.98% per annum; collateralized by school buses	-	409,480	-	409,480
Note payable to City National Capital Finance; principal and interest payments of \$80,073 are payable annually through April 26, 2023; interest is payable at 2.46% per annum; collateralized by school buses	-	301,521	-	301,521
<b>TOTAL BOARD OF EDUCATION</b>	<b>\$ 978,221</b>	<b>\$ 711,001</b>	<b>\$ 417,968</b>	<b>\$ 1,271,254</b>

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

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

**Other Obligations (continued)**

A summary of debt service requirements to maturity (excluding compensated absences and capital lease payments) by years is approximately as follows:

<u>Primary Government</u>	<u>Bonds</u>			<u>Notes from Direct Borrowing and Direct Placement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Governmental Activities</b>						
Fiscal year Ending June 30,						
2020	\$ 2,360,872	\$ 516,687	\$ 2,877,558	\$ 868,563	\$ 116,971	\$ 985,534
2021	2,396,743	429,447	2,826,190	896,409	89,126	985,534
2022	2,463,227	371,891	2,835,118	925,166	60,368	985,534
2023	1,704,400	311,864	2,016,264	954,864	30,670	985,534
2024	1,749,109	256,797	2,005,906	17,719	-	17,719
2025-2029	5,903,718	460,598	6,364,317	44,538	-	44,538
2030-2034	575,400	70,856	646,256	-	-	-
Total Governmental Activities	<u>\$ 17,153,470</u>	<u>\$ 2,418,139</u>	<u>\$ 19,571,609</u>	<u>\$ 3,707,258</u>	<u>\$ 297,136</u>	<u>\$ 4,004,393</u>
<b>Enterprise Fund - Recreation Facilities (excluding capital leases)</b>						
Fiscal year Ending June 30,						
2020	\$ 207,485	\$ 33,387	\$ 240,872	\$ -	\$ -	\$ -
2021	221,185	25,262	246,447	-	-	-
2022	227,278	19,866	247,144	-	-	-
2023	155,000	14,300	169,300	-	-	-
2024	160,000	11,375	171,375	-	-	-
2025-2028	290,000	9,425	299,425	-	-	-
Total Recreation Facilities	<u>\$ 1,260,948</u>	<u>\$ 113,615</u>	<u>\$ 1,374,563</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Enterprise Fund - Sanitary District</b>						
Fiscal year Ending June 30,						
2020	\$ -	\$ -	\$ -	\$ 838,101	\$ 169,913	\$ 1,008,014
2021	-	-	-	846,649	160,402	1,007,051
2022	-	-	-	854,987	152,461	1,007,448
2023	-	-	-	861,759	146,652	1,008,411
2024	-	-	-	860,030	147,129	1,007,159
2025-2029	-	-	-	2,968,498	572,436	3,540,934
2030- 2034	-	-	-	1,705,889	432,593	2,138,482
2035-2039	-	-	-	1,834,576	302,184	2,136,760
2040 - 2044	-	-	-	1,974,833	161,927	2,136,760
2045- 2048	-	-	-	1,113,223	25,796	1,139,019
Total Sanitary District	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,858,545</u>	<u>\$ 2,271,493</u>	<u>\$ 16,130,038</u>

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**6. LONG-TERM DEBT (continued)**

**Other Obligations (continued)**

<u>Primary Government (continued)</u>	<u>Bonds</u>			<u>Notes from Direct Borrowing and Direct Placement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>Enterprise Fund - Easton Airport</b>						
Fiscal year Ending June 30,						
2020	\$ 72,760	\$ 10,416	\$ 83,176	\$ 28,908	\$ 11,101	\$ 40,009
2021	73,924	6,866	80,790	13,645	9,845	23,490
2022	80,087	3,608	83,695	6,143	9,502	15,645
2023	-	-	-	6,411	9,235	15,646
2024	-	-	-	6,685	8,958	15,643
2025-2029	-	-	-	37,319	40,182	77,501
2030- 2034	-	-	-	47,033	31,191	78,224
2035-2039	-	-	-	58,151	20,077	78,228
2040 - 2044	-	-	-	63,894	6,408	70,302
Total Easton Airport	<u>\$ 226,771</u>	<u>\$ 20,889</u>	<u>\$ 247,661</u>	<u>\$ 268,189</u>	<u>\$ 146,499</u>	<u>\$ 414,688</u>
<b>Component Units</b>						
<b>Board of Education</b>						
Fiscal year Ending June 30,						
2020	\$ 380,072	\$ 29,882	\$ 409,954			
2021	369,138	22,437	391,575			
2022	336,972	13,569	350,541			
2023	185,072	5,109	190,181			
Total Board of Education	<u>\$ 1,271,254</u>	<u>\$ 70,997</u>	<u>\$ 1,342,251</u>			
<b>Obligations Under State Retirement System</b>						
<b>Component Unit - Board of Education</b>						
State Retirement and Pension System of Maryland						
Payable annually through December 2035.	<u>\$ 595,399</u>					

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 6. LONG-TERM DEBT (continued)

#### Other Obligations (continued)

The remaining deficit reduction payment schedule authorized by House Bill 430 is as follows:

<u>Fiscal Year Ending June 30,</u>	
2020	\$ 43,334
2021	45,501
2022	47,776
2023	50,165
2024	52,673
2025-2029	305,602
2030-2034	390,036
2035-2036	184,681
Total principal and interest	1,119,768
Less amounts representing interest	(524,369)
Liability as of June 30, 2019	<u>\$ 595,399</u>

The Board of Education obligation to the State Retirement System was \$595,399 at June 30, 2019. There was an increase of \$46,999 and payments of \$41,270 during fiscal year 2019. The increase is related to an actuarial valuation that produced updated principal balances and was communicated to the Board of Education on December 18, 2018.

### 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).

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**7. PENSION PLANS (continued)**

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).

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 System) 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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 7. PENSION PLANS (continued)

#### **Teachers' and Employees' Retirement Systems and the Teachers' and Employees' Pension Systems (continued)**

##### *General Plan Policies: (continued)*

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:

#### **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 (COLA) 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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 7. PENSION PLANS (continued)

#### Teachers' and Employees' Retirement Systems (continued)

##### *Vested Allowance: (continued)*

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.

##### *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.

##### *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%.

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**7. PENSION PLANS (continued)**

**Teachers' and Employees' Retirement Systems (continued)**

*Employer Contributions:*

For the year ended June 30, 2019 total payroll, covered payroll and State on-behalf payments were as follows:

	<b>Total Payroll</b>	<b>Covered Payroll</b>	<b>On-Behalf By State</b>
Talbot County	\$ 16,972,652	\$ 13,771,675	\$ -
Board of Education	36,235,275	34,999,960	3,224,685
Library	1,076,932	1,004,674	161,220

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 2019, the County reported expense of \$1,190,162 and the Board of Education reported expense of \$1,765,166 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 2019 payment was \$41,270. The payments reflect a pattern which increases by 5% per year for the next 17 years. (See also Note 6.)

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 7. PENSION PLANS (continued)

#### Board of Education – Special Funding (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, 2019, 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:

Board's proportionate share of the net pension liability (Employees' Systems)	\$ 4,172,107
State's proportionate share of the net pension liability associated with the Board (Teachers' System)	38,398,768
Total	<u>\$ 42,570,875</u>

The net pension liability was measured as of June 30, 2018, 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, 2019, the Board's proportion was approximately .0198846%.

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**7. PENSION PLANS (continued)**

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

At June 30, 2019, the County reported the following related to pensions:

	<u>Board</u>	<u>Total County</u>
Employer's proportion of the net pension liability	0.0198846%	0.0554615%
Employer's proportionate share of the net pension liability	\$ 4,172,107	\$ 11,636,717
Deferred inflows of resources:		
Net difference between projected and actual investment earnings on pension plan investments	\$ (162,242)	\$ (604,240)
Differences between expected and actual results	(337,153)	(448,405)
Total deferred inflows of resources	<u>\$ (499,395)</u>	<u>\$ (1,052,645)</u>
Deferred outflows of resources:		
Change in assumptions	\$ 138,267	\$ 360,561
Net difference between projected and actual investment earnings on pension plan investments	369,557	938,128
Contributions subsequent to the measurement date	424,706	1,190,162
Total deferred outflows of resources	<u>\$ 932,530</u>	<u>\$ 2,488,851</u>

<u>Fiscal Year Ending June 30,</u>	<u>Board</u>	<u>Total County</u>
2020	\$ 154,373	\$ 472,471
2021	39,083	149,939
2022	(115,167)	(270,069)
2023	(56,894)	(98,991)
2024	(12,966)	(47,307)

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements**

**June 30, 2019**

**7. PENSION PLANS (continued)**

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

Actuarial Assumptions

The total pension liability in the June 30, 2019 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	2.6% general, 3.1% wage
Salary increases	3.1% to 9.1%, including inflation
Discount rate	7.45%
Investment rate of return	7.45%
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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	5.80%
Private Equity	13%	6.70%
Rate Sensitive	19%	1.10%
Credit Opportunity	9%	3.60%
Real Assets	14%	4.80%
Absolute Return	8%	3.20%
Total	<u>100%</u>	

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 7. PENSION PLANS (continued)

#### **Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions (continued)**

##### *Discount rate:*

A single discount rate of 7.45% 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 7.45%. 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.

#### **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 7.45%, 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:

<u>System</u>	<u>1% Decrease to 6.45%</u>	<u>Current Discount</u>	<u>1% Increase to 8.45%</u>
County	\$ 16,760,866	\$ 11,636,717	\$ 7,384,042
Board	6,009,266	4,172,107	2,647,397

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 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.

Membership in the plan consisted of 236 active employees, no inactive employees entitled to but not yet receiving benefits, and 66 inactive employees currently receiving benefits.

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, 2017, the date of the actuarial valuation, 4 retirees were receiving benefits under the plan, and an estimated 17 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

June 30, 2019

### 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 2019, the County paid for coverage of 66 eligible retirees and 47 dependents of retirees at a total cost to the County of \$1,005,859 and eligible retirees contributed \$143,161. 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 2019, the Library contributed \$16,387 to the plan for 4 eligible retirees.

#### Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30, 2019, were as follows:

Total OPEB liability	\$ 17,072,986
Plan fiduciary net position	<u>12,424,519</u>
County's net OPEB liability	<u>\$ 4,648,467</u>

Plan fiduciary net position as a percentage of the total OPEB liability	72.77%
--	--------

#### Annual OPEB Costs

During fiscal year ending June 30, 2019, contributions were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation as of July 1, 2017. The County recognized OPEB expense of \$1,716,443 for the year ended June 30, 2019.

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Actuarial Assumptions**

Inflation Rate	3.00%
Salary Increases	4.0% Annually
Investment Rate of Return	7.00%
Discount Rate	7.00%
Healthcare Cost Trend Rate	Initial trend rate 6%; ultimate trend rate 4.5%
Actuarial Cost Method	Entry Age Normal

**Long-Term Expected Rate of Return**

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income Investments	35%	5.5%
Equities	65%	7.8%
	100%	

**Rate of Return**

For the year ended June 30, 2019, the annual money-weighted rate of return on OPEB plan investments, net of expense was 7.7%.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following table presents the County's net OPEB liability if calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher.

	1% Decrease 6%	Current Discount Rate 7%	1% Increase 8%
County's net OPEB liability	\$ 7,059,326	\$ 4,648,467	\$ 2,660,279

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The following table presents the County's net OPEB liability if calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher.

	<u>1% Decrease</u>	<u>5%</u>	<u>Trend Rate</u>	<u>6%</u>	<u>1% Increase</u>	<u>7%</u>
County's net OPEB liability	\$	2,348,043	\$	4,648,467	\$	7,524,984

**Changes in the Net OPEB Liability**

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of June 30, 2018	\$ 15,824,735	\$ 11,760,459	\$ 4,064,276
Changes for the year			-
Service cost	558,116	-	558,116
Interest	1,086,220	-	1,086,220
Difference Between Expected & Actual	-	(99,628)	99,628
Net investment income	-	724,523	(724,523)
Benefit payments	(614,622)	-	(614,622)
Administrative expenses	-	(59,989)	59,989
Other changes	218,537	99,154	119,383
Net changes	<u>1,248,251</u>	<u>664,060</u>	<u>584,191</u>
Balance as of June 30, 2019	<u>\$ 17,072,986</u>	<u>\$ 12,424,519</u>	<u>\$ 4,648,467</u>

**Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in assumptions	\$ 381,232	\$ -
Difference between projected and actual earnings	79,702	13,213
	<u>\$ 460,934</u>	<u>\$ 13,213</u>

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

#### Deferred Outflow of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

<u>Year Ending</u>	<u>Total</u>
2020	\$ 72,107
2021	72,107
2022	72,107
2023	76,511
2024	56,585
Thereafter	98,307

#### Component Units – Board of Education

##### General Information about the OPEB Plan

**Plan description** – The Talbot County Public Schools Retiree Health Plan (TCPSRHP) is a single-employer defined benefit healthcare plan that is administered by the Talbot County Public Schools (Board) and covers retired employees of the Board and their dependents. This plan does not include the pension benefits discussed in Note 7. The Plan does not issue a separate, publicly available report.

**Benefits provided** – The Plan provides for the payment of a portion of all of the health insurance premiums for eligible retired employees depending on their position with Talbot County Public Schools and length of service. The Board has the authority to establish and amend benefit provisions of the Plan.

Plan members receiving benefits contribute a percentage of the monthly insurance premium. The Talbot County Public Schools 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.

**Employees covered by benefit terms** – At July 1, 2019, the following employees were covered by the benefit terms:

Active plan members	531
Inactive employees or beneficiaries currently receiving benefit payments	<u>263</u>
Total	<u>794</u>

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)

#### Component Units – Board of Education (continued)

**Contributions** – Premiums and other contributions for the Boards share of the net cost of the 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.

#### Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

**Actuarial assumptions** – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2%
Salary Increases	3.15% to 8.65%, depending on years of service
Investment Rate of Return	3.62%
Healthcare Cost Trend Rates	5.8% initially, reduced by decrements to an ultimate rate of 3.8%

Mortality rates were based on the RP 2014 Employee White Collar Mortality Table, Fully Generational, Projected using Scale MP-2014 for pre-retirement healthy participants, RP 2014 Healthy Annuitant White Collar Mortality Table, Fully Generational, (Projected from 2012 for Males and 2016 for Females in year 2014) for post-retirement healthy participants, and RP 2014 Disabled Annuitant Mortality Tables Not Generational Set forward 1 year for Males for disabled participants.

