

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF PRINCIPAL OFFICIALS

TALBOT COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 for the FISCAL YEAR ENDED JUNE 30, 2007
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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

October 30, 2007

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, 2007 as required by both local and state statutes. These statutes require that Talbot County, Maryland annually issue financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted 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 public accounting firm of Trice, Geary and Myers, LLC has audited Talbot County, Maryland's financial statements. 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, 2007, 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 concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Talbot County, Maryland's financial statements for the fiscal year ended June 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

This independent audit of the County's financial statements was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements, including the Single Audit Act of 1984 and the U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations," require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government'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.

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 279 square miles and more than 600 miles of waterfront. Talbot County is a predominantly rural county with a total of 178,560 acres, of which approximately 107,000 acres are farmland.

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

Form of Government

Both the executive and legislative functions of the County are vested in the elected, five-member County Council. Council members are elected on a countywide basis and serve four-year terms; the terms of the current members of the Council run to December 2010. The Council elects one Council member to serve as its President and one to serve as its Vice President.

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

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

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

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 agencies and County departments submit requests for appropriations and anticipated revenues 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. Budgetary control for all operating budgets is maintained at the department level and at the project level for capital projects. Budget-to-actual comparison is provided in this report for the individual governmental fund for which an appropriated annual budget has been adopted. The general fund comparison is presented on pages 67 through 76 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the Supplementary Information subsection of this report that begins on page 79.

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. Talbot County currently enjoys a favorable economic environment and local indicators point to continued stability. The County has a mix of service related businesses, agriculture, and light manufacturing. Its unemployment rates have consistently been below State of Maryland and U.S. averages, and it has favorable tax rates, including the lowest property tax rate and the second lowest income tax rate in the State.

The County has a strong tourism business, drawing visitors from all over the Country to its many historic sites. Additionally, with over 600 miles of shoreline, Talbot County has many desirable home sites. Development is purposely controlled to protect the County's beauty and the fragile environment of its shoreline and waters. More intense development is limited to the incorporated municipalities where water and wastewater treatment services are available.

Long Term Financial Planning. The County will be issuing approximately \$25 million in long-term debt for the renovation of the St. Michaels Elementary/Middle/High School complex in FY 2008. This represents the last in a series of school facility projects

that has included major upgrades, renovations and/or additions to each public school building in the County. It also represents the last long-term debt the County will be issuing for the foreseeable future. Other significant capital projects for which funding sources have been identified, either through existing reserve balances or grants, include the renovation of the Talbot County Free Library in Easton, the renovation of the Talbot County Senior Center, the addition of an athletic/gymnasium complex at the Talbot County Community Center, and the construction of additional County office space.

Cash Management Policies and Practices. The County invests its funds according to its adopted investment policy, which provides for safety of principal and maximizes security, meets daily cash flow demands and seeks to achieve an adequate rate of return. Cash temporarily idle during the year is invested in certificates of deposit or in the Maryland Local Government Investment Pool.

Risk Management. The County is a member of the Maryland Local Government Insurance Trust. The Trust is a public entity risk pool, which is owned and directed by the local governments that subscribe to its coverage and operates under the terms of a Trust Agreement. The Trust provides insurance and risk management services to its members.

The County obtains worker's compensation through a commercial insurance company and self-insures employee medical coverage with a third party providing administrative services.

Pension and Other Post Employment Benefits. County employees are covered by either the Employee's Retirement System or the Employee's Pension System of the State of Maryland. These are multiple-employer public retirement systems sponsored and administered by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly.

The County also provides post-retirement health care benefits for retirees and their dependents. Retirees pay a portion of the cost of the benefits based on their length of service with the County. The County's portion of these cost are currently funded on a pay-as-you-go basis. However, beginning in FY 2009, GAAP require governments to report a liability in the financial statements in connection with their obligation to provide these benefits.

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, 2006. 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 six 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,

A handwritten signature in black ink, appearing to read "John W. Lehner", written in a cursive style.

John W. Lehner
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Talbot County
Maryland

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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

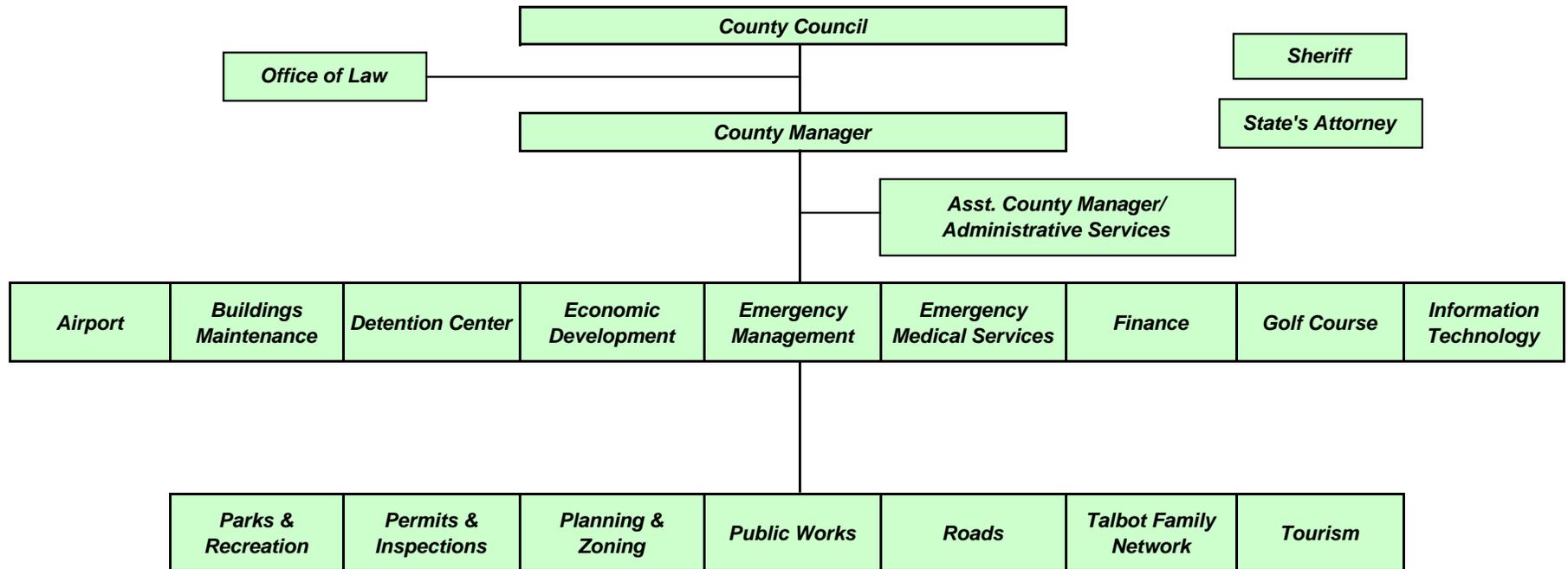


President

Executive Director



Talbot County Government Organization Chart



Talbot County, Maryland
List of Elected and Appointed Officials
June 30, 2007

Elected Officials

County Council	Thomas G. Duncan, President Dirck K. Bartlett Peter A. Carroll Philip Carey Foster Levin F. "Buddy" Harrison
Sheriff	Dallas G. Pope
State's Attorney	Scott Patterson

Appointed Officials

County Manager	R. Andrew Hollis
Assistant County Manager	Jim Urbanczyk
Attorney	Michael L. Pullen
Airport Manager	Mike Henry
Buildings Maintenance	Brian Moore
Detention Center Warden	Larry DiNisio
Economic Development Director	Paige Bethke
Emergency Management Director	William E. Mullikin
Emergency Medical Services Director	Mark Cummings
Finance Director	John W. Lehner
Golf Course Manager	Mike Kaminskas
Information Technology Director	Parker Durham
Permits & Inspections Director	Dan Cowee
Planning Officer	George Kinney
Public Works/County Engineer	Ray Clarke
Parks & Recreation Director	Rick Towle
Roads Superintendent	Ricky Ball
Talbot Family Network Director	Donna Kegley-Hacker
Tourism Director	Debbi Dodson

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

County Council of
Talbot County, Maryland
Easton, Maryland

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Talbot County, Maryland as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Talbot County, Maryland's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Talbot County, Maryland and the Talbot County Free Library Association, Inc. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Education of Talbot County, Maryland and the Talbot County Free Library Association, Inc., is 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Talbot County, Maryland as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2007, on our consideration of Talbot County, Maryland's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 13 through 23 and 67 through 76 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Talbot County, Maryland's basic financial statements. The additional supplementary information and schedules listed in the financial section of the table of contents and the statistical section as identified in the statistical section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Talbot County, Maryland. Such information, except for the statistical tables on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, based upon our audit and the reports of other auditors, is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Trice Geary & Myers LLC

Salisbury, Maryland
October 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the Comprehensive Annual Financial Report of Talbot County, Maryland presents a narrative overview and analysis of the financial activities of Talbot County Government for the fiscal year ended June 30, 2007. We encourage readers to use the information presented here in conjunction with the accompanying letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

- As of June 30, 2007, the assets of Talbot County exceeded liabilities by \$139.3 million (net assets), an increase of \$20.5 million, or 17.3 percent, over the prior year. Approximately 69.8 percent of net assets are attributable to the County's governmental activities. Of total net assets, \$55.5 million are available for use to meet the County's ongoing obligations to its citizens and creditors (unrestricted net assets).
- As of June 30, 2007, the County's governmental funds reported combined fund balances of \$54.2 million, an increase of \$10.1 million, or 23.0 percent, over the prior year. Approximately 43.2 percent of the combined fund balances is available to meet the County's current and future needs (unreserved and undesignated fund balance).
- The unreserved fund balance for the General Fund (primary operating fund) was \$38.9 million or 54.4 percent of general fund expenses at June 30, 2007. The designated fund balance was \$15.8 million or 40.6 percent of the unreserved fund balance.
- Talbot County Government's total debt increased by net \$3.8 million during the year ended June 30, 2007. See Note 6 of this report for details of the additional debt incurred and existing debt paid.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Talbot County Government's basic financial statements. Talbot County Government's basic financial statements comprise three components:

- Government-wide financial statements (reporting on the County as a whole)
- Fund financial statements (reporting the County's most significant funds)
- Notes to the financial statements

This report contains other required and non-required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Talbot County Government's finances, in a manner similar to that of a private sector

business. The Statement of Net Assets and the Statement of Activities are prepared using the accrual basis of accounting.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses for some items reported in this statement will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Of particular interest is the format of this statement. The reader will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is Net (Expense) Revenue. The purpose of this type of format is to highlight the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general fund revenues, or if the functions are self-supporting through fees and grants. It is important to note that all taxes are classified as general fund revenue even if restricted for a specific purpose.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety, public works, health, social services, education, recreation, library, and conservation of natural resources. The business-type activities of the County include recreation facilities, sewer 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.

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 two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as balances of

spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary Funds. 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 sewer services, recreation facilities and airport.

Proprietary fund schedules provide the same type of information as the government-wide financial statements, only in more detail.

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and disclosures that are not considered part of the basic financial statements. Included in this section are: 1) a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget, and 2) notes to the required supplementary information. These reports are located immediately following the notes to the financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's overall financial condition and position. In Talbot County, assets exceeded liabilities by \$139,278,957 at the close of the most recent fiscal year, as shown in the schedule of net assets

below. Talbot County's net assets are divided into three categories, *invested in capital assets* (net of related debt), *restricted net assets* and *unrestricted net assets*. The largest portion of the County's net assets (60.2 percent) reflects its investment in capital assets net of depreciation (e.g., land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

None of the County's net assets (0.0 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (39.8 percent) may be used to meet the County's ongoing obligations to its citizens and creditors.