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Component Units – Board of Education (continued)**

The long-term expected rate of return on OPEB plan investments was determined using a combination of building-block methodology and third party consultants to develop the best possible estimate ranges of expected future real rates of return. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Expected returns, net of OPEB plan investment expense and inflation are arithmetically developed for each major asset class corresponding with the long term time horizons, discount rate, and tolerance for risk. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

	<b>Long Term Expected Rate of Return</b>
U.S. Treasury Obligations	.375 - 4.5%
U.S. Governmental Agencies	1.3 - 4.5%
Corporate and Foreign Bonds	2.0 - 5.875%
Municipal Obligations	2.68 - 5.57%
Taxable Fixed Income Funds	N/A
Mutual Funds	N/A
Global Funds	N/A
International Funds	N/A

	<b>Target Allocation</b>
Equities	65%
Fixed income	35%

**Discount rate** - The discount rate used to measure the total OPEB liability was 3.62%. The projection of cash flows used to determine the discount rate assumed that Board contributions will be to fund current contribution levels. Based on those assumptions, the unfunded rate was used. The unfunded rate is determined by using the 20 - year U.S Treasury bond. Any increase in the discount rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements**

**June 30, 2019**

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Component Units – Board of Education (continued)**

**Changes in the Net OPEB Liability**

	<b>Total OPEB Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net OPEB Liability (a) - (b)</b>
Balance as of June 30, 2017 for FYE 2018	\$ 90,317,000	\$ 107,000	\$ 90,210,000
Changes for the Year:			
Service Cost	4,015,108	-	4,015,108
Interest	3,200,732	-	3,200,732
Experience Losses/(Gains)	9,892,726	-	9,892,726
Employer Trust Contribution	-	2,313,099	(2,313,099)
Net Investment Income	-	6,911	(6,911)
Changes in Assumptions	(688,245)	-	(688,245)
Benefit Payments	(2,313,099)	(2,313,099)	-
Net Changes	14,107,222	6,911	14,100,311
Balance as of June 30, 2018 for FYE 2019	\$ 104,424,222	\$ 113,911	\$ 104,310,311

**Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates** - The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.62%) or 1% higher (4.62%) than the current discount rate:

	<b>1% Decrease 2.62%</b>	<b>Discount Rate 3.62%</b>	<b>1% Increase 4.62%</b>
Discount Rate			
Total OPEB Liability	\$ 126,337,573	\$ 104,424,222	\$ 87,343,533
Net OPEB Liability (Asset)	126,223,662	104,310,311	87,229,622

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates** – The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.8% decreasing to 2.8%) or 1% higher (6.8% decreasing to 4.8%) than the current healthcare cost trend rates:

	<b>1% Decrease 2.80%</b>	<b>Discount Rate 3.80%</b>	<b>1% Increase 4.80%</b>
Ultimate Trend			
Total OPEB Liability	\$ 84,952,452	\$ 104,424,222	\$ 130,621,714
Net OPEB Liability (Asset)	84,838,541	104,310,311	130,507,803

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements  
June 30, 2019**

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Component Units – Board of Education (continued)**

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** - For the year ended June 30, 2019, the Board recognized OPEB expense of \$6,903,768. At June 30, 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 8,793,534	\$ -
Changes of assumptions	-	11,227,666
Net difference between projected and actual earnings	540	54
Total	<u>\$ 8,794,074</u>	<u>\$ 11,227,720</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b><u>Year ended June 30:</u></b>	
2020	\$ (304,150)
2021	(304,150)
2022	(304,150)
2023	(304,132)
2024	(304,267)
Thereafter	(912,797)

**Component Units – Library**

The Library’s Post-Employment Benefits Plan (the “Plan”) is a single-employee defined benefit healthcare plan administered by the Library. The Library has the authority to establish and amend the funding of the Plan. No assets are accumulated in a trust that meet the criteria as defined in GASB No. 75 paragraph 4. The Library pays for the cost of the Plan on a pay-as-you-go basis from general fund. For June 30, 2019, the Library paid \$16,387 to the plan.

Employees are eligible to receive health care benefits upon retirement provided that they have 10 years of service with the Library and meet the eligibility requirements of the State Retirement and Pension System of Maryland.

Retirees obtain health care and the Library reimburses the retiree for 2/3 of the cost of the eligible retiree healthcare premiums.

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements**

**June 30, 2019**

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Component Units – Library (continued)**

The number of covered employees are as follows:

<b>Participants</b>	
Active Employees	17
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	4
<b>TOTAL</b>	<b>21</b>

Significant assumptions and other inputs to measure the total OPEB liability are as follows:

**Health Care Trend Rates**

Initial Health Care Cost Trend Rate	6.00%
Ultimate Health Care Cost Trend Rate	5.00%
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2026

**Additional Information**

Valuation date	July 1, 2017
Measurement date	June 29, 2018
Actuarial cost method	Entry Age Normal
Discount rate	2.78%
Inflation rate	3.00%
Salary rate increase	4.00%

Changes since last actuarial valuation      The discount rate was changed per GASB 75 rules.  
Starting per capita costs were updated using most recent premiums.  
The health care trend rates were reset based on recent experience.

Mortality      RP-2014 Combined Annuitant Mortality Table for males and females. The Mortality Table reflects recent rates developed by the Society of Actuaries.

The discount rate used is the S&P Municipal Bond 20 Year High-Grade Rate Index as of June 29, 2019.

**TALBOT COUNTY, MARYLAND**

**Notes to Financial Statements**

**June 30, 2019**

**8. OTHER POST-EMPLOYMENT BENEFITS (OPEB) (continued)**

**Component Units – Library (continued)**

The following presents the Plan’s net OPEB liability, calculated using the current discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

	<b>Discount Rate</b>		
	1% Increase to 3.79%	Discount Rate 2.79%	1% Decrease to 1.79%
Net OPEB liability	\$ 1,186,837	\$ 1,344,709	\$ 1,539,482

The following presents the Plan’s net OPEB liability, calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher:

	<b>Healthcare Trend</b>		
	1% Increase to 7.00%	Discount Rate 6.00%	1% Decrease to 5.00%
Net OPEB liability	\$ 1,556,805	\$ 1,344,709	\$ 1,173,951

Changes in the net OPEB liability are as follows:

	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
Balances as of June 30, 2018	\$ 1,241,121	\$ -	\$ 1,241,121
Changes for the year:			
Service cost	74,538	-	74,538
Interest on total OPEB liability	36,340	-	36,340
Changes of assumptions and other inputs	32,547	-	32,547
Benefits payments	(43,332)	-	(43,332)
Other changes	3,495	-	3,495
Net changes	103,588	-	103,588
Balances as of June 30, 2019	\$ 1,344,709	\$ -	\$ 1,344,709

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 9. 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.

### 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 earned by June 30, 2019. Unearned revenue at June 30, 2019 consisted of the following:

	<u>County</u>	<u>Board of Education</u>
Federal and state grants	\$ 98,614	\$ 1,820,473
Other sources	4,934,001	-
	<u>\$ 5,032,615</u>	<u>\$ 1,820,473</u>

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 11. COMMITMENTS AND CONTINGENCIES

#### Primary Government

##### *Landfills Closure and Post-closure Costs*

The County has a 26.61% 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 of Maryland 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, 2019, total closure and post closure care costs were estimated at approximately \$18.6 million, with approximately \$5.0 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, 2019, a portion of these costs, \$5.6 million, determined by the estimated useful life of the Landfills.

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, 2019, total debt was approximately \$26.8 million, with approximately \$7.1 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, 2018. MES expects to satisfy these requirements as of June 30, 2019 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.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 11. COMMITMENTS AND CONTINGENCIES (continued)

#### Primary Government (continued)

##### *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 March 2019 totaled approximately \$1.8 million. Deductions from income tax revenues will begin in February 2021.

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, 2019, which are as follows:

	<b>Amounts Expended To Date</b>	<b>Remaining Construction Commitment</b>	<b>Expected Date of Completion</b>
Sanitary District - St. Michaels	\$ 1,528,590	\$ 275,594	June 2020
Sanitary District - St. Michaels	499,589	78,548	December 2019
Sanitary District - Collection system Repairs/Replacement	1,940,816	505,392	June 2020
Sanitary District - BioSolids	19,365	76,957	December 2019

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements June 30, 2019

### 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 Cigna Health and Life Insurance Company 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, 2019, MABE had total pool surplus of approximately \$29.7 million. It is believed that there are no outstanding claims in excess of the equity.

## TALBOT COUNTY, MARYLAND

### Notes to Financial Statements

June 30, 2019

#### 12. RISK MANAGEMENT (continued)

##### Board of Education (continued)

##### *General Insurance* (continued)

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

##### *Health Insurance*

The Board participates in the Eastern Shore of Maryland Education Consortium Health Insurance Alliance, a public entity risk pool currently operating as a common risk management and insurance program for health insurance coverage. Currently, six Boards of Education 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.

#### 13. DEFICITS

At June 30, 2019, the Sanitary District Fund and the Easton Airport Fund had deficits in unrestricted net position of \$771,746 and \$5,453,961, respectively. These deficits are expected to be eliminated through normal operations.

#### 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, 2019, the outstanding balance of these bonds and notes payables was \$17,009,914 and the effect of this non-capital debt has been reflected in the unrestricted net position of the County.

# TALBOT COUNTY, MARYLAND

## Notes to Financial Statements

June 30, 2019

### 15. NEW ACCOUNTING PRONOUNCEMENTS

The County has adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 88, entitled *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, and Statement No. 83, *Certain Asset Retirement Obligations* which the County has implemented in the current fiscal year.

As of the year ended June 30, 2019, GASB has issued Statement No. 84 *Fiduciary Activities*; Statement No. 87, *Leases*; Statement No. 90, *Majority Equity Interests-an amendment of GASB Statements No. 14 and No. 61*; and Statement No. 91, *Conduit Debt Obligations*; which will require adoption in the future, if applicable. These statements may or will have a material effect on the County's financial statements once implemented. The County has not yet completed the process of evaluating the impact of these pronouncements on its financial statements and plans to adopt them, as applicable, by their effective date.