Talbot County Government's Net Assets

	June 30, 2007			June 30, 2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and Other Assets	\$ 62,301,439	\$ 1,601,324	\$ 63,902,763	\$ 51,516,487	\$ 4,521,942	\$ 56,038,429
Capital Assets	63,825,861	56,519,189	120,345,050	60,075,140	44,995,367	105,070,507
Total Assets	<u>126,127,300</u>	<u>58,120,513</u>	<u>184,247,813</u>	<u>111,591,627</u>	<u>49,517,309</u>	<u>161,108,936</u>
Non Current Liabilities	19,018,051	13,104,347	32,122,398	20,527,765	8,172,153	28,699,918
Other Liabilities	9,888,867	2,957,591	12,846,458	9,169,745	4,485,744	13,655,489
Total Liabilities	<u>28,906,918</u>	<u>16,061,938</u>	<u>44,968,856</u>	<u>29,697,510</u>	<u>12,657,897</u>	<u>42,355,407</u>
Net Assets:						
Invested in Capital Assets,						
Net of Related Debt	43,541,925	40,239,226	83,781,151	13,655,310	36,450,814	50,106,124
Restricted	-	-	-	-	-	-
Unrestricted	<u>53,678,457</u>	<u>1,819,349</u>	<u>55,497,806</u>	<u>43,576,637</u>	<u>408,598</u>	<u>43,985,235</u>
Total Net Assets	<u>\$ 97,220,382</u>	<u>\$ 42,058,575</u>	<u>\$ 139,278,957</u>	<u>\$ 81,894,117</u>	<u>\$ 36,859,412</u>	<u>\$ 118,753,529</u>

Talbot County's net assets increased by \$20.5 million during fiscal year 2007, which can be attributed to increased revenues from property, income, recordation and transfer taxes, and contributed funding for capital projects. These items are addressed in more detail below.

Governmental Activities. Governmental activities increased Talbot County Government's net assets by \$15.3 million, thereby accounting for 74.7 percent of the total growth in net assets of the County. Key elements of this increase are as follows:

- Property tax revenues increased by 5.1 percent over the prior fiscal year and were \$686,218 more than budgeted. This growth is due to continued growth in the County and increases in property tax values as assessed by the Maryland State Department of Assessments and Taxation.

- Income tax revenues increased by 20.9 percent over the prior fiscal year and were \$9.8 million more than budgeted. Non-wage income accounted for a significant portion of the increase.

Talbot County Government's Changes in Net Assets

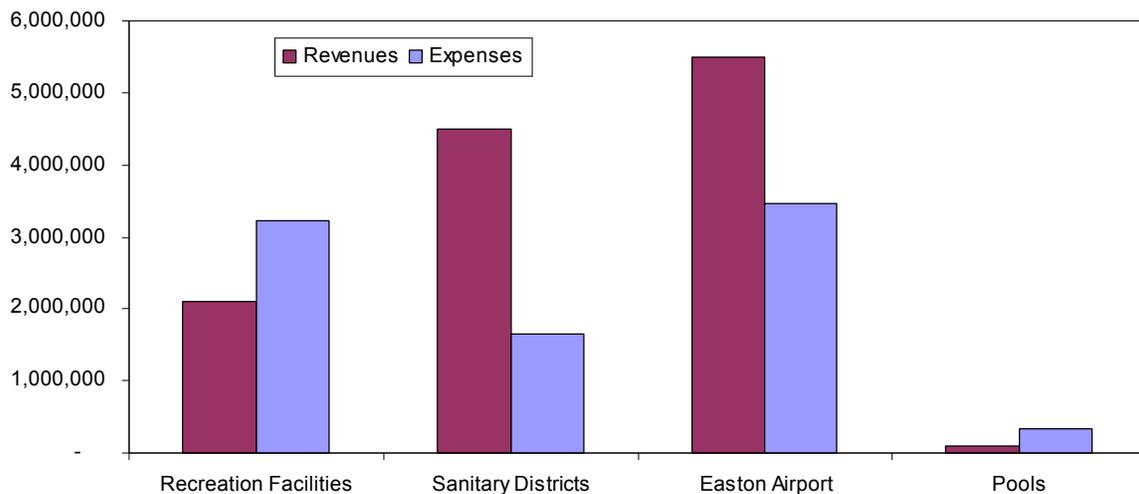
	June 30, 2007			June 30, 2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	4,684,471	5,761,549	10,446,020	4,086,861	5,307,012	9,393,873
Operating Grants and Contributions	6,772,047		6,772,047	5,133,898		5,133,898
Capital Grants and Contributions		6,416,909	6,416,909		4,895,190	4,895,190
General Revenues:						
Property Taxes	25,051,218		25,051,218	23,824,569		23,824,569
Local Income Tax	28,794,974		28,794,974	23,825,934		23,825,934
Other Local Taxes	15,275,877		15,275,877	16,910,723		16,910,723
Investment Income	3,049,507	139,807	3,189,314	1,870,166	145,109	2,015,275
Miscellaneous	622,980	(2,740)	620,240	324,881	12,008	336,889
Total Revenues	84,251,074	12,315,525	96,566,599	75,977,032	10,359,319	86,336,351
Expenses:						
General Government	5,231,945		5,231,945	5,406,098		5,406,098
Public Safety	11,161,287		11,161,287	10,921,003		10,921,003
Public Works	4,637,883		4,637,883	4,935,194		4,935,194
Health	1,880,034		1,880,034	1,531,391		1,531,391
Social Services	1,402,948		1,402,948	1,794,137		1,794,137
Education	39,858,261		39,858,261	31,966,292		31,966,292
Recreation	2,563,646		2,563,646	1,275,345		1,275,345
Conservation of Natural Resources	295,659		295,659	244,923		244,923
Miscellaneous	229,577		229,577	276,215		276,215
Interest Charges	100,461		100,461	113,108		113,108
Recreation Facilities		3,217,842	3,217,842		2,494,818	2,494,818
Sanitary District		1,649,537	1,649,537		1,485,046	1,485,046
Airport		3,468,909	3,468,909		3,438,045	3,438,045
Pools		343,182	343,182		350,962	350,962
Total Expenses	67,361,701	8,679,470	76,041,171	58,463,706	7,768,871	66,232,577
Increase in Net Assets before transfers	16,889,373	3,636,055	20,525,428	17,513,326	2,590,448	20,103,774
Transfers In (Out)	(1,563,108)	1,563,108	-	(2,951,227)	2,951,227	-
Increase (Decrease) in Net Assets	15,326,265	5,199,163	20,525,428	14,562,099	5,541,675	20,103,774
Net Assets – Beginning	81,894,117	36,859,412	118,753,529	67,332,018	31,317,737	98,649,755
Net Assets - Ending	97,220,382	42,058,575	139,278,957	81,894,117	36,859,412	118,753,529

- Transfer and recordation taxes actually decreased by 14.4 percent from the prior fiscal year, but were still \$1.8 million more than budgeted.
- Greater county revenues to invest yielded a 58.3 percent increase in interest earnings that was approximately \$1.9 million more than budgeted.