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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><u>REVENUES</u></b>				
<b>TAXES - LOCAL</b>				
<b>LOCAL PROPERTY TAXES</b>				
Real property	\$ 38,572,000	\$ 38,572,000	\$ 38,889,121	\$ 317,121
Real property education supplement	1,868,750	1,868,750	1,826,281	(42,469)
Railroad and public utilities	825,000	825,000	1,005,176	180,176
Prior Years	-	-	(2,668)	(2,668)
Penalties and interest	168,500	168,500	197,551	29,051
<b>Total property taxes</b>	<b>41,434,250</b>	<b>41,434,250</b>	<b>41,915,461</b>	<b>481,211</b>
Less: Discount allowed on taxes	(258,000)	(258,000)	(268,818)	(10,818)
<b>Net property taxes</b>	<b>41,176,250</b>	<b>41,176,250</b>	<b>41,646,643</b>	<b>470,393</b>
<b>LOCAL INCOME TAXES</b>	<b>25,600,000</b>	<b>25,600,000</b>	<b>29,514,546</b>	<b>3,914,546</b>
<b>OTHER LOCAL TAXES</b>				
Admissions and amusements	16,000	16,000	22,602	6,602
Recordation	5,500,000	5,500,000	6,418,224	918,224
Transfer	3,600,000	3,600,000	4,146,546	546,546
Public accommodations	1,250,000	1,250,000	1,469,084	219,084
Mobile manufactured home	55,000	55,000	51,337	(3,663)
<b>Total other local taxes</b>	<b>10,421,000</b>	<b>10,421,000</b>	<b>12,107,793</b>	<b>1,686,793</b>
<b>Total local taxes</b>	<b>77,197,250</b>	<b>77,197,250</b>	<b>83,268,982</b>	<b>6,071,732</b>
<b>LICENSES AND PERMITS</b>				
Beer, wine and liquor licenses	175,000	175,000	168,141	(6,859)
Alcoholic beverages fines	-	-	1,000	1,000
Traders licenses	30,000	30,000	28,440	(1,560)
Animal tags and fines	4,000	4,000	6,192	2,192
Stormwater permits	12,000	12,000	15,900	3,900
Flood plain permits	1,000	1,000	1,785	785
Road construction permit	12,000	12,000	27,300	15,300
Boat ramp permits and violations	130,500	130,500	148,279	17,779
Marriage licenses	3,000	3,000	2,760	(240)
Planning and zoning fines	-	-	19,300	19,300
Plumbing permits	9,000	9,000	8,540	(460)
Gas permits and licenses	9,500	9,500	8,960	(540)
Plumbing licenses	5,000	5,000	2,885	(2,115)
HVAC inspections and registrations	14,000	14,000	12,390	(1,610)
Electrical inspections and licenses	25,000	25,000	28,128	3,128
Building permits	220,000	220,000	228,393	8,393
<b>Total licenses and permits</b>	<b>650,000</b>	<b>650,000</b>	<b>708,393</b>	<b>58,393</b>
<b>INTERGOVERNMENTAL REVENUES</b>				
<b>FROM THE FEDERAL GOVERNMENT</b>				
FEMA	80,000	80,000	40,856	(39,144)
Emergency management - DHS	75,000	75,000	115,863	40,863
<b>Total Federal revenues</b>	<b>\$ 155,000</b>	<b>\$ 155,000</b>	<b>\$ 156,719</b>	<b>\$ 1,719</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>FROM THE STATE OF MARYLAND</b>				
Police protection	\$ 110,000	\$ 110,000	\$ 107,492	\$ (2,508)
Sex offender grant	12,000	12,000	12,216	216
School bus safety grant	4,000	4,000	-	(4,000)
Sheriff grants other	30,000	30,000	47,000	17,000
Motor carrier - State Highway	3,500	3,500	5,935	2,435
Fire and rescue	290,000	290,000	344,010	54,010
911 grants and numbers system board	250,000	250,000	255,541	5,541
Circuit Court - Family Services	304,414	304,414	177,120	(127,294)
Problem solving court grant	138,226	138,226	137,967	(259)
Critical areas	15,000	15,000	15,000	-
Highway user revenues	650,000	650,000	686,147	36,147
Recordation	23,510	23,510	66,255	42,745
Public landing grants	13,000	13,000	35,312	22,312
Tourism	29,500	29,500	85,732	56,232
DSS-Legal fees	75,000	75,000	27,607	(47,393)
Security filing fees	150	150	250	100
MIEMSS grants	49,000	49,000	-	(49,000)
Stop grant	-	-	54,000	54,000
<b>Total state revenues</b>	<b>1,997,300</b>	<b>1,997,300</b>	<b>2,057,584</b>	<b>60,284</b>
<b>Total intergovernmental</b>	<b>2,152,300</b>	<b>2,152,300</b>	<b>2,214,303</b>	<b>62,003</b>
<b>SERVICES CHARGES</b>				
<b>GENERAL GOVERNMENT CHARGES</b>				
Zoning fees and certificates	31,000	31,000	34,130	3,130
Zoning Violations	-	-	4,835	4,835
Subdivision applications	12,000	12,000	15,042	3,042
Administrative variance	2,700	2,700	1,100	(1,600)
Board of appeals	6,000	6,000	6,200	200
Site plan reviews	5,000	5,000	7,025	2,025
Forest conservation fees	2,000	2,000	2,322	322
Critical area preservation	10,000	10,000	21,950	11,950
Bed & breakfast license/home occupation	900	900	750	(150)
Short term rental fees	15,000	15,000	40,210	25,210
Mobile home fees	300	300	150	(150)
Roadside vendors and produce stand	2,000	2,000	2,500	500
Weed and litter enforcement	2,000	2,000	2,900	900
Weed control spraying	50,000	50,000	32,254	(17,746)
Economic development/tourism	100,000	100,000	150,366	50,366
Election filing and voter lists	1,000	1,000	720	(280)
Sheriff's fees	25,000	25,000	29,964	4,964
Emergency medical services	1,450,000	1,450,000	1,621,047	171,047
911 center	400,000	400,000	400,000	-
MIEMSS-EMS communications	125,000	125,000	125,000	-
Road access fees	3,000	3,000	-	(3,000)
Other charges	-	-	7,525	7,525
<b>Total general government</b>	<b>2,242,900</b>	<b>2,242,900</b>	<b>2,505,990</b>	<b>263,090</b>
<b>PUBLIC SAFETY CHARGES</b>				
Boarding of local prisoners	20,500	20,500	19,035	(1,465)
Weekenders fees/other revenues	2,000	2,000	892	(1,108)
Live-in, work-out fees	2,000	2,000	1,390	(610)
Home detention program	750	750	-	(750)
Federal prisoner program	38,000	38,000	113,621	75,621
Community service fees	3,500	3,500	10,675	7,175
Commissions phone/SSA	-	-	400	400
Rents	16,100	16,100	9,392	(6,708)
<b>Total public safety charges</b>	<b>\$ 82,850</b>	<b>\$ 82,850</b>	<b>\$ 155,405</b>	<b>\$ 72,555</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>SERVICES CHARGES (continued)</b>				
<b>HEALTH</b>				
Mosquito control fees	\$ 95,000	\$ 95,000	\$ 102,131	\$ 7,131
<b>RECREATION CHARGES</b>				
Boat slips	64,000	64,000	74,302	10,302
Program fees	-	-	(210)	(210)
Pool admissions	40,000	40,000	33,798	(6,202)
Pool group lessons	31,500	31,500	40,950	9,450
Pool memberships	19,500	19,500	12,795	(6,705)
Pool rental	5,500	5,500	1,070	(4,430)
Swim team	4,000	4,000	4,375	375
Other recreation	7,500	7,500	10,014	2,514
Total recreation	172,000	172,000	177,094	5,094
<b>Total service charges</b>	<b>2,592,750</b>	<b>2,592,750</b>	<b>2,940,620</b>	<b>347,870</b>
<b>FINES AND FORFEITURES</b>	<b>19,950</b>	<b>19,950</b>	<b>60,815</b>	<b>40,865</b>
<b>MISCELLANEOUS</b>				
Rents	75,000	75,000	289,799	214,799
Other	276,500	276,500	374,878	98,378
Total miscellaneous	351,500	351,500	664,677	313,177
<b>INTEREST</b>	<b>300,000</b>	<b>300,000</b>	<b>868,997</b>	<b>568,997</b>
<b>TOTAL REVENUES</b>	<b>83,263,750</b>	<b>83,263,750</b>	<b>90,726,787</b>	<b>7,463,037</b>
<b>OTHER FINANCING SOURCES</b>				
Transfer from fiduciary fund	500,000	500,000	-	(500,000)
Transfer from special revenue fund	500,000	500,000	500,000	-
Reserved and unexpended funds	7,775,000	7,775,000	-	(7,775,000)
Total other financing sources	8,775,000	8,775,000	500,000	(8,275,000)
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<b>\$ 92,038,750</b>	<b>\$ 92,038,750</b>	<b>\$ 91,226,787</b>	<b>\$ (811,963)</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><u>EXPENDITURES</u></b>				
<b>GENERAL GOVERNMENT</b>				
<b>LEGISLATIVE</b>				
County Council:				
Salaries and fringe benefits	\$ 150,551	\$ 150,551	\$ 149,867	\$ 684
Other operating	57,150	57,150	57,820	(670)
<b>Total legislative</b>	<b>207,701</b>	<b>207,701</b>	<b>207,687</b>	<b>14</b>
<b>JUDICIAL</b>				
Circuit Court:				
Salaries and fringe benefits	190,357	190,357	182,759	7,598
Other operating	41,421	41,421	36,820	4,601
Capital outlay	23,500	23,500	18,332	5,168
Court Stenographer:				
Salaries and fringe benefits	47,255	47,255	45,281	1,974
Other operating	150	150	-	150
Family Services:				
Salaries and fringe benefits	131,914	131,914	76,505	55,409
Other operating	172,500	172,500	100,615	71,885
Problem Solving Court:				
Salaries and fringe benefits	111,626	111,626	106,449	5,177
Other operating	27,400	27,400	31,886	(4,486)
Orphan's Court:				
Salaries and fringe benefits	50,582	50,582	50,191	391
Other operating	2,225	2,225	1,103	1,122
State's Attorney:				
Salaries and fringe benefits	836,612	836,612	865,207	(28,595)
Other operating	74,185	74,185	66,381	7,804
Capital outlay	-	2,540	2,357	183
Victim Witness Program:				
Salaries and fringe benefits	166,910	166,910	169,667	(2,757)
Other operating	6,710	6,710	5,625	1,085
Bar Library:				
Other operating	16,950	16,950	25,486	(8,536)
<b>Total judicial</b>	<b>1,900,297</b>	<b>1,902,837</b>	<b>1,784,664</b>	<b>118,173</b>
<b>EXECUTIVE</b>				
County Administration:				
Salaries and fringe benefits	764,284	764,284	734,811	29,473
Other operating	60,710	60,710	64,244	(3,534)
Capital outlay	35,000	35,000	2,568	32,432
<b>Total executive</b>	<b>859,994</b>	<b>859,994</b>	<b>801,623</b>	<b>58,371</b>
<b>ELECTIONS</b>				
Board of Supervisors of Elections:				
Salaries and fringe benefits	242,229	242,229	227,612	14,617
Other operating	166,519	166,519	220,998	(54,479)
Registration and elections:				
Salaries and fringe benefits	56,600	56,600	63,759	(7,159)
Other operating	3,600	3,600	(200)	3,800
<b>Total elections</b>	<b>468,948</b>	<b>468,948</b>	<b>512,169</b>	<b>(43,221)</b>
<b>FINANCIAL ADMINISTRATION</b>				
Finance Office:				
Salaries and fringe benefits	753,801	753,801	754,976	(1,175)
Other operating	288,100	272,100	250,445	21,655
MD State Department of Assessments and Taxation:				
	275,000	164,944	163,136	1,808
Liquor License Commissioners:				
Salaries and fringe benefits	11,813	11,813	11,477	336
Other operating	3,275	3,275	(89)	3,364
<b>Total financial administration</b>	<b>\$ 1,331,989</b>	<b>\$ 1,205,933</b>	<b>\$ 1,179,945</b>	<b>\$ 25,988</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>GENERAL GOVERNMENT (continued)</b>				
LAW				
County Attorney:				
Salaries and fringe benefits	\$ 318,832	\$ 318,832	\$ 324,106	\$ (5,274)
Other operating	58,350	58,350	116,655	(58,305)
<b>Total law</b>	<b>377,182</b>	<b>377,182</b>	<b>440,761</b>	<b>(63,579)</b>
PLANNING AND ZONING				
Planning Office:				
Salaries and fringe benefits	794,546	794,546	823,847	(29,301)
Other operating	99,150	99,150	59,325	39,825
Capital outlay	-	24,950	24,795	155
Board of Appeals:				
Salaries and fringe benefits	93,358	93,358	94,248	(890)
Other operating	21,075	21,075	19,844	1,231
<b>Total planning and zoning</b>	<b>1,008,129</b>	<b>1,033,079</b>	<b>1,022,059</b>	<b>11,020</b>
GENERAL SERVICES				
County Buildings:				
Salaries and fringe benefits	426,325	426,325	430,219	(3,894)
Other operating	626,780	626,780	562,562	64,218
Capital outlay	85,500	99,395	54,603	44,792
Library Maintenance	157,250	157,250	154,249	3,001
Information Technology:				
Salaries and fringe benefits	289,160	289,160	300,497	(11,337)
Other operating	112,524	112,524	79,581	32,943
Capital outlay	122,350	128,000	128,293	(293)
Insurance	191,375	191,375	175,449	15,926
<b>Total general services</b>	<b>2,011,264</b>	<b>2,030,809</b>	<b>1,885,453</b>	<b>145,356</b>
ECONOMIC DEVELOPMENT				
Office of Economic Development:				
Salaries and fringe benefits	144,884	144,884	88,681	56,203
Other operating	88,450	88,450	54,763	33,687
Arts Council	12,000	12,000	12,000	-
Tourism:				
Salaries and fringe benefits	174,660	174,660	177,468	(2,808)
Other operating	410,235	410,235	545,595	(135,360)
Historic Preservation Commission	5,400	5,400	205	5,195
Other	25,000	25,000	24,253	747
<b>Total economic development</b>	<b>860,629</b>	<b>860,629</b>	<b>902,965</b>	<b>(42,336)</b>
<b>Total general government</b>	<b>9,026,133</b>	<b>8,947,112</b>	<b>8,737,326</b>	<b>209,786</b>
<b>PUBLIC SAFETY</b>				
SHERIFF				
Salaries and fringe benefits	3,551,938	3,551,938	3,439,430	112,508
Other operating	657,200	657,200	535,724	121,476
Capital outlay	241,140	259,140	275,745	(16,605)
<b>Total sheriff</b>	<b>4,450,278</b>	<b>4,468,278</b>	<b>4,250,899</b>	<b>217,379</b>
MUNICIPAL INSTITUTIONS				
Detention Center:				
Salaries and fringe benefits	3,186,332	3,186,332	2,874,746	311,586
Other operating	1,237,200	1,237,200	1,201,810	35,390
Capital outlay	297,335	297,335	244,754	52,581
<b>Total municipal institutions</b>	<b>\$ 4,720,867</b>	<b>\$ 4,720,867</b>	<b>\$ 4,321,310</b>	<b>\$ 399,557</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with 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	450,985	450,985	418,767	32,218
Emergency Management:				
Salaries and fringe benefits	1,851,272	1,851,272	1,802,671	48,601
Other operating	361,303	361,303	441,772	(80,469)
Capital outlay	22,069	145,575	213,609	(68,034)
Volunteer Fire Companies	1,790,959	1,790,959	1,840,286	(49,327)
Emergency Medical Services:				
Salaries and fringe benefits	3,817,931	3,817,931	3,825,875	(7,944)
Other operating	587,941	587,941	634,707	(46,766)
Capital outlay	132,578	241,578	244,356	(2,778)
Hazardous Materials:				
Salaries and fringe benefits	1,140	1,140	-	1,140
Other operating	14,800	14,800	14,967	(167)
Total other public safety	9,092,678	9,325,184	9,498,710	(173,526)
<b>PROTECTIVE INSPECTION</b>				
Electrical Inspection:				
Salaries and fringe benefits	6,450	6,450	5,856	594
Other operating	1,690	1,690	601	1,089
Building and Plumbing Inspection:				
Salaries and fringe benefits	349,675	349,675	349,243	432
Other operating	30,700	30,700	20,954	9,746
Capital outlay	22,000	22,000	22,595	(595)
Total protective inspection	410,515	410,515	399,249	11,266
<b>Total public safety</b>	<b>18,674,338</b>	<b>18,924,844</b>	<b>18,470,168</b>	<b>454,676</b>
<b>PUBLIC WORKS</b>				
<b>PUBLIC WORKS - GENERAL</b>				
Salaries and fringe benefits	576,812	576,812	533,872	42,940
Other operating	39,650	39,650	35,714	3,936
Total public works - general	616,462	616,462	569,586	46,876
<b>PUBLIC LANDINGS AND WHARVES</b>				
Salaries and fringe benefits	189,245	189,245	185,165	4,080
Other operating	44,900	44,900	65,063	(20,163)
Capital outlay	-	6,000	5,737	263
Total public landings and wharves	234,145	240,145	255,965	(15,820)
<b>SOLID WASTE DISPOSAL</b>				
Salaries and fringe benefits	86,685	86,685	96,885	(10,200)
Other operating	585,800	756,000	731,916	24,084
Total solid waste disposal	672,485	842,685	828,801	13,884
<b>HIGHWAYS AND STREETS</b>				
Salaries and fringe benefits	1,499,600	1,499,600	1,467,562	32,038
Other operating	1,298,850	1,218,850	1,287,876	(69,026)
Debt service	48,719	48,719	47,506	1,213
Capital outlay	695,000	1,010,500	993,371	17,129
Total highways and streets	3,542,169	3,777,669	3,796,315	(18,646)
<b>Total public works</b>	<b>\$ 5,065,261</b>	<b>\$ 5,476,961</b>	<b>\$ 5,450,667</b>	<b>\$ 26,294</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>HEALTH AND HOSPITALS</b>				
Health department	\$ 1,627,007	\$ 1,627,007	\$ 1,627,007	\$ -
School health	654,493	654,493	654,493	-
Addictions counseling	76,800	76,800	76,800	-
Senior services program	50,000	50,000	50,000	-
Mosquito control	105,000	105,000	116,394	(11,394)
<b>Total health and hospitals</b>	<b>2,513,300</b>	<b>2,513,300</b>	<b>2,524,694</b>	<b>(11,394)</b>
<b>SOCIAL SERVICES</b>				
Social services legal	85,000	85,000	30,987	54,013
Social Services - operating	16,000	16,000	16,000	-
Neighborhood Service Center	94,769	94,769	94,769	-
Delmarva Community Services	135,769	135,769	135,769	-
Healthy Talbot	2,500	2,500	2,500	-
Homelessness Prevention	10,000	10,000	10,000	-
Senior Services	301,757	301,757	309,557	(7,800)
St. Martin's Ministries	8,000	8,000	8,000	-
Senior Center bus passes	12,680	12,680	12,635	45
<b>Total social services</b>	<b>666,475</b>	<b>666,475</b>	<b>620,217</b>	<b>46,258</b>
<b>EDUCATION</b>				
Board of Education:				
Operating appropriation	39,837,748	39,837,748	39,837,748	-
Supplemental appropriation	831,002	831,002	831,002	-
Debt Service	2,633,153	2,633,153	2,598,288	34,865
Library:				
Operating appropriation	1,328,875	1,328,875	1,328,875	-
Capital outlay	9,541	31,492	30,221	1,271
Community College:				
Operating appropriation	1,571,747	1,571,747	1,571,747	-
Debt Service	185,769	185,769	171,553	14,216
Capital outlay	97,626	97,626	97,626	-
Chesapeake Developmental Center	45,005	45,005	45,005	-
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	53,484	53,484	49,012	4,472
Other operating	13,710	13,710	9,174	4,536
<b>Total education</b>	<b>46,607,660</b>	<b>46,629,611</b>	<b>46,570,251</b>	<b>59,360</b>
<b>RECREATION</b>				
Parks and Recreation:				
Salaries and fringe benefits	222,790	222,790	231,176	(8,386)
Other operating	156,419	166,419	148,875	17,544
Capital outlay	37,500	47,475	69,351	(21,876)
Pools:				
Salaries and fringe benefits	145,875	145,875	121,114	24,761
Other operating	52,090	52,090	37,559	14,531
Capital outlay	23,000	23,000	16,750	6,250
<b>Total recreation</b>	<b>\$ 637,674</b>	<b>\$ 657,649</b>	<b>\$ 624,825</b>	<b>\$ 32,824</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Agricultural Extension Service	\$ 183,248	\$ 183,248	\$ 183,246	\$ 2
Agricultural Preservation	-	-	8,724	(8,724)
Other	5,000	5,000	2,700	2,300
Weed Control:				
Salaries and fringe benefits	63,293	63,293	63,337	(44)
Other operating	25,885	25,885	9,754	16,131
Capital outlay	1,000	1,000	-	1,000
<b>Total conservation of natural resources</b>	<b>278,426</b>	<b>278,426</b>	<b>267,761</b>	<b>10,665</b>
<b>INTERGOVERNMENTAL</b>				
Payments to Municipalities:				
Fire, rescue and ambulance fund	50,000	50,000	44,010	5,990
Bank stock	7,535	7,535	7,535	-
Public accommodations tax	900,000	900,000	1,124,860	(224,860)
<b>Total intergovernmental</b>	<b>957,535</b>	<b>957,535</b>	<b>1,176,405</b>	<b>(218,870)</b>
<b>EMPLOYEE BENEFITS</b>				
Health insurance, retirees	800,000	800,000	862,698	(62,698)
Other operating	189,000	189,000	147,553	41,447
<b>Total employee benefits</b>	<b>989,000</b>	<b>989,000</b>	<b>1,010,251</b>	<b>(21,251)</b>
<b>MISCELLANEOUS</b>	<b>327,111</b>	<b>227,000</b>	<b>132,842</b>	<b>94,158</b>
<b>DEBT SERVICE</b>				
Principal on long-term debt	889,579	889,579	889,579	-
Interest on long-term debt	150,258	150,258	43,393	106,865
<b>Total debt service</b>	<b>1,039,837</b>	<b>1,039,837</b>	<b>932,972</b>	<b>106,865</b>
<b>RESERVE</b>				
Reserve for contingencies	600,000	75,000	34,030	40,970
<b>Total reserve</b>	<b>600,000</b>	<b>75,000</b>	<b>34,030</b>	<b>40,970</b>
<b>TOTAL EXPENDITURES</b>	<b>87,382,750</b>	<b>87,382,750</b>	<b>86,552,409</b>	<b>830,341</b>
<b>OTHER FINANCING USES</b>				
Transfers:				
Capital projects - Operating appropriation	4,205,000	4,205,000	4,205,000	-
Recreation - Operating appropriation	451,000	451,000	451,000	-
<b>Total other financing uses</b>	<b>4,656,000</b>	<b>4,656,000</b>	<b>4,656,000</b>	<b>-</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>92,038,750</b>	<b>92,038,750</b>	<b>91,208,409</b>	<b>830,341</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,378</b>	<b>\$ 18,378</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF CHANGES  
IN NET OPEB LIABILITY AND RELATED RATIOS  
June 30, 2019**