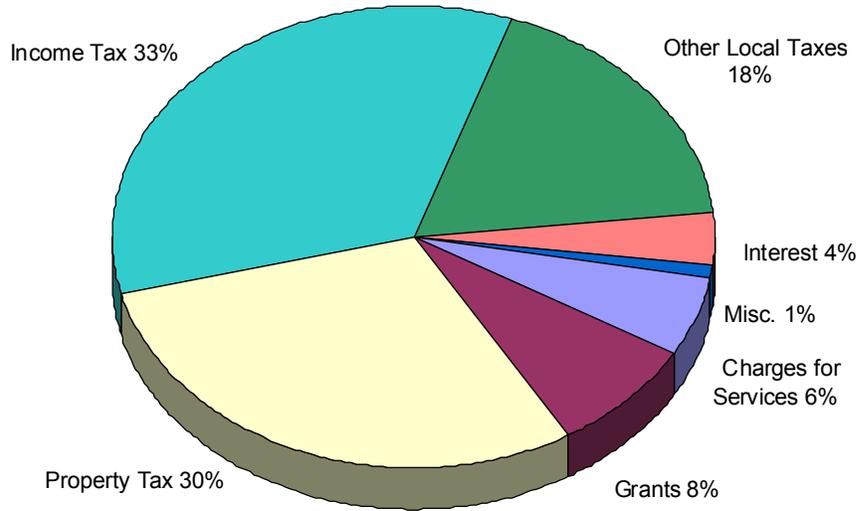
Business-type Activities. Business-type activities increased Talbot County’s net assets by \$5.2 million, accounting for 25.3 percent of the total increase in net assets. Generally, the increase can be attributed to the receipt of funding for the construction of the new St. Michaels wastewater treatment plant and capital improvements at the Easton Airport.

Fiscal year 2007 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

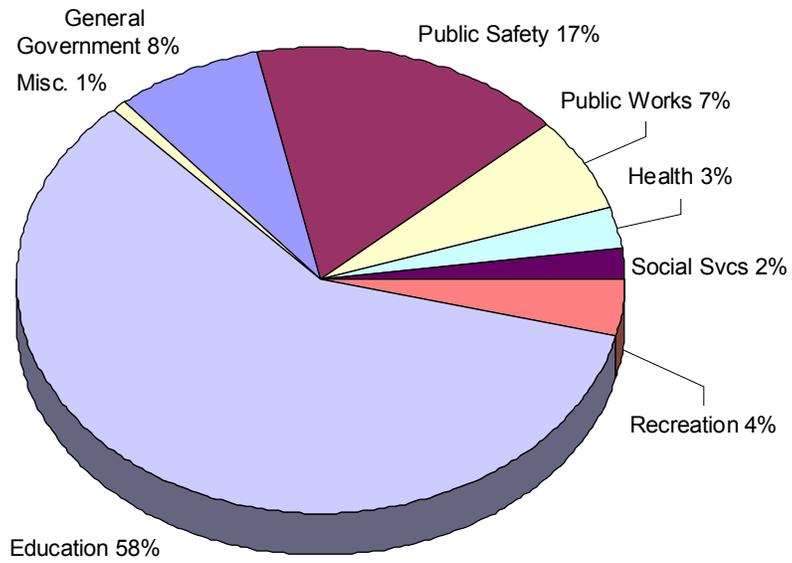
***Expenses and Program Revenues - Business-Type Activities
For the Year Ended June 30, 2007***



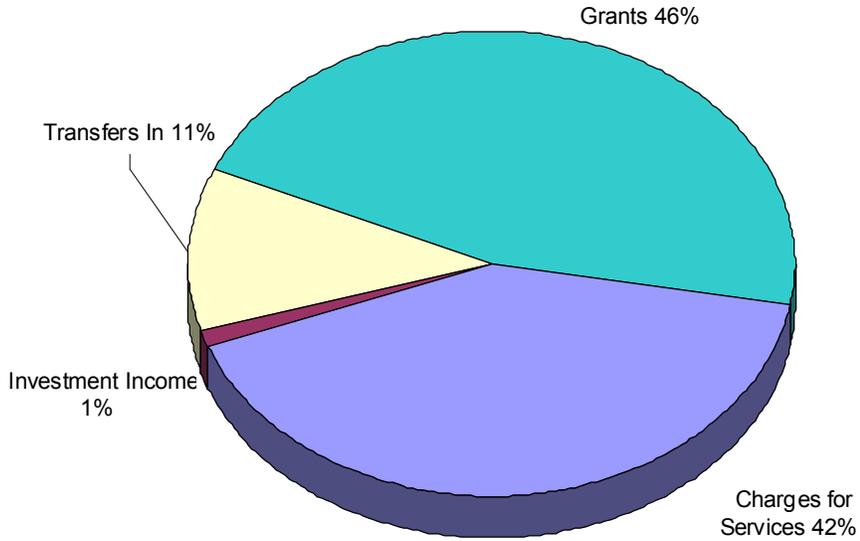
**Revenues by Source - Governmental Activities
For the Year Ended June 30, 2007**



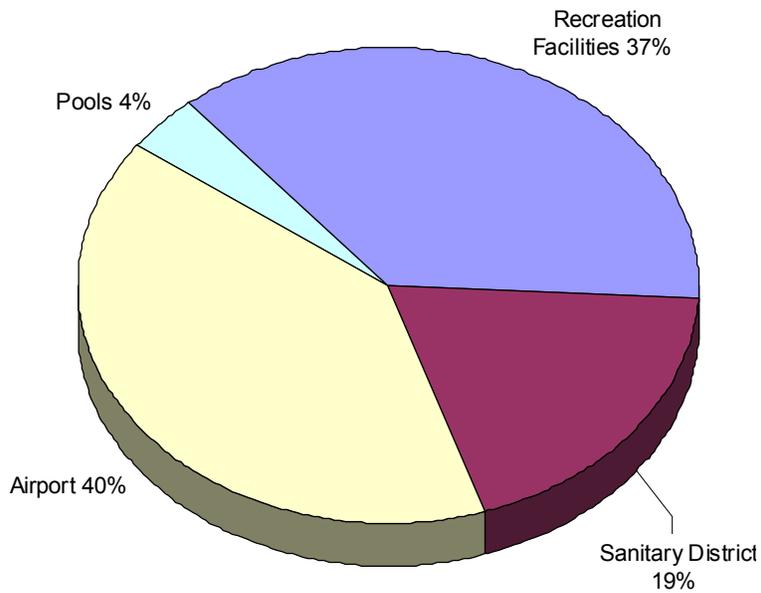
**Expenses - Governmental Activities
For the Year Ended June 30, 2007**