	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability</b>		
Service Cost	\$ 558,117	\$ 506,402
Interest	1,086,220	1,086,825
Benefit payments	(614,622)	(597,317)
Other changes	218,536	226,021
<b>Net changes in total OPEB liability</b>	1,248,251	1,221,931
Total OPEB liability - beginning	15,824,735	14,602,804
Total OPEB liability - ending (a)	\$ 17,072,986	\$ 15,824,735
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ -	\$ -
Net investment income	724,755	790,394
Benefit payments	-	-
Administrative expense	(60,695)	(55,961)
<b>Net changes in plan fiduciary net position</b>	664,060	734,433
Plan fiduciary net position - beginning	11,760,459	11,026,026
Plan fiduciary net position - ending (b)	\$ 12,424,519	\$ 11,760,459
 <b>County's net OPEB liability - ending (a) - (b)</b>	\$ 4,648,467	\$ 4,064,276
 Plan fiduciary net position as a percentage of total pension liability	72.77%	74.32%
 Covered payroll	\$ 13,058,200	\$ 13,058,200
 Net liability as a percentage of covered payroll	35.60%	31.12%
 Annual money-weighted rate of return, net of investment expense	7.70%	6.60%

Notes to schedule:

This information is not available for FY17 and prior.

**TALBOT COUNTY, MARYLAND**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS  
SCHEDULE OF THE PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Year Ended June 30, 2019**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>County's Proportion (Percentage) of the NPL A</b>	<b>County's Proportionate Share of the NPL B</b>	<b>County's Covered 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%
2018	June 30, 2017	0.04929%	10,657,934	13,376,509	79.68%	48,987,184,000	70,610,885,000	69.38%
2019	June 30, 2018	0.05546%	11,636,717	13,771,675	84.50%	51,827,233,000	72,808,833,000	71.18%

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, 2019**

<b>Fiscal Year</b>	<b>Measurement Date</b>	<b>Actually Determined Contribution A</b>	<b>Actual Contribution B</b>	<b>Contribution Deficiency (Excess) (A-B)</b>	<b>Employer's Covered 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%
2018	June 30, 2017	1,105,945	1,105,945	-	13,376,509	8.27%
2019	June 30, 2018	1,190,162	1,190,162	-	13,771,675	8.64%

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  
Year Ended June 30, 2019**

**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 budgeted expenditures over actual expenditures of \$830,341 for the year ended June 30, 2019. There was a shortfall of budgeted revenues over actual revenues of \$811,963 for the year ended June 30, 2019.

**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 2018 valuation:

1. Inflation assumption changed from 2.65% to 2.60%

**TALBOT COUNTY, MARYLAND**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2019**

Method and Assumptions used in Calculations of Actuarially Determined Contributions.

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years for State system
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.60% general, 3.10% wage
Salary increases	3.10% to 9.10%, including inflation
Investment rate of return	7.45%
Retirement age	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
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

## OTHER SUPPLEMENTARY INFORMATION

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES – BUDGET AND ACTUAL  
CAPITAL PROJECT FUND  
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - Federal and State	\$ 176,000	\$ 176,000	\$ 301,951	\$ 125,951
Interest	-	-	4,313	4,313
<b>Total revenues</b>	<b>176,000</b>	<b>176,000</b>	<b>306,264</b>	<b>130,264</b>
<b>EXPENDITURES</b>				
General government	928,000	928,000	37,730	890,270
Highways and roads	50,000	50,000	142,254	(92,254)
Public works	350,000	350,000	109,562	240,438
Education	16,300,000	16,300,000	8,125,820	8,174,180
Recreation	140,000	140,000	-	140,000
<b>Total expenditures</b>	<b>17,768,000</b>	<b>17,768,000</b>	<b>8,415,366</b>	<b>9,352,634</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated fund balance	1,174,000	1,174,000	-	(1,174,000)
Issuance of long-term debt	11,195,000	11,195,000	-	(11,195,000)
Transfer from general fund	4,205,000	4,205,000	4,205,000	-
Transfer from special revenue fund	1,018,000	1,018,000	1,018,000	-
<b>Total other financing sources (uses)</b>	<b>17,592,000</b>	<b>17,592,000</b>	<b>5,223,000</b>	<b>(12,369,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,886,102)</b>	<b>\$ (2,886,102)</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, 2019**

	<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	\$ 67,702	\$ 7,702
Public works	150,000	150,000	115,316	(34,684)
Education:				
Public schools	85,000	85,000	207,697	122,697
Library	20,000	20,000	39,701	19,701
Community College	4,000	4,000	20,228	16,228
Recreation	25,000	25,000	43,237	18,237
Interest	6,000	6,000	25,979	19,979
<b>Total revenues</b>	<b>350,000</b>	<b>350,000</b>	<b>519,860</b>	<b>169,860</b>
<b>EXPENDITURES</b>				
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers:				
General fund	(500,000)	(500,000)	(500,000)	-
Capital projects fund	(1,018,000)	(1,018,000)	(1,018,000)	-
Recreation fund	(35,000)	(35,000)	(35,000)	-
Designated fund balance	1,203,000	1,203,000	-	1,203,000
<b>Total other financing sources (uses)</b>	<b>(350,000)</b>	<b>(350,000)</b>	<b>(1,553,000)</b>	<b>1,203,000</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,033,140)</b>	<b>\$ (1,033,140)</b>

**TALBOT COUNTY, MARYLAND**

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

**For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - Federal	\$ 670,000	\$ 670,000	\$ 1,311,333	\$ 641,333
Intergovernmental - State	672,500	672,500	733,608	61,108
Miscellaneous	184,657	184,657	376,619	191,962
Other grants	25,000	25,000	20,000	(5,000)
<b>Total revenues</b>	<b>1,552,157</b>	<b>1,552,157</b>	<b>2,441,560</b>	<b>889,403</b>
<b>EXPENDITURES</b>				
General government	307,157	307,157	555,643	(248,486)
Public safety	140,000	140,000	22,855	117,145
Public works	1,005,000	1,005,000	1,124,340	(119,340)
Health	-	-	-	-
Social services	100,000	100,000	738,722	(638,722)
<b>Total expenditures</b>	<b>1,552,157</b>	<b>1,552,157</b>	<b>2,441,560</b>	<b>(889,403)</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, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - Federal and State	\$ 545,479	\$ 545,479	\$ 546,499	\$ 1,020
Other grants	2,500	2,500	2,750	250
Interest	-	-	2,008	2,008
<b>Total revenues</b>	<b>547,979</b>	<b>547,979</b>	<b>551,257</b>	<b>3,278</b>
<b>EXPENDITURES</b>				
Social services	547,979	547,979	549,249	(1,270)
<b>Total expenditures</b>	<b>547,979</b>	<b>547,979</b>	<b>549,249</b>	<b>(1,270)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,008</b>	<b>\$ 2,008</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND – RECREATION FACILITIES  
For the Year Ended June 30, 2019**