**Revenues by Source - Business-Type Activities
For the Year Ended June 30, 2007**



**Expenses - Business-Type Activities
For the Year Ended June 30, 2007**



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 unreserved 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 \$54.2 million. Approximately 43.2 percent of this total (\$23.4 million) constitutes unreserved undesignated fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is "designated" to indicate that it is not available for new spending because it has already been committed to fund portions of future County budgets. Capital projects and the advance funding of \$6.35 million toward the County's long-term obligation related to non-pension, or "other post-employment" benefits (OPEB), account for the vast majority of designated funds.

The General Fund is the chief operating fund of the Talbot County Government. At the end of the current fiscal year, unreserved undesignated fund balance of the General Fund was \$23.1 million, while total fund balance reached \$41.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total fund expenditures. Unreserved undesignated fund balance represents 32.3 percent of total general fund expenditures, while total fund balance represents 57.9 percent of total general fund expenditures.

The fund balance of Talbot County's General Fund increased by \$8.7 million during FY 2007. As addressed previously, the key factors in this change were increased tax revenues.

The fund balance of the County's Capital Projects Fund decreased by \$815,000 during FY 2007. This decrease was due to the use of funds authorized in prior years but unspent until this year.

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 unrestricted net assets of the proprietary funds at the end of the year totaled \$42.1 million.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final actual budget for the County totaled \$8.7 million. Revenues exceeded budgetary estimates by \$10.6 million, and expenditures exceeded budgetary estimates by \$1.9 million. The major variances can be summarized as follows:

- As described in the Government-Wide Financial Analysis, greater than anticipated tax receipts, most notably income tax receipts, provided the additional revenue to the General Fund.
- Expenditures exceeded authorization only to the extent that greater than anticipated state grant revenues were received and spent without an amendment to the original budget. In fact, a single grant for land acquisition from the Maryland Program Open Space program accounts for nearly all of the excess expenditure.

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, 2007 totals \$120.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was 14.5 percent (business-type activities make up 75.4 percent of this increase).

Capital assets are summarized as follows, net of accumulated depreciation. Following an allowed phase-in period, retroactive reporting for infrastructure as required by GASB 34 is provided for the first time.

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

	June 30, 2007			June 30, 2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	\$ 4,891,711	\$ 1,181,017	\$ 6,072,728	\$ 3,372,938	\$ 1,500,854	\$ 4,873,792
Construction in progress	3,044,095	18,424,584	21,468,679	2,230,783	13,757,980	15,988,763
Buildings and improvements	18,859,774	13,132,846	31,992,620	21,447,607	5,091,029	26,538,636
Non-deprec. infrastructure	23,191,321	-	23,191,321	23,191,321	-	23,191,321
Infrastructure	4,460,623	22,814,513	27,275,136	1,470,849	23,623,432	25,094,281
Furniture and equipment	9,378,337	966,229	10,344,566	8,361,642	1,022,072	9,383,714
Total	\$ 63,825,861	\$ 56,519,189	\$ 120,345,050	\$ 60,075,140	\$ 44,995,367	\$ 105,070,507

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 bonded debt outstanding of \$34,099,370, a net increase of approximately \$3.8 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, \$13,815,434 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

	June 30, 2007			June 30, 2006		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
General Bonded Debt	\$ 20,283,936	\$ 13,815,434	\$ 34,099,370	\$ 21,757,660	\$ 8,544,553	\$ 30,302,213

The County's most recent bond ratings from Moody's Investors Service and Fitch Ratings are Aa3 and AA+, respectively (October, 2007).

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. The current debt limitation for Talbot County is approximately \$953.0 million, which leaves an available debt margin of \$918.9 million. See Schedule 15 in the Statistical Section of this report for additional information on the computation of the legal debt margin.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During FY 2007, Talbot County continued to experience a slowdown in its real estate market, exemplified by a 14.4 percent reduction in recordation and transfer tax receipts. However, the County again experienced significant growth in income tax receipts (20.9 percent), which more than offset the decline in recordation and transfer taxes. The County continues to see an influx of well-paid professionals and wealthy retirees, who have helped drive recent revenue growth.

In the long-term, the County continues to believe that anticipated job growth in the Washington, D.C. and Baltimore, Maryland areas for the next several years will continue to generate demand for housing in Talbot County. Furthermore, the County is well positioned to accommodate that demand, having several medium- and large-scale housing projects in development.

In the near-term, the County is well aware of the projected deficit in the upcoming State of Maryland budget and the potential impact it could have locally. The County remains cautiously optimistic in its revenue projections and is planning ahead for the upcoming requirement to report/fund its liability associated with retiree health care benefits (known as "other post-employment benefits", or OPEB). These factors, and others, were considered in preparing the County's budget for the upcoming year.

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.

Government Wide Financial Statements

TALBOT COUNTY, MARYLAND
STATEMENT OF NET ASSETS
PRIMARY GOVERNMENT AS OF JUNE 30, 2007
COMPONENT UNITS AS OF JUNE 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and short-term investments	\$ 20,206,549	\$ 2,115,198	\$ 22,321,747
Certificates of deposit	29,904,282	3,095,718	33,000,000
Investments	-	-	-
Receivables:			
Taxes	46,981	-	46,981
Accounts receivable	1,645,746	212,818	1,858,564
Other	-	-	-
Intergovernmental:			
State	5,573,825	158,834	5,732,659
Federal	430,027	179,877	609,904
Prepaid items	119,620	-	119,620
Internal balances	1,909,880	(1,909,880)	-
Inventories	-	213,288	213,288
Advances to (from) other funds	2,464,529	(2,464,529)	-
Other assets	-	-	-
Nondepreciable capital assets	31,127,127	19,605,601	50,732,728
Depreciable capital assets, net	32,698,734	36,913,588	69,612,322
TOTAL ASSETS	126,127,300	58,120,513	184,247,813
LIABILITIES			
Accounts payable and accrued liabilities	4,672,642	1,383,232	6,055,874
Other payables	777,051	-	777,051
Due to State of Maryland	10,429	-	10,429
Unearned revenue	2,634,035	783,965	3,418,000
Long-term liabilities, due within one year			
Compensated absences	268,050	36,996	305,046
Bonds and notes payable	1,526,660	753,398	2,280,058
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year			
Compensated absences	260,775	42,311	303,086
Bonds and notes payable	18,757,276	13,062,036	31,819,312
Obligations under state retirement system	-	-	-
TOTAL LIABILITIES	28,906,918	16,061,938	44,968,856
NET ASSETS			
Invested in capital assets, net of related debt	43,541,925	40,239,226	83,781,151
Restricted for food service and capital projects	-	-	-
Unrestricted	53,678,457	1,819,349	55,497,806
TOTAL NET ASSETS	\$ 97,220,382	\$ 42,058,575	\$ 139,278,957

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

Component Units	
<u>Board of Education</u>	<u>Library</u>
\$ 1,291,903	\$ 294,065
-	-
5,000,519	1,336,776
-	-
40,083	9,380
62,685	-
338,863	-
402,925	-
-	-
-	-
21,731	-
-	34,491
12,259,140	49,921
41,570,384	616,351
60,988,233	2,340,984
4,129,686	30,869
49,301	34,491
-	-
1,577,569	-
-	39,989
142,825	-
35,348	-
140,196	-
254,977	-
272,063	-
6,601,965	105,349
53,431,722	666,272
459,927	-
494,619	1,569,363
\$ 54,386,268	\$ 2,235,635

TALBOT COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
GOVERNMENTAL ACTIVITIES				
Current:				
General government	\$ 5,231,945	\$ 2,294,954	\$ 447,314	\$ -
Public safety	11,161,287	568,421	2,150,372	-
Public works	4,637,883	1,089,966	714,380	-
Health and hospitals	1,880,034	63,159	-	-
Social services	1,402,948	-	1,255,194	-
Education	39,858,261	532,531	-	-
Recreation	2,563,646	135,440	305,000	-
Conservation of natural resources	295,659	-	1,899,787	-
Miscellaneous	94,132	-	-	-
Interest on long-term debt	100,461	-	-	-
Contingencies	135,445	-	-	-
Total Governmental Activities	67,361,701	4,684,471	6,772,047	-
BUSINESS-TYPE ACTIVITIES				
Recreation facilities	3,217,842	1,698,087	-	394,808
Sanitary district	1,649,537	1,151,340	-	3,342,285
Easton airport	3,468,909	2,824,353	-	2,679,816
Pool	343,182	87,769	-	-
Total Business-Type Activities	8,679,470	5,761,549	-	6,416,909
Total Primary Government	\$ 76,041,171	\$ 10,446,020	\$ 6,772,047	\$ 6,416,909
COMPONENT UNITS				
Board of Education	\$ 51,130,765	\$ 976,687	\$ 48,483,739	\$ 11,305,237
Talbot County Free Library	1,287,692	-	1,274,738	-
Total Component Units	\$ 52,418,457	\$ 976,687	\$ 49,758,477	\$ 11,305,237

General Revenues

Taxes:
Property
Local income
Other
Admissions and amusements
Recordation
Transfer
Public accommodations
Mobile manufactured homes
Highway user
Interest
Loss on disposal of assets
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net assets
Net assets, beginning of year (restated)
Net assets, end of year

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

Net (Expense) Revenue and Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Board of Education	Library
\$ (2,489,677)	\$ -	\$ (2,489,677)	\$ -	\$ -
(8,442,494)	-	(8,442,494)	-	-
(2,833,537)	-	(2,833,537)	-	-
(1,816,875)	-	(1,816,875)	-	-
(147,754)	-	(147,754)	-	-
(39,325,730)	-	(39,325,730)	-	-
(2,123,206)	-	(2,123,206)	-	-
1,604,128	-	1,604,128	-	-
(94,132)	-	(94,132)	-	-
(100,461)	-	(100,461)	-	-
(135,445)	-	(135,445)	-	-
<u>(55,905,183)</u>	<u>-</u>	<u>(55,905,183)</u>	<u>-</u>	<u>-</u>
-	(1,124,947)	(1,124,947)	-	-
-	2,844,088	2,844,088	-	-
-	2,035,260	2,035,260	-	-
-	(255,413)	(255,413)	-	-
<u>-</u>	<u>3,498,988</u>	<u>3,498,988</u>	<u>-</u>	<u>-</u>
<u>\$ (55,905,183)</u>	<u>\$ 3,498,988</u>	<u>\$ (52,406,195)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 9,634,898	\$ -
-	-	-	-	(12,954)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,634,898</u>	<u>\$ (12,954)</u>
\$ 25,051,218	\$ -	\$ 25,051,218	\$ -	\$ -
28,794,974	-	28,794,974	-	-
43,612	-	43,612	-	-
5,478,086	-	5,478,086	-	-
5,298,977	-	5,298,977	-	-
1,094,620	-	1,094,620	-	-
92,570	-	92,570	-	-
3,268,012	-	3,268,012	-	-
3,049,507	139,807	3,189,314	240,629	159,476
-	(2,740)	(2,740)	-	-
622,980	-	622,980	29,565	-
<u>72,794,556</u>	<u>137,067</u>	<u>72,931,623</u>	<u>270,194</u>	<u>159,476</u>
<u>(1,563,108)</u>	<u>1,563,108</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>71,231,448</u>	<u>1,700,175</u>	<u>72,931,623</u>	<u>270,194</u>	<u>159,476</u>
15,326,265	5,199,163	20,525,428	9,905,092	146,522
81,894,117	36,859,412	118,753,529	44,481,176	2,089,113
<u>\$ 97,220,382</u>	<u>\$ 42,058,575</u>	<u>\$ 139,278,957</u>	<u>\$ 54,386,268</u>	<u>\$ 2,235,635</u>