	Hog Neck Golf Course			Talbot Community Center			Combined Totals		
	Revised		Variance with	Revised		Variance with	Revised		Variance with
	Final Budget	Actual	Final Budget	Final Budget	Actual	Final Budget	Final Budget	Actual	Final Budget
<b>OPERATING REVENUES</b>									
Program fees and admissions	\$ -	\$ -	\$ -	\$ 225,000	\$ 266,105	\$ 41,105	\$ 225,000	\$ 266,105	\$ 41,105
Room rents	-	-	-	56,000	73,770	17,770	56,000	73,770	17,770
Ice revenues	-	-	-	292,000	298,366	6,366	292,000	298,366	6,366
Pro shop and concessions	325,000	279,175	(45,825)	36,000	34,356	(1,644)	361,000	313,531	(47,469)
Cart rentals	46,500	16,565	(29,935)	-	-	-	46,500	16,565	(29,935)
Green fees	1,134,000	1,008,322	(125,678)	-	-	-	1,134,000	1,008,322	(125,678)
Other operating	14,500	59,448	44,948	30,000	34,774	4,774	44,500	94,222	49,722
Total operating revenues	1,520,000	1,363,510	(156,490)	639,000	707,371	68,371	2,159,000	2,070,881	(88,119)
<b>OPERATING EXPENSES</b>									
Salaries and related expenses	788,800	794,541	(5,741)	370,303	333,583	36,720	1,159,103	1,128,124	30,979
Professional fees	9,000	9,960	(960)	12,500	14,633	(2,133)	21,500	24,593	(3,093)
Office	56,700	54,038	2,662	52,950	45,032	7,918	109,650	99,070	10,580
Insurance	4,500	3,688	812	14,500	11,070	3,430	19,000	14,758	4,242
Repairs and maintenance	98,000	93,548	4,452	52,000	70,113	(18,113)	150,000	163,661	(13,661)
Utilities	54,000	50,464	3,536	140,000	155,096	(15,096)	194,000	205,560	(11,560)
Supplies and equipment	113,500	124,842	(11,342)	2,000	3,460	(1,460)	115,500	128,302	(12,802)
Lessons and programs	-	-	-	120,000	119,699	301	120,000	119,699	301
Pro shop and concessions	132,000	131,607	393	25,000	25,357	(357)	157,000	156,964	36
Other operating	17,000	60,611	(43,611)	45,000	113,280	(68,280)	62,000	173,891	(111,891)
Total operating expenses	1,273,500	1,323,299	(49,799)	834,253	891,323	(57,070)	2,107,753	2,214,622	(106,869)
Operating income (loss) before depreciation	246,500	40,211	(206,289)	(195,253)	(183,952)	11,301	51,247	(143,741)	(194,988)
Depreciation	67,500	247,889	(180,389)	111,500	575,045	(463,545)	179,000	822,934	(643,934)
Net operating income (loss)	179,000	(207,678)	(386,678)	(306,753)	(758,997)	(452,244)	(127,753)	(966,675)	(838,922)
<b>NON-OPERATING REVENUES (EXPENSES)</b>									
Transfers from general fund	-	-	-	451,000	451,000	-	451,000	451,000	-
Transfers from special revenue fund	-	-	-	35,000	35,000	-	35,000	35,000	-
Gain (loss) on disposal of capital assets	-	(67,856)	(67,856)	-	-	-	-	(67,856)	(67,856)
Program open space grant	-	-	-	-	-	-	-	-	-
Interest expense	(179,000)	(14,905)	164,095	(179,247)	(25,213)	(154,034)	(358,247)	(40,118)	10,061
Net non-operating revenues (expenses)	(179,000)	(82,761)	96,239	306,753	460,787	(154,034)	127,753	378,026	(57,795)
Change in net position	-	(290,439)	(290,439)	-	(298,210)	(298,210)	-	(588,649)	(588,649)
<b>OTHER BUDGETED EXPENSE</b>									
Capital outlay	-	-	-	-	-	-	-	-	-
Total other budgeted expenses	-	-	-	-	-	-	-	-	-
Budgeted net income (loss)	\$ -	-	-	\$ -	-	-	\$ -	-	-

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND – SANITARY DISTRICT  
For the Year Ended June 30, 2019**

	St. Michaels District			Royal Oak District			Tilghman District		
	Revised		Variance with	Revised		Variance with	Revised		Variance with
	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
<b>OPERATING REVENUES</b>									
Sewer service charges	\$ 1,090,500	\$ 1,115,970	\$ 25,470	\$ 266,300	\$ 276,413	\$ 10,113	\$ 313,250	\$ 314,813	\$ 1,563
Sewer connection charges	336,000	164,574	(171,426)	120,000	(41,351)	(161,351)	7,450	-	(7,450)
Residential benefit charges	-	-	-	-	-	-	20,000	20,741	741
Wind/solar renewable energy	-	-	-	-	-	-	-	-	-
Miscellaneous	30,000	491	(29,509)	-	245	245	-	312	312
<b>Total operating revenues</b>	<b>1,456,500</b>	<b>1,281,035</b>	<b>(175,465)</b>	<b>386,300</b>	<b>235,307</b>	<b>(150,993)</b>	<b>340,700</b>	<b>335,866</b>	<b>(4,834)</b>
<b>OPERATING EXPENSES</b>									
Salaries and related expenses	423,224	465,931	(42,707)	89,747	99,547	(9,800)	128,872	141,772	(12,900)
Professional fees	2,000	-	2,000	1,000	-	1,000	500	-	500
Office	10,750	12,607	(1,857)	4,700	5,949	(1,249)	6,750	8,235	(1,485)
Insurance	12,000	8,685	3,315	1,500	760	740	4,000	1,335	2,665
Contracted services	102,000	148,927	(46,927)	60,000	102,576	(42,576)	25,000	22,191	2,809
Repairs and maintenance	115,000	59,493	55,507	40,000	44,843	(4,843)	50,000	90,088	(40,088)
Utilities	170,700	170,810	(110)	42,750	41,495	1,255	24,000	16,670	7,330
Supplies and equipment	67,500	59,788	7,712	29,100	21,615	7,485	45,400	37,129	8,271
Other operating	18,750	27,308	(8,558)	3,250	3,127	123	4,100	4,057	43
<b>Total operating expenses</b>	<b>921,924</b>	<b>953,549</b>	<b>(31,625)</b>	<b>272,047</b>	<b>319,912</b>	<b>(47,865)</b>	<b>288,622</b>	<b>321,477</b>	<b>(32,855)</b>
Operating income (loss) before depreciation	534,576	327,486	(207,090)	114,253	(84,605)	(198,858)	52,078	14,389	(37,689)
Depreciation	19,967	743,032	(723,065)	10,753	148,048	(137,295)	21,478	155,571	(134,093)
<b>Net operating income (loss)</b>	<b>514,609</b>	<b>(415,546)</b>	<b>(930,155)</b>	<b>103,500</b>	<b>(232,653)</b>	<b>(336,153)</b>	<b>30,600</b>	<b>(141,182)</b>	<b>(171,782)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>									
Intergovernmental revenues	-	2,939,194	2,939,194	-	-	-	-	-	-
Interest income	-	-	-	500	20,072	19,572	-	9,429	9,429
Interest expense	(44,216)	(13,929)	30,287	(17,000)	(11,418)	5,582	(600)	929	(1,529)
<b>Net non-operating revenues (expenses)</b>	<b>(44,216)</b>	<b>2,925,265</b>	<b>2,969,481</b>	<b>(16,500)</b>	<b>8,654</b>	<b>25,154</b>	<b>(600)</b>	<b>10,358</b>	<b>7,900</b>
<b>Change in net position</b>	<b>470,393</b>	<b>2,509,719</b>	<b>2,039,326</b>	<b>87,000</b>	<b>(223,999)</b>	<b>(310,999)</b>	<b>30,000</b>	<b>(130,824)</b>	<b>(160,824)</b>
<b>OTHER BUDGETED EXPENSE</b>									
Debt service	470,393			87,000			30,000		
Capital outlay	-			-			-		
<b>Total other budgeted expenses</b>	<b>470,393</b>			<b>87,000</b>			<b>30,000</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>			<b>\$ -</b>			<b>\$ -</b>		

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND – SANITARY DISTRICT  
For the Year Ended June 30, 2019  
(continued)**

	Unionville District			Bio-solids Utilization Facility			Onsite Sewage Disposal		
	Revised Final Budget	Actual	Variance with Final Budget	Revised Final Budget	Actual	Variance with Final Budget	Revised Final Budget	Actual	Variance with Final Budget
<b>OPERATING REVENUES</b>									
Sewer service charges	\$ 112,320	\$ 118,695	\$ 6,375	\$ 480,000	\$ 433,002	\$ (46,998)	\$ -	\$ -	\$ -
Sewer connection charges	36,000	31,038	(4,962)	-	-	-	-	212,039	212,039
Residential benefit charges	-	-	-	-	-	-	-	-	-
Wind/solar renewable energy	-	-	-	24,000	11,683	(12,317)	-	-	-
Miscellaneous	100	179	79	50,000	-	(50,000)	-	-	-
<b>Total operating revenues</b>	<b>148,420</b>	<b>149,912</b>	<b>1,492</b>	<b>554,000</b>	<b>444,685</b>	<b>(109,315)</b>	<b>-</b>	<b>212,039</b>	<b>212,039</b>
<b>OPERATING EXPENSES</b>									
Salaries and related expenses	39,988	46,595	(6,607)	154,326	145,350	8,976	66,284	66,242	42
Professional fees	300	-	300	250	-	250	200	-	200
Office	2,550	2,453	97	4,200	3,000	1,200	-	-	-
Insurance	1,000	300	700	9,200	9,440	(240)	-	-	-
Contracted services	8,500	11,212	(2,712)	13,282	20,395	(7,113)	727,500	784,101	(56,601)
Repairs and maintenance	10,000	39,541	(29,541)	5,000	9,972	(4,972)	40,866	-	40,866
Utilities	12,700	11,887	813	14,000	42,403	(28,403)	-	-	-
Supplies and equipment	10,050	14,293	(4,243)	28,750	61,099	(32,349)	-	-	-
Other operating	2,550	2,930	(380)	2,600	8,198	(5,598)	150	25,200	(25,050)
<b>Total operating expenses</b>	<b>87,638</b>	<b>129,211</b>	<b>(41,573)</b>	<b>231,608</b>	<b>299,857</b>	<b>(68,249)</b>	<b>835,000</b>	<b>875,543</b>	<b>(40,543)</b>
Operating income (loss) before depreciation	60,782	20,701	(40,081)	322,392	144,828	(177,564)	(835,000)	(663,504)	171,496
Depreciation	18,032	143,799	(125,767)	-	343,028	(343,028)	-	-	-
<b>Net operating income (loss)</b>	<b>42,750</b>	<b>(123,098)</b>	<b>(165,848)</b>	<b>322,392</b>	<b>(198,200)</b>	<b>(520,592)</b>	<b>(835,000)</b>	<b>(663,504)</b>	<b>171,496</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>									
Intergovernmental revenues	-	-	-	-	12,962	12,962	835,000	675,794	(159,206)
Interest income	250	6,756	6,506	-	-	-	-	-	-
Interest expense	(8,000)	(5,564)	(2,436)	(97,659)	(111,902)	14,243	-	-	-
<b>Net non-operating revenues (expenses)</b>	<b>(7,750)</b>	<b>1,192</b>	<b>8,942</b>	<b>(97,659)</b>	<b>(98,940)</b>	<b>(1,281)</b>	<b>835,000</b>	<b>675,794</b>	<b>(159,206)</b>
<b>Change in net position</b>	<b>35,000</b>	<b>(121,906)</b>	<b>(156,906)</b>	<b>224,733</b>	<b>(297,140)</b>	<b>(521,873)</b>	<b>-</b>	<b>12,290</b>	<b>12,290</b>
<b>OTHER BUDGETED EXPENSE</b>									
Debt service	35,000	-	-	224,733	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
<b>Total other budgeted expenses</b>	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>224,733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Budgeted net income (loss)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND – SANITARY DISTRICT  
For the Year Ended June 30, 2019  
(continued)**

	<u>Martingham District</u>			<u>Combined Totals</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	\$ 233,650	\$ 234,606	\$ 956	\$ 2,496,020	\$ 2,493,499	\$ (2,521)
Sewer connection charges	36,000	-	(36,000)	535,450	366,300	(169,150)
Residential benefit charges	-	-	-	20,000	20,741	741
Wind/solar renewable energy	-	-	-	24,000	11,683	(12,317)
Miscellaneous	20	1,472	1,452	80,120	2,699	(77,421)
Total operating revenues	269,670	236,078	(33,592)	3,155,590	2,894,922	(260,668)
<b>OPERATING EXPENSES</b>						
Salaries and related expenses	54,484	57,385	(2,901)	956,925	1,022,822	(65,897)
Professional fees	500	-	500	4,750	-	4,750
Office	5,150	3,891	1,259	34,100	36,135	(2,035)
Insurance	750	231	519	28,450	20,751	7,699
Contracted services	35,500	48,064	(12,564)	971,782	1,137,466	(165,684)
Repairs and maintenance	5,000	25,162	(20,162)	265,866	269,099	(3,233)
Utilities	41,850	30,653	11,197	306,000	313,918	(7,918)
Supplies and equipment	13,500	15,286	(1,786)	194,300	209,210	(14,910)
Other operating	(28,900)	(25,990)	(2,910)	2,500	44,830	(42,330)
Total operating expenses	127,834	154,682	(26,848)	2,764,673	3,054,231	(289,558)
Operating income (loss) before depreciation	141,836	81,396	(60,440)	390,917	(159,309)	(550,226)
Depreciation	4,836	72,670	(67,834)	75,066	1,606,148	(1,531,082)
Net operating income (loss)	137,000	8,726	(128,274)	315,851	(1,765,457)	(2,081,308)
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental revenues	-	-	-	835,000	3,627,950	2,792,950
Interest income	-	6,065	6,065	750	42,322	41,572
Interest expense	(45,000)	(53,426)	8,426	(212,475)	(195,310)	54,573
Net non-operating revenues (expenses)	(45,000)	(47,361)	14,491	623,275	3,474,962	2,889,095
Change in net position	92,000	(38,635)	(130,635)	939,126	1,709,505	770,379
<b>OTHER BUDGETED EXPENSE</b>						
Debt service	92,000			939,126		
Capital outlay	-			-		
Total other budgeted expenses	92,000			939,126		
Budgeted net income (loss)	\$ -			\$ -		

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND – EASTON AIRPORT  
For the Year Ended June 30, 2019**

	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>OPERATING REVENUES</b>			
Charges - operations	\$ 917,192	\$ 510,848	\$ (406,344)
Charges - fuel facility	3,395,650	2,161,283	(1,234,367)
Charges - hangars	557,058	563,863	6,805
Other operating	-	-	-
<b>Total operating revenues</b>	<b>4,869,900</b>	<b>3,235,994</b>	<b>(1,633,906)</b>
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	364,199	390,159	(25,960)
Cost of sales - fuel	2,414,000	1,965,969	448,031
Professional fees	-	26,033	(26,033)
Office	39,400	30,982	8,418
Insurance	20,000	14,835	5,165
Repairs and maintenance	118,050	133,577	(15,527)
Utilities	36,200	45,497	(9,297)
Supplies and equipment	2,569	2,918	(349)
Other operating	673,392	497,459	175,933
<b>Total operating expenses</b>	<b>3,667,810</b>	<b>3,107,429</b>	<b>560,381</b>
Operating income (loss) before depreciation	1,202,090	128,565	(1,073,525)
Depreciation	890,841	2,569,130	(1,678,289)
<b>Net operating income (loss)</b>	<b>311,249</b>	<b>(2,440,565)</b>	<b>(2,751,814)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenues	-	52,473	52,473
Interest income	-	-	-
Interest expense	(43,675)	(28,291)	(15,384)
<b>Net non-operating revenues (expenses)</b>	<b>(43,675)</b>	<b>24,182</b>	<b>37,089</b>
<b>Change in net position</b>	<b>267,574</b>	<b>(2,416,383)</b>	<b>(2,683,957)</b>
<b>OTHER BUDGETED EXPENSE</b>			
Debt service	210,100		
Capital outlay	57,474		
<b>Total other budgeted expenses</b>	<b>267,574</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>		