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Fund Financial Statements

TALBOT COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2007

	General <u>Fund</u>	Capital <u>Projects</u>	Other Governmental <u>Funds</u>	<u>Total</u>
ASSETS				
Cash and short-term investments	\$ 15,001,723	\$ 3,098,916	\$ 2,105,910	\$ 20,206,549
Certificates of deposit	22,197,782	4,588,395	3,118,105	29,904,282
Receivables:				
Taxes	46,981	-	-	46,981
Accounts receivable	1,363,173	279,665	2,908	1,645,746
Intergovernmental:				
State	4,761,467	691,419	120,939	5,573,825
Federal	158,119	251,888	20,020	430,027
Prepaid items	119,620	-	-	119,620
Due from other funds	1,909,880	-	-	1,909,880
Advances to other funds	2,464,529	-	-	2,464,529
	<hr/>			
Total Assets	\$ 48,023,274	\$ 8,910,283	\$ 5,367,882	\$ 62,301,439
	<hr/>			
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,190,422	\$ 381,757	\$ 100,463	\$ 4,672,642
Other payables	777,051	-	-	777,051
Due to State of Maryland	10,429	-	-	10,429
Unearned revenue	1,628,235	914,698	91,102	2,634,035
	<hr/>			
Total Liabilities	6,606,137	1,296,455	191,565	8,094,157
	<hr/>			
FUND BALANCES				
Reserved:				
Prepaid items	119,620	-	-	119,620
Noncurrent receivables	2,389,995	-	-	2,389,995
Unreserved:				
Designated for subsequent years' expenditures:				
Capital projects	-	7,613,828	-	7,613,828
Future budget	15,812,496	-	-	15,812,496
Undesignated	23,095,026	-	-	23,095,026
Unreserved, reported in nonmajor:				
Special revenue funds	-	-	4,839,284	4,839,284
Undesignated	-	-	337,033	337,033
	<hr/>			
Total Fund Balances	41,417,137	7,613,828	5,176,317	54,207,282
	<hr/>			
Total Liabilities and Fund Balances	\$ 48,023,274	\$ 8,910,283	\$ 5,367,882	\$ 62,301,439
	<hr/>			

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

Total Governmental Funds Balances \$ 54,207,282

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds 63,825,861

Long-term liabilities, including accrued vacation, are not due and payable in the current period and therefore are not reported in the funds

Bonds and notes payable

(20,283,936)

Accrued vacation

(528,825)

(20,812,761)

Net Assets of Governmental Activities

\$ 97,220,382

TALBOT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND TYPES
For the Year Ended June 30, 2007

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Real property taxes	\$ 25,051,218	\$ -	\$ -	\$ 25,051,218
Local income taxes	28,794,974	-	-	28,794,974
Other local taxes	12,002,501	-	-	12,002,501
State-shared taxes	3,273,376	-	-	3,273,376
Licenses and permits	678,461	-	1,956,350	2,634,811
Intergovernmental:				
Federal	420,238	607,357	50,423	1,078,018
State	4,832,604	36,991	824,434	5,694,029
Service charges	2,035,151	-	-	2,035,151
Fines and forfeitures	14,509	-	-	14,509
Miscellaneous	622,980	-	-	622,980
Interest	2,464,471	365,016	220,020	3,049,507
Total Revenues	80,190,483	1,009,364	3,051,227	84,251,074
EXPENDITURES				
General government	5,171,834	19,339	-	5,191,173
Public safety	9,959,797	35,000	-	9,994,797
Public works	4,339,455	1,189,345	-	5,528,800
Health and hospitals	1,847,636	25,286	-	1,872,922
Social services	799,645	-	601,537	1,401,182
Education	34,322,424	6,691,539	-	41,013,963
Recreation	2,397,890	594,771	-	2,992,661
Conservation of natural resources	295,659	-	-	295,659
Employee benefits	2,748,331	-	-	2,748,331
Miscellaneous	94,132	-	-	94,132
Intergovernmental	860,102	-	-	860,102
Debt service interest	100,461	-	-	100,461
Debt service principal	318,022	-	-	318,022
Contingencies	135,445	-	-	135,445
Total Expenditures	63,390,833	8,555,280	601,537	72,547,650
Excess of Revenues Over (Under) Expenditures	16,799,650	(7,545,916)	2,449,690	11,703,424
OTHER FINANCING SOURCES (USES)				
Transfers in (out) to other funds:				
Pool - Operating appropriation	(148,960)	-	-	(148,960)
Recreation	(1,244,148)	-	(170,000)	(1,414,148)
Capital projects - capital	-	26,510	(26,510)	-
Capital projects pay-as-you-go transfer	(6,704,817)	6,704,817	-	-
Total Other Financing Sources (Uses)	(8,097,925)	6,731,327	(196,510)	(1,563,108)
Net Change in Fund Balances	8,701,725	(814,589)	2,253,180	10,140,316
Fund Balances at Beginning of Year	32,715,412	8,428,417	2,923,137	44,066,966
Fund Balances at End of Year	\$ 41,417,137	\$ 7,613,828	\$ 5,176,317	\$ 54,207,282

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

Net change in fund balances - total Governmental Funds \$ 10,140,316

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

Governmental funds report capital outlays as expenditures.

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

Capital outlays	6,447,135
Current year depreciation	<u>(2,672,207)</u>

Total	3,774,928
-------	-----------

Loss on disposal of equipment	(24,207)
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Repayment of debt obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments on long-term debt	1,473,724
--------------------------------------	-----------

Some expenses 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 compensated absences	(38,496)
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Change in net assets of Governmental Activities	<u><u>\$ 15,326,265</u></u>
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TALBOT COUNTY, MARYLAND
STATEMENT OF FUND NET ASSETS
BUSINESS-TYPE ACTIVITIES
June 30, 2007