**TALBOT COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**June 30, 2019**

	<u>Developmental Impact</u>	<u>Grants</u>	<u>Talbot Family Network</u>	<u>Total Other Governmental Funds</u>
<b>ASSETS</b>				
Cash and short -term investments	\$ 937,682	\$ 556,244	\$ 199,065	\$ 1,692,991
Receivables:				
Accounts receivable	-	-	12,720	12,720
Intergovernmental:				
State	-	462,381	-	462,381
Federal	-	365,115	-	365,115
Prepaid items	-	-	-	-
Due from other funds	-	-	-	-
Advances to other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 937,682</u>	<u>\$ 1,383,740</u>	<u>\$ 211,785</u>	<u>\$ 2,533,207</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable & accrued liabilities	\$ -	821,032	13,294	\$ 834,326
Unearned revenue	-	562,708	98,614	661,322
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>1,383,740</u>	<u>111,908</u>	<u>1,495,648</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	-	-	-	-
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted for:				
Social Services	-	-	99,877	99,877
Committed for:				
Capital projects	502,682	-	-	502,682
Assigned for:				
Future budget	435,000	-	-	435,000
Unassigned	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>937,682</u>	<u>-</u>	<u>99,877</u>	<u>1,037,559</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 937,682</u>	<u>\$ 1,383,740</u>	<u>\$ 211,785</u>	<u>\$ 2,533,207</u>

**TALBOT COUNTY, MARYLAND**

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
OTHER GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2019**

	<u>Developmental Impact</u>	<u>Grants</u>	<u>Talbot Family Network</u>	<u>Total Other Governmental Funds</u>
<b>REVENUE</b>				
Intergovernmental:				
Federal	\$ -	\$ 1,311,333	\$ -	\$ 1,311,333
State	-	731,108	548,999	1,280,107
Licences and permits	493,881	-	-	493,881
Miscellaneous	-	399,119	250	399,369
Interest	25,979	-	2,008	27,987
<b>Total Revenue</b>	<u>519,860</u>	<u>2,441,560</u>	<u>551,257</u>	<u>3,512,677</u>
<b>EXPENDITURES</b>				
Current:				
General government	-	555,643	-	555,643
Public safety	-	22,855	-	22,855
Public works	-	1,124,340	-	1,124,340
Health and hospitals	-	-	-	-
Social services	-	738,722	549,249	1,287,971
<b>Total Expenditures</b>	<u>-</u>	<u>2,441,560</u>	<u>549,249</u>	<u>2,990,809</u>
<b>Excess (Deficiency) of Revenue Over Expenditures</b>	<u>519,860</u>	<u>-</u>	<u>2,008</u>	<u>521,868</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out) to other funds:				
Capital projects - operating appropriation	(1,553,000)	-	-	(1,553,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,553,000)</u>	<u>-</u>	<u>-</u>	<u>(1,553,000)</u>
<b>NET CHANGES IN FUND BALANCE</b>	<u>(1,033,140)</u>	<u>-</u>	<u>2,008</u>	<u>(1,031,132)</u>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<u>1,970,822</u>	<u>-</u>	<u>97,869</u>	<u>2,068,691</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 937,682</u>	<u>\$ -</u>	<u>\$ 99,877</u>	<u>\$ 1,037,559</u>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENDITURES  
AS REQUIRED BY THE GOC FOR LMB OFFICES  
ON BEHALF OF THE CHILDREN'S CABINET  
For the Year Ended June 30, 2019**

**REVENUES**

Intergovernmental		
Community Partnership Agreement (GOC)	\$	441,012
Resource development		7,807
Regional grant		15,963
Miscellaneous		2,500
Interest Income		1,254
<b>TOTAL REVENUES</b>		<u>468,536</u>

**EXPENDITURES**

Social Services		
Community Partnership Programs:		
Healthy Habits After School Program		44,369
Healthy Families		97,966
Community Nutrition & Gardening		29,000
Mentoring & support Group- Children w/ Incarcerated parents		35,774
Bridges Out of poverty/Getting ahead		28,747
Conversations on race		12,000
Local Coordinating Team		23,205
Support & Connect		23,121
Reengagement coordinator		31,740
Career Pathways		7,093
Total Community Partnership programs		<u>333,015</u>
Non-Community Partnership Programs		
Administration		107,997
Talbot County website support		2,500
Resource Development		7,807
Regional Grant		15,963
Total non-Community partnership programs		<u>134,267</u>
<b>TOTAL EXPENDITURES</b>		<u>467,282</u>
Net Change in Fund Balance	\$	<u>1,254</u>

**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**

## 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, Last Ten Fiscal Years)

	<b>Fiscal Year</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>2018</b>	<b>2019</b>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 75,347,678	\$ 77,628,434	\$ 78,931,013	\$ 80,387,586	\$ 80,625,199	\$ 80,132,665	\$ 78,908,012	\$ 80,610,059	\$ 78,664,492	\$ 76,175,840
Restricted		547,778	287,350	144,869	94,239	94,396	95,943	96,616	97,869	99,877
Unrestricted	<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>	<u>4,162,871</u>	<u>1,021,733</u>
Total governmental activities net position	\$ 90,084,050	\$ 79,207,217	\$ 76,607,174	\$ 81,055,657	\$ 76,967,132	\$ 83,200,994	\$ 86,329,245	\$ 91,365,924	\$ 82,925,232	\$ 77,297,450
<b>Business-type activities</b>										
Net investment in capital assets	\$ 54,672,754	\$ 57,872,067	\$ 55,881,195	\$ 54,021,693	\$ 51,985,231	\$ 52,050,922	\$ 49,231,203	\$ 51,133,626	\$ 48,005,138	\$ 48,243,349
Unrestricted	<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>	<u>(3,448,134)</u>	<u>(4,981,872)</u>
Total business-type activities net position	\$ 54,273,214	\$ 57,561,272	\$ 56,033,352	\$ 53,880,777	\$ 51,883,279	\$ 51,529,212	\$ 48,796,460	\$ 47,939,289	\$ 44,557,004	\$ 43,261,477
<b>Primary government</b>										
Net investment in capital assets	\$ 130,020,432	\$ 135,500,501	\$ 134,812,208	\$ 134,409,279	\$ 132,610,430	\$ 132,183,587	\$ 128,139,215	\$ 131,743,685	\$ 126,669,630	\$ 124,419,189
Restricted		547,778	287,350	144,869	94,239	94,396	95,943	96,616	97,869	99,877
Unrestricted	<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>	<u>714,737</u>	<u>(3,960,139)</u>
Total primary government net position	<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>	<u>\$ 127,482,236</u>	<u>\$ 120,558,927</u>

Schedule 2

Talbot County, Maryland

Changes in Net Position

(accrual basis of accounting, Last Ten Fiscal Years)

	Fiscal Year									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 9,518,269	\$ 10,183,649	\$ 9,523,067	\$ 9,358,236	\$ 9,551,119	\$ 10,360,176	\$ 11,224,921	\$ 11,325,690	\$ 12,144,928	\$ 14,456,714
Public safety	13,185,294	13,657,735	12,854,721	14,018,219	16,071,849	14,798,173	15,364,473	17,276,097	18,723,695	20,182,065
Public works	4,249,569	4,334,793	4,601,524	4,509,239	3,788,820	5,919,975	6,550,228	6,427,502	6,543,225	7,089,362
Health and hospitals	2,410,440	3,120,074	3,576,751	3,829,281	4,099,374	4,394,559	2,550,428	2,520,926	2,522,380	2,524,694
Social services	1,499,755	1,224,920	1,147,850	838,625	857,752	936,371	1,821,647	1,640,895	1,360,507	1,908,188
Education	39,811,132	39,715,193	37,597,612	38,491,514	41,640,092	39,518,549	41,025,371	42,249,348	43,745,918	52,481,151
Recreation	864,772	748,414	738,616	642,770	632,538	541,540	734,248	959,049	576,070	734,182
Conservation of natural resources	269,891	255,489	226,264	218,361	252,375	242,700	252,228	250,848	282,789	267,761
Interest on long-term debt	55,936	23,388	15,904	14,456	13,439	173,141	212,886	185,145	158,714	43,393
Total governmental activities expenses	<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>	<u>86,058,226</u>	<u>99,687,510</u>
Business-type activities:										
Recreation facilities	2,958,425	3,162,507	2,582,398	2,624,390	2,652,143	2,647,744	2,676,732	2,888,465	3,080,314	3,145,530
Sanitary district	2,759,881	2,952,404	3,353,238	3,354,872	3,430,264	3,710,861	3,883,742	4,366,586	4,511,793	4,855,689
Airport	3,855,297	4,712,248	4,655,128	4,903,460	4,837,671	4,464,150	4,312,785	4,525,433	5,805,247	5,704,850
Pool	<u>329,445</u>	<u>267,306</u>	<u>233,239</u>	<u>257,766</u>	<u>215,301</u>	<u>249,430</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total business-type activities expenses	<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>	<u>13,397,354</u>	<u>13,706,069</u>
Total primary government expenses	<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>	<u>\$ 99,455,580</u>	<u>\$ 113,393,579</u>

Schedule 2 (continued)

Talbot County, Maryland

Changes in Net Position

(accrual basis of accounting, Last Ten Fiscal Years)

	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 848,085	\$ 757,436	\$ 840,171	\$ 824,281	\$ 808,001	\$ 879,528	\$ 799,385	\$ 876,513	\$ 571,155	\$ 647,619
Public safety	1,553,647	1,841,268	1,766,198	1,687,609	1,594,468	1,716,348	1,700,062	2,409,072	2,442,331	2,626,903
Public works	152,197	30,693	162,353	30,938	228,548	416,507	262,496	245,783	474,198	381,148
Health and hospitals	89,939	70,199	118,979	130,705	133,248	115,961	110,303	95,011	98,104	102,131
Social Services	-	-	-	-	-	-	-	-	-	-
Education	267,153	112,872	115,776	80,295	151,045	99,143	105,745	410,781	224,423	267,625
Recreation	144,521	75,602	101,816	102,867	99,968	97,455	183,097	240,526	167,724	146,030
Conservation of natural resources	-	-	-	-	-	-	-	-	71,959	32,254
Operating/Capital grants and contributions	3,134,627	5,877,037	6,067,814	8,217,559	5,640,620	5,813,482	5,392,962	5,293,139	4,822,721	5,288,161
Total governmental activities program revenues	6,190,169	8,765,107	9,173,107	11,074,254	8,655,898	9,138,424	8,554,050	9,570,825	8,872,615	9,491,871
Business-type activities:										
Charges for services										
Recreation facilities	1,446,815	1,473,218	1,637,646	1,490,032	1,417,840	1,445,070	1,845,663	2,050,009	2,021,416	2,070,881
Sanitary district	2,045,673	2,103,019	2,318,164	2,166,256	2,328,288	2,440,190	2,203,946	3,473,144	2,528,753	2,894,922
Easton airport	2,519,061	3,015,851	3,397,868	3,216,518	3,351,214	2,992,658	2,527,763	2,524,209	3,099,955	3,235,994
Pool	87,317	113,324	133,023	116,353	109,084	108,506	-	-	-	-
Operating/Capital grants and contributions	5,282,059	6,431,135	1,219,494	1,453,759	1,315,605	3,098,649	1,223,632	2,300,676	1,496,336	3,680,423
Total business-type activities program revenues	11,380,925	13,136,547	8,706,195	8,442,918	8,522,031	10,085,073	7,801,004	10,348,038	9,146,460	11,882,220
Total primary government program revenues	\$ 17,571,094	\$ 21,901,654	\$ 17,879,302	\$ 19,517,172	\$ 17,177,929	\$ 19,223,497	\$ 16,355,054	\$ 19,918,863	\$ 18,019,075	\$ 21,374,091
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (65,674,889)	\$ (64,498,548)	\$ (61,109,202)	\$ (60,846,447)	\$ (68,251,460)	\$ (67,746,760)	\$ (71,182,380)	\$ (73,264,675)	\$ (77,185,611)	\$ (90,195,639)
Business-type activities	1,477,877	2,042,082	(2,117,808)	(2,697,570)	(2,613,348)	(987,112)	(3,072,255)	(1,432,446)	(4,250,894)	(1,823,849)
Total primary government net expense	\$ (64,197,012)	\$ (62,456,466)	\$ (63,227,010)	\$ (63,544,017)	\$ (70,864,808)	\$ (68,733,872)	\$ (74,254,635)	\$ (74,697,121)	\$ (81,436,505)	\$ (92,019,488)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 28,324,937	\$ 29,154,652	\$ 30,002,020	\$ 32,741,855	\$ 33,660,872	\$ 34,726,851	\$ 35,280,376	\$ 36,531,210	\$ 38,574,339	\$ 41,646,643
Local income tax	19,260,503	18,551,894	20,269,343	23,140,754	27,108,102	28,562,934	26,568,636	28,007,970	25,767,710	29,514,546
Other local taxes	6,831,278	6,792,369	8,449,480	9,727,044	9,522,629	10,706,846	11,340,994	12,859,841	12,354,244	12,107,793
Interest	980,562	221,952	166,317	105,007	94,004	91,344	132,640	231,807	604,834	901,297
Miscellaneous	1,927,226	136,104	197,427	115,471	2,306,687	514,997	1,317,542	1,206,986	1,309,428	883,578
Transfers in (out)	(1,664,071)	(1,235,256)	(575,428)	(535,201)	(598,850)	(622,350)	(329,557)	(536,460)	(842,250)	(486,000)
Total governmental activities	55,660,435	53,621,715	58,509,159	65,294,930	72,093,444	73,980,622	74,310,631	78,301,354	77,768,305	84,567,857
Business-type activities:										
Interest	60,046	10,720	14,460	7,333	6,500	6,195	9,946	18,815	26,359	42,322
Miscellaneous	-	-	-	2,461	10,500	4,500	-	20,000	-	-
Transfers in (out)	1,664,071	1,235,256	575,428	535,201	598,850	622,350	329,557	536,460	842,250	486,000
Total business-type activities	1,724,117	1,245,976	589,888	544,995	615,850	633,045	339,503	575,275	868,609	528,322
Total primary government	\$ 57,384,552	\$ 54,867,691	\$ 59,099,047	\$ 65,839,925	\$ 72,709,294	\$ 74,613,667	\$ 74,650,134	\$ 78,876,629	\$ 78,636,914	\$ 85,096,179
Prior Period Restatement*	\$ -	\$ -	\$ -	\$ -	\$ (7,930,509)	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Change in Net Position</b>										
Governmental activities	\$ (10,014,454)	\$ (10,876,833)	\$ (2,600,043)	\$ 4,448,483	\$ (4,088,525)	\$ 6,233,862	\$ 3,128,251	\$ 5,036,679	\$ 582,694	\$ (5,627,782)
Business-type activities	3,201,994	3,288,058	(1,527,920)	(2,152,575)	(1,997,498)	(354,067)	(2,732,752)	(857,171)	(3,382,285)	(1,295,527)
Total primary government	\$ (6,812,460)	\$ (7,588,775)	\$ (4,127,963)	\$ 2,295,908	\$ (6,086,023)	\$ 5,879,795	\$ 395,499	\$ 4,179,508	\$ (2,799,591)	\$ (6,923,309)

\* 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.

Fiscal years 2017 and prior have not been restated for GASB 75

Fiscal year 2018 reflects GASB 75

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

	Fiscal Year									
	2010	2011*	2012*	2013*	2014*	2015*	2016*	2017*	2018*	2019*
General Fund										
Reserved	\$ 105,269	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	15,947,750	-	-	-	-	-	-	-	-	-
Undesignated	16,992,681	-	-	-	-	-	-	-	-	-
Non spendable										
Prepaid	-	56,271	94,005	143,711	74,482	205,551	83,672	55,539	492,383	771,897
Committed	-	7,000,000	-	-	-	-	-	-	-	-
Assigned	-	1,350,000	1,487,600	761,814	-	1,290,000	2,156,000	2,526,000	7,775,000	3,963,460
Unassigned	-	15,517,033	15,305,808	18,617,745	20,772,381	23,744,224	23,322,998	26,834,499	22,030,792	25,581,196
<b>Total General Fund</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>	<b>\$ 30,298,175</b>	<b>\$ 30,316,553</b>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	20,893,889	-	-	-	-	-	-	-	-	-
Designated - Special Revenue Funds	2,805,745	-	-	-	-	-	-	-	-	-
Undesignated - Special Revenue Funds	-	-	-	-	-	-	-	-	-	-
Restricted	-	547,778	287,350	144,869	94,239	94,396	95,943	96,616	97,869	99,877
Committed	-	16,971,966	10,501,167	10,118,592	10,628,689	9,883,203	11,411,980	8,505,196	5,866,571	3,065,329
Assigned	-	1,000,000	1,997,000	910,000	300,000	437,950	246,000	320,000	1,553,000	435,000
Unassigned	-	-	(1,289)	(1,289)	(1,289)	-	-	-	-	-
<b>Total all other governmental funds</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>\$ 7,517,440</b>	<b>\$ 3,600,206</b>
<b>Total Governmental Funds</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>	<b>\$ 37,815,615</b>	<b>\$ 33,916,759</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,**

*(accrual basis of accounting, Last Ten Fiscal Years)*

**Fiscal Year**

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Revenues</b>										
Property tax	\$ 28,324,937	\$ 29,154,652	\$ 30,002,020	\$ 32,741,855	\$ 33,660,872	\$ 34,726,851	\$ 35,280,376	\$ 36,531,210	\$ 38,574,339	\$ 41,646,643
Income tax	19,260,503	18,551,894	20,269,343	23,140,754	27,108,102	28,562,934	26,568,636	28,007,970	25,767,710	29,514,546
Other local taxes	6,831,278	6,792,369	8,449,480	9,727,044	9,522,629	10,706,846	11,340,994	12,859,841	12,354,244	12,107,793
Licenses and permits	1,079,221	754,521	921,714	709,104	1,064,650	1,197,384	1,131,327	1,534,397	1,242,676	1,202,274
Intergovernmental:										
Federal	862,601	3,204,079	3,255,988	2,458,706	2,611,375	2,711,862	1,806,977	1,969,264	908,238	1,770,003
State	2,272,026	2,672,958	2,811,826	2,618,853	2,980,645	3,096,220	3,585,985	3,323,875	3,914,482	3,337,691
Contributions/Cost Sharing				1,500,000	-	-	-	-	-	-
Other Grants				6,268	48,600	5,400	-	-	-	-
Service charges	1,967,453	2,129,649	2,178,232	2,135,969	1,939,522	2,124,798	2,026,744	2,741,847	2,778,123	2,940,620
Fines and forfeitures	8,868	3,900	5,347	5,354	11,106	2,760	3,017	1,442	29,094	60,815
Miscellaneous	1,927,226	136,104	197,427	115,471	2,306,687	514,997	1,317,542	1,206,986	1,309,430	1,064,046
Interest Income	980,562	221,952	166,317	105,007	94,004	91,344	132,640	231,807	604,834	901,297
<b>Total revenues</b>	<u>63,514,675</u>	<u>63,622,078</u>	<u>68,257,694</u>	<u>75,264,385</u>	<u>81,348,192</u>	<u>83,741,396</u>	<u>83,194,238</u>	<u>88,408,639</u>	<u>87,483,170</u>	<u>94,545,728</u>
<b>Expenditures</b>										
General Government	5,704,039	8,000,023	8,964,591	5,846,871	6,070,668	6,350,740	7,642,163	8,802,050	9,300,739	9,330,699
Public Safety	11,048,315	11,736,551	10,525,791	12,240,008	13,799,168	20,277,465	17,363,993	17,499,498	16,961,686	18,493,023
Public Works*	3,563,248	4,592,005	4,554,963	5,059,652	5,229,765	5,833,477	7,006,063	7,982,257	6,203,408	6,826,823
Health and hospitals	2,404,180	3,113,814	3,570,491	3,823,021	4,093,114	4,416,125	2,544,168	2,520,926	2,522,380	2,524,694
Social services	1,484,019	1,209,401	1,033,099	838,625	857,752	936,371	1,821,647	1,640,895	1,360,507	1,908,188
Education*	41,975,775	42,480,161	39,818,352	40,802,775	44,015,863	42,060,240	43,247,006	44,193,888	46,535,733	54,696,071
Recreation	491,376	329,191	286,009	550,994	389,354	490,067	601,223	909,747	617,321	624,825
Conservation of natural resources	269,891	255,489	226,264	218,361	252,375	242,700	252,228	250,848	266,938	267,761
Employee Benefits	3,116,961	3,460,899	10,461,176	3,247,384	5,695,880	4,038,964	1,695,449	825,003	1,037,594	1,010,251
Miscellaneous	130,043	216,666	77,239	95,150	79,206	101,568	74,127	130,261	110,226	132,842
Intergovernmental	722,861	761,613	820,446	822,434	874,438	1,068,923	948,472	964,560	1,203,193	1,176,405
Debt service interest*	55,936	23,388	15,904	14,456	13,439	173,141	212,886	185,145	158,714	43,393
Debt service principal*	363,245	381,392	59,651	48,355	48,645	50,680	799,855	835,569	861,726	889,579
Debt issuance costs	-	-	-	-	-	-	124,648	-	-	-
Contingencies	306,253	440,569	39,697	97,297	214,355	41,972	81,219	114,433	22,990	34,030
<b>Total expenditures</b>	<u>71,636,142</u>	<u>77,001,162</u>	<u>80,453,673</u>	<u>73,705,383</u>	<u>81,634,022</u>	<u>86,082,433</u>	<u>84,415,147</u>	<u>86,855,080</u>	<u>87,163,155</u>	<u>97,958,584</u>
Excess of revenues over (under) expenditures	<u>(8,121,467)</u>	<u>(13,379,084)</u>	<u>(12,195,979)</u>	<u>1,559,002</u>	<u>(285,830)</u>	<u>(2,341,037)</u>	<u>(1,220,909)</u>	<u>1,553,559</u>	<u>320,015</u>	<u>(3,412,856)</u>
<b>Other Financing Sources (Uses)</b>										
Proceeds from long-term debt	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	-	681,641	-	-	-	-	1,327,418	4,158	-	-
Proceeds from Sale of Land	-	-	-	-	-	-	3,510,650	-	-	-
Transfers in (out)										
Pools	(79,561)	(164,281)	(100,216)	(142,231)	(113,850)	(107,950)	(191,030)	-	-	-
Recreation	(1,584,510)	(1,070,975)	(475,212)	(392,970)	(485,000)	(514,400)	(597,790)	(536,460)	(842,250)	(486,000)
<b>Total other financing sources (uses)</b>	<u>(1,651,071)</u>	<u>(923,202)</u>	<u>(575,428)</u>	<u>(535,201)</u>	<u>1,458,890</u>	<u>6,127,859</u>	<u>2,882,178</u>	<u>(532,302)</u>	<u>(842,250)</u>	<u>(486,000)</u>
<b>Net change in fund balances</b>	<u>\$ (9,772,538)</u>	<u>\$ (14,302,286)</u>	<u>\$ (12,771,407)</u>	<u>\$ 1,023,801</u>	<u>\$ 1,173,060</u>	<u>\$ 3,786,822</u>	<u>\$ 1,661,269</u>	<u>\$ 1,021,257</u>	<u>\$ (522,235)</u>	<u>\$ (3,898,856)</u>

\*Expenditures from Public Works, Education and Debt Service categories of expenditures include debt service principal and debt service interest .

<b>Total Governmental Principal Payments</b>										
Education	2,149,287	2,278,476	2,143,416	2,233,937	2,298,447	2,464,368	2,705,900	2,653,858	2,739,243	2,214,920
General Government	363,245	381,392	59,651	48,355	48,645	50,680	799,855	835,569	861,726	889,579
Public Works	-	-	-	-	43,339	47,658	48,610	49,582	50,572	47,239
<b>Total Principal</b>	<u>2,512,532</u>	<u>2,659,868</u>	<u>2,203,067</u>	<u>2,282,292</u>	<u>2,390,431</u>	<u>2,562,706</u>	<u>3,554,365</u>	<u>3,539,009</u>	<u>3,651,541</u>	<u>3,151,738</u>
<b>Total Governmental Interest Payments</b>										
Education	1,691,044	1,393,224	1,253,516	1,184,643	1,115,569	1,022,369	711,277	798,087	707,174	554,921
General Government	55,936	23,388	15,904	14,456	13,439	173,141	212,886	185,145	158,714	43,393
Public Works	-	-	-	-	4,375	4,555	3,618	2,429	1,438	267
<b>Total Interest</b>	<u>1,746,980</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>	<u>867,326</u>	<u>598,581</u>

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

	<b>Fiscal Year</b>									
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Total expenditures (Schedule 4)	\$ 71,636,142	\$ 77,001,162	\$ 80,453,673	\$ 73,705,383	\$ 81,634,022	\$ 86,082,433	\$ 84,415,147	\$ 86,855,080	\$ 87,163,155	\$ 97,958,584
Less Capital Outlay Expenditures	<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>	<u>2,200,857</u>	<u>1,549,501</u>
Non-Capital Expenditures	69,354,984	71,010,419	75,474,862	69,988,620	77,771,399	75,867,643	79,738,881	81,721,850	84,962,298	96,409,083
Debt Service Expenditures (Schedule 4)										
Principal	2,502,108	2,659,867	2,203,067	2,282,292	2,390,431	2,562,706	3,554,365	3,539,009	3,651,541	3,151,738
Interest	<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>	<u>867,326</u>	<u>598,581</u>
Total Debt Service Expenditures	4,259,512	4,076,479	3,472,487	3,481,391	3,523,814	3,762,771	4,482,146	4,524,670	4,518,867	3,750,319
Debt service as a percentage of Non-capital expenditures	6.14%	5.74%	4.60%	4.97%	4.53%	4.96%	5.62%	5.54%	5.32%	3.89%

**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>	
2019	\$ 8,384,993,791	\$ 8,384,993,791	\$ 0.6061	\$ 0.5572	\$ 69,100,240	\$ 69,100,240	\$ 1.5153	\$ 8,454,094,031
2018	8,365,734,487	8,365,734,487	0.5708	0.5214	64,395,380	64,395,380	1.4270	8,430,129,867
2017	8,367,983,282	8,367,983,282	0.5471	0.4990	64,786,610	64,786,610	1.3677	8,432,769,892
2016	8,354,090,629	8,354,090,629	0.5360	0.4884	63,153,192	63,153,192	1.3400	8,417,243,821
2015	8,494,000,738	8,494,000,738	0.5270	0.4805	62,229,920	62,229,920	1.3175	8,556,230,658
2014	8,812,185,090	8,812,185,090	0.5120	0.4660	56,604,950	56,604,950	1.2800	8,868,790,040
2013	9,278,557,414	9,278,557,414	0.4910	0.4470	59,473,730	59,473,730	1.2275	9,338,031,144
2012	9,710,928,300	9,710,928,300	0.4480	0.4050	59,151,090	59,151,090	1.1200	9,770,079,390
2011	10,093,360,351	10,093,360,351	0.4320	0.3890	58,123,220	58,123,220	1.0800	10,151,483,571
2010	10,076,574,525	10,076,574,525	0.4320	0.3890	56,285,760	56,285,760	1.0800	10,132,860,285

**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
2019	\$ 0.6061	0.4731	0.4891	0.5460	0.4791	0.5081	0.5572	0.520	0.3047	0.180	0.524	0.330	\$ 0.6061	0.9931	0.7938	0.7260	1.0031	0.8381
2018	0.5708	0.4378	0.4538	0.5098	0.4438	0.4728	0.5214	0.520	0.3000	0.180	0.524	0.330	0.5708	0.9578	0.7538	0.6898	0.9678	0.8028
2017	0.5471	0.4142	0.4302	0.4862	0.4202	0.4492	0.4990	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	0.4884	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	0.4805	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	0.4660	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	0.4470	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	0.4050	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	0.3890	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	0.3890	0.520	0.2438	0.180	0.640	0.300	0.4320	0.8230	0.5628	0.5550	0.9490	0.6480

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

Notes:  
Real property is assessed at full cash value.

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

<b>Taxpayer</b>	<b>Fiscal Year 2019</b>			<b>Fiscal Year 2010</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	\$ 21,536,233	1	0.26%			
Remco Properties, LLC	14,556,700	2	0.17%	\$ 12,055,500	6	0.12%
Easton Shoppes Business Trust	13,867,800	3	0.17%	13,427,800	3	0.13%
Bayleigh Chase, Inc	13,781,200	4	0.16%			
Lowe's Home Centers, Inc.	11,570,600	5	0.14%	12,955,800	4	0.13%
Tred Avon LLC	11,301,800	6	0.13%			0.00%
Target Corporation	11,096,700	7	0.13%	9,396,400	7	0.09%
Wal Mart Real Estate Business Trust	10,669,000	8	0.13%	8,922,000	8	0.09%
Fre USA LLC	10,501,500	9	0.13%			
JDC Easton LLC	10,339,900	10	0.12%			
Retirement Comm of Easton Inc				29,476,300	1	0.29%
Perry Cabin Acquisitions Corp.				20,608,432	2	0.20%
Individual				12,108,900	5	0.12%
Individual				8,893,530	9	0.09%
Individual				8,680,480	10	0.09%
<b>Total</b>	<b>\$ 129,221,433</b>		<b>1.54%</b>	<b>\$ 136,525,142</b>		<b>1.35%</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
2019	\$ 41,746,371	\$ 40,715,401	97.53%	\$ -	\$ 40,715,401	97.53%
2018	38,639,733	37,718,867	97.62%	(2,668)	37,716,199	97.61%
2017	35,775,649	35,760,252	99.96%	50,680	35,810,932	100.10%
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%

**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**

<b>State Income Tax Rates*</b>									
	<b>\$1 to \$1,000</b>	<b>\$1,001 to \$2,000</b>	<b>\$2,001 to \$3,000</b>	<b>In excess of \$3,000</b>	<b>\$3,001 to \$100,000</b>	<b>\$100,001 to \$125,000</b>	<b>\$125,001 to \$150,000</b>	<b>\$150,001 to \$250,000</b>	<b>In excess of \$250,000</b>
<b>Tax</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Net Taxable</b>
<b>Year</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>
2018	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2017	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
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					

<b>State Income Tax Rates*</b>						
	<b>\$3,001 to \$150,000</b>	<b>\$150,001 to \$300,000</b>	<b>\$300,001 to \$500,000</b>	<b>\$500,001 to \$1,000,000</b>	<b>In excess of \$1,000,000</b>	<b>Talbot County</b>
<b>Tax</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Net Taxable</b>	<b>Income Tax</b>
<b>Year</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Direct Rate</b>
2018	N/A	N/A	N/A	N/A	N/A	2.40%
2017	N/A	N/A	N/A	N/A	N/A	2.40%
2016	N/A	N/A	N/A	N/A	N/A	2.40%
2015	N/A	N/A	N/A	N/A	N/A	2.40%
2014	N/A	N/A	N/A	N/A	N/A	2.40%
2013	N/A	N/A	N/A	N/A	N/A	2.40%
2012	N/A	N/A	N/A	N/A	N/A	2.25%
2011	4.75%	5.00%	5.25%	5.50%	5.50%	2.25%
2010	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%
2009	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%

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>
2017	14,846	\$ 1,502,571,658	\$ 1,235,868,490	\$ 57,102,071	\$ 28,647,595	\$ 85,749,666	2.40%
2016	14,666	1,400,448,708	1,132,954,384	52,190,441	26,246,660	78,437,101	2.40%
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%

**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 2017					
	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	289	1.9%	\$ 377,365,240	30.5%	\$ 8,514,466	29.7%
\$250,000 - 499,999	602	4.1%	183,832,793	14.9%	4,345,768	15.2%
\$100,000 - 249,999	2,744	18.5%	338,800,263	27.4%	8,080,039	28.2%
\$50,000 - 99,999	3,798	25.6%	202,780,342	16.4%	4,845,031	16.9%
\$25,000 - 49,999	4,122	27.8%	101,786,388	8.2%	2,243,658	7.8%
\$5,000 - 24,999	3,235	21.8%	31,208,630	2.5%	616,460	2.2%
Under \$5,000	56	0.4%	94,834	0.0%	2,173	0.0%
Totals	14,846	100.0%	\$ 1,235,868,490	100.0%	\$ 28,647,595	100.0%

	Tax Year 2008					
	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	231	1.6%	\$ 319,282,023	32.0%	\$ 7,183,847	32.3%
\$250,000 - 499,999	688	4.9%	175,312,826	17.6%	3,944,540	17.7%
\$100,000 - 249,999	1,832	13.0%	191,767,558	19.2%	4,314,772	19.4%
\$50,000 - 99,999	3,705	26.2%	184,851,810	18.5%	4,157,796	18.7%
\$25,000 - 49,999	4,079	28.9%	94,588,947	9.5%	2,037,792	9.2%
\$5,000 - 24,999	3,529	25.0%	31,888,478	3.2%	584,730	2.6%
Under \$5,000	65	0.5%	109,983	0.0%	2,275	0.0%
Totals	14,129	100.0%	\$ 997,801,625	100.0%	\$ 22,225,752	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**

<b>Fiscal Year</b>	<b>Governmental Activities</b>	<b>Business Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Debt Per Capita</b>
	<b>General Obligation Bonds</b>	<b>General Obligation Bonds</b>	<b>Capital Leases</b>			
2019	\$ 21,889,178	\$ 15,695,215	\$ 149,448	\$ 37,733,841	1.39%	\$ 1,021
2018	25,216,355	16,925,000	242,299	42,383,654	1.57%	1,146
2017	29,043,335	16,322,002	324,066	45,689,403	1.73%	1,231
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

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

**Notes:**

2018 & 2019 percentages calculated using 2017 personal income data, 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>
2019	\$ 37,584,393	\$ 8,454,094,031	0.44%	36,968	\$ 1,017
2018	42,141,355	8,430,129,867	0.50%	36,968	1,140
2017	45,365,337	8,432,769,892	0.54%	37,103	1,223
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

**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.

**Schedule 15**  
**Talbot County, Maryland**  
**Direct and Overlapping Governmental Activities Debt**  
**As of June 30, 2019**

<u>Governmental Unit</u>	<u>Total Assessed Valuation of Real Property<sup>a</sup></u>	<u>% of Assessed Valuation to County Total</u>	<u>Pro Rata Share of County General Obligation Bonded Debt</u>	<u>Municipal Debt Outstanding<sup>b</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Easton	\$ 2,209,031,594	26.35%	\$ 5,766,717	\$ 8,775,000	\$ 14,541,717
Oxford	331,389,336	3.95%	865,098	-	865,098
Queen Anne	7,370,800	0.09%	19,242	-	19,242
St. Michaels	316,680,585	3.78%	826,700	-	826,700
Trappe	85,079,468	1.01%	222,101	234,382	456,483
Unincorporated	<u>5,435,442,008</u>	<u>64.82%</u>	<u>14,189,320</u>	<u>-</u>	<u>14,189,320</u>
<b>Total</b>	<u>\$ 8,384,993,791</u>	<u>100%</u>	<u>\$ 21,889,178</u>	<u>\$ 9,009,382</u>	<u>\$ 30,898,560</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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Taxable Assessable Base *	\$ 9,633,030	\$ 10,093,360	\$ 9,710,928	\$ 9,278,557	\$ 8,812,185	\$ 8,494,001	\$ 8,354,091	\$ 8,367,983	\$ 8,365,734	\$ 8,384,994
Debt Limit, 15% of Assessable Base	1,444,955	1,514,004	1,456,639	1,391,784	1,321,828	1,274,100	1,253,114	1,255,197	1,254,860	1,257,749
Amount of Debt Applicable to Limit										
General Obligation Bonds	38,873	35,404	33,201	31,668	31,258	35,368	32,754	29,043	25,216	21,889
Legal Debt Margin	<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>	<u>\$ 1,229,644</u>	<u>\$ 1,235,860</u>
Total net debt applicable to the limit as a percentage of debt limit	2.69%	2.34%	2.28%	2.28%	2.36%	2.78%	2.61%	2.31%	2.01%	1.74%

**Source:**

\* State of Maryland, Department of Assessments and Taxation

**Note:**

Section 622 of the Talbot County Charter limits the County's outstanding general obligation long-term debts to no more than 15 percent of the assessable property tax base of the County.

**Schedule 17**  
**Talbot County, Maryland**  
**Demographic and Economic Statistics,**  
**Last Ten Fiscal Years**

<b>Year</b>	<b>Population<sup>b</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>
2019	36,968	*	*	4,674	3.6%
2018	36,968	2,707,240	73,232	4,646	4.1%
2017	37,103	2,643,437	71,246	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%

**Sources:**

<sup>a</sup> Maryland Department of Planning - Projections and State Data Center Unit for years not available from Bureau of Economic Analysis, U.S. Department of Commerce.

<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 2018</u>			<u>CY 2009</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 Regional Health	1,510	1	7.72%			
Bayleigh Chase	300	2	1.53%			
Chesapeake Center	200	3	1.02%			
Genesis Healthcare/The Pines	170	4	0.87%	186	8	0.99%
Eurofins EAG Easton	160	5	0.82%			
Inn at Perry Cabin by Belmond	160	6	0.82%			
Shore Bancshares	160	7	0.82%	350	4	1.87%
Qlarant	150	8	0.77%			
Chesapeake Building Components	140	9	0.72%			
Aphena Pharma Solutions	135	10	0.69%			
Target						
Shore Health Systems/EMH				2,400	1	12.80%
Allen Family Foods				550	2	2.93%
Quality Health Strategies				400	3	2.13%
William Hill Manor				300	5	1.60%
Wal-Mart				220	6	1.17%
Global Strategies Group				200	7	1.07%
Pro Temps Staffing Solutions				175	9	0.93%
Chesapeake Publishing				160	10	0.85%
	<u>3,085</u>		<u>15.77%</u>	<u>4,941</u>		<u>26.35%</u>

**Schedule 19**  
**Talbot County, Maryland**  
**Full-time Equivalent County Government Employees by Function,**  
**Last Ten Fiscal Years**

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
General Government	66.0	63.0	60.3	61.1	63.8	65.8	65.4	66.8	65.7	68.9
Public Safety	151.3	152.0	146.7	151.2	156.3	161.7	170.2	161.3	164.2	177.4
Public Works	50.5	46.0	42.5	41.2	40.8	41.9	44.7	46.1	46.8	46.9
Social Services	3.4	3.0	0.8	-	-	-	-	-	-	-
Recreation	46.0	34.0	32.8	33.0	35.1	35.9	35.6	38	37.2	34.9
Airport	5.0	5.0	5.0	5.1	5.1	5.0	5.1	5.3	5.2	5.4
<b>Total</b>	<b><u>322.2</u></b>	<b><u>303.0</u></b>	<b><u>288.1</u></b>	<b><u>291.6</u></b>	<b><u>301.1</u></b>	<b><u>310.3</u></b>	<b><u>321.0</u></b>	<b><u>317.5</u></b>	<b><u>319.1</u></b>	<b><u>333.5</u></b>

**Source:** 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**

<b><u>Function/Program</u></b>	<b>Fiscal Year</b>									
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
<b>General Government</b>										
Building Permits issued	316	308	267	261	245	239	259	294	299	408
Value of new construction (000's)	31,116	36,974	27,067	28,540	24,379	28,289	34,149	58,099	38,235	34,598
<b>Public Safety</b>										
Detention Center										
Avg. daily population	92	104	85	81	72	63	67	75	69	72
Bookings	807	771	1,020	954	880	804	775	727	626	935
9-1-1 Calls Answered										
Fire	1,724	1,705	1,975	2,034	1,917	2,112	2,523	3,338	2,070	2,088
Emergency Medical Services	4,408	4,330	4,458	4,551	4,358	4,774	4,682	3,894	5,897	5,973
Sheriff	15,191	13,627	13,923	12,165	13,139	13,397	14,896	16,879	20,167	26,083
Other Police	7,399	7,383	8,367	11,533	12,040	11,184	11,834	32,403	29,852	33,902
<b>Education</b>										
Students	4,495	4,504	4,547	4,570	4,537	4,630	4,625	4,593	4,646	4,674
Teachers Instructional	304	316	312	321	321	321	326	327	325	326
<b>Recreation Facilities</b>										
Boat ramp permits	6,848	6,724	6,689	6,443	6,185	6,034	5,886	3,957	3,581	3,540
Golf rounds	22,781	27,969	31,467	28,439	29,057	26,889	35,998	37,903	31,140	29,838
<b>Public Works</b>										
Centerline miles of road maintained	372	372	374	374	374	374	373	373	373	373
Wastewater treated (mgd)	0.558	0.481	0.477	0.483	0.460	0.363	0.428	0.401	0.382	0.552
<b>Airport</b>										
Based aircraft	143	146	146	176	220	216	229	233	224	225
Gallons of fuel sold	614,612	646,268	633,071	581,342	642,726	648,140	660,362	642,921	748,246	709,282

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**

<b><u>Function/Program</u></b>	<b>Fiscal Year</b>									
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>	<b><u>2016</u></b>	<b><u>2017</u></b>	<b><u>2018</u></b>	<b><u>2019</u></b>
<b>Public Safety</b>										
Detention center capacity	140	140	145	145	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	2	2	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	12	12	12	14	14	14	14	14	14	14
Park acreage	272	272	272	293	293	293	293	293	293	293
Public Landings & Wharves	29	30	30	30	30	30	30	30	30	30
Boat Slips	117	117	136	136	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	374	374	374	374	373	373	373	373
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	3	3	3	3	3	3	3	2	2	2
Miles of mains	38	38	38	38	40	40	40	42	42	43
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.

*Talbot County, Maryland*

**11 North Washington Street  
Easton, MD 21601**

[www.talbotcountymd.gov](http://www.talbotcountymd.gov)