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
<u>ASSETS</u>					
CURRENT ASSETS					
Cash and short-term investments	\$ 3,550	\$ 1,280,084	\$ 831,564	\$ -	\$ 2,115,198
Certificates of deposit	-	1,895,351	1,200,367	-	3,095,718
Accounts receivable:					
Accounts receivable, customers	18,636	20,453	157,883	15,846	212,818
Intergovernmental:					
State	-	128,706	30,128	-	158,834
Federal	-	-	179,877	-	179,877
Inventories	71,851	-	141,437	-	213,288
Total Current Assets	94,037	3,324,594	2,541,256	15,846	5,975,733
NONCURRENT ASSETS					
Land	450,000	145,339	585,678	-	1,181,017
Construction in progress	-	13,225,693	5,198,891	-	18,424,584
Buildings and improvements	13,745,647	21,407,498	22,259,482	1,637,944	59,050,571
Furniture and equipment	1,612,551	57,367	892,876	34,897	2,597,691
Less: accumulated depreciation	(5,121,841)	(9,233,261)	(9,784,397)	(595,175)	(24,734,674)
Total Noncurrent Assets	10,686,357	25,602,636	19,152,530	1,077,666	56,519,189
Total Assets	10,780,394	28,927,230	21,693,786	1,093,512	62,494,922
<u>LIABILITIES</u>					
CURRENT LIABILITIES					
Accounts payable	181,874	601,264	583,681	16,413	1,383,232
Compensated absences	24,247	3,291	8,612	846	36,996
Due to other funds	1,472,524	-	-	437,356	1,909,880
Unearned revenues	1,469	773,634	8,862	-	783,965
Advances from other funds	-	-	74,534	-	74,534
Current maturities of long-term debt	224,916	416,191	112,291	-	753,398
Total Current Liabilities	1,905,030	1,794,380	787,980	454,615	4,942,005
NONCURRENT LIABILITIES					
Compensated absences	25,373	2,527	13,470	941	42,311
Advances from other funds	-	-	2,389,995	-	2,389,995
Long-term debt, less current maturities	3,343,998	8,013,747	1,704,291	-	13,062,036
Total Noncurrent Liabilities	3,369,371	8,016,274	4,107,756	941	15,494,342
Total Liabilities	5,274,401	9,810,654	4,895,736	455,556	20,436,347
<u>NET ASSETS</u>					
Invested in capital assets, net	7,117,443	17,172,698	14,871,419	1,077,666	40,239,226
Unrestricted (deficit)	(1,611,450)	1,943,878	1,926,631	(439,710)	1,819,349
Total Net Assets	\$ 5,505,993	\$ 19,116,576	\$ 16,798,050	\$ 637,956	\$ 42,058,575

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

TALBOT COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET ASSETS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2007

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
OPERATING REVENUES					
Airport - operations	\$ -	\$ -	\$ 186,359	\$ -	\$ 186,359
Airport - fuel facility	-	-	2,150,963	-	2,150,963
Airport - hangars	-	-	480,039	-	480,039
Sewer service charges	-	700,120	-	-	700,120
Sewer connection charges	-	86,281	-	-	86,281
Residential benefit charges	-	349,979	-	-	349,979
Admissions	103,592	-	-	37,224	140,816
Room rents	34,171	-	-	-	34,171
Ice revenue	182,454	-	-	-	182,454
Pro shop and concessions	363,295	-	-	-	363,295
Cart rentals	130,647	-	-	-	130,647
Greens fees	879,448	-	-	-	879,448
Other operating	4,480	14,960	6,992	50,545	76,977
Total Operating Revenues	1,698,087	1,151,340	2,824,353	87,769	5,761,549
OPERATING EXPENSES					
Salaries and related expenses	1,284,848	170,060	306,256	162,348	1,923,512
Cost of sales - fuel	-	-	2,019,413	-	2,019,413
Professional fees	32,373	7,472	2,240	3,741	45,826
Office	48,125	8,083	13,599	3,904	73,711
Insurance	26,608	13,652	21,849	3,415	65,524
Contracted services	-	792,895	-	-	792,895
Repairs and maintenance	286,130	38,269	47,382	37,579	409,360
Utilities	303,163	-	51,002	14,574	368,739
Supplies and equipment	210,553	-	-	19,652	230,205
Lessons and programs	112,626	-	-	3,979	116,605
Concessions	240,776	-	-	-	240,776
Depreciation	459,179	544,213	895,542	82,527	1,981,461
Other operating	51,945	15,756	19,557	11,463	98,721
Total Operating Expenses	3,056,326	1,590,400	3,376,840	343,182	8,366,748
Operating Income (Loss)	(1,358,239)	(439,060)	(552,487)	(255,413)	(2,605,199)
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	3,342,285	2,679,816	-	6,022,101
Loss on disposal of capital assets	(2,740)	-	-	-	(2,740)
Interest income	-	110,855	28,952	-	139,807
Interest expense	(161,516)	(59,137)	(92,069)	-	(312,722)
Total Non-Operating Revenues (Expenses)	(164,256)	3,394,003	2,616,699	-	5,846,446
Income (Loss) Before Capital Contributions and Transfers	(1,522,495)	2,954,943	2,064,212	(255,413)	3,241,247
Capital Contributions	167,748	-	227,060	-	394,808
Transfers In	1,414,148	-	-	148,960	1,563,108
Change in Net Assets	59,401	2,954,943	2,291,272	(106,453)	5,199,163
Net Assets, Beginning of Year	5,446,592	16,161,633	14,506,778	744,409	36,859,412
Net Assets, End of Year	\$ 5,505,993	\$ 19,116,576	\$ 16,798,050	\$ 637,956	\$ 42,058,575

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, 2007**

	Major Funds		
	Recreation <u>Facilities</u>	Sanitary <u>District</u>	Easton <u>Airport</u>
Cash flows from operating activities:			
Cash received from customers	\$ 1,966,139	\$ 1,208,380	\$ 2,798,453
Cash received from other revenues	4,480	14,960	6,992
Cash payments for salaries and related expenses	(1,279,407)	(169,315)	(303,893)
Cash payments to suppliers	(1,082,156)	(1,127,680)	(2,343,019)
Cash payments for contracted services	-	(792,895)	-
Net cash provided (used) by operating activities	(390,944)	(866,550)	158,533
Cash flows from noncapital financing activities:			
Transfers from other funds	1,414,148	-	-
Cash flows from capital and related financing activities:			
Capital contributions	167,748	-	227,060
Grant revenues for construction of capital assets	-	3,544,876	3,039,223
Principal paid on long-term notes and bonds	(221,780)	(87,187)	(115,878)
Interest paid on long-term notes and bonds	(161,516)	(59,137)	(92,069)
Acquisition and construction of capital assets	(886,934)	(8,155,888)	(4,421,456)
Net cash used by capital and related financing activities	(1,102,482)	(4,757,336)	(1,363,120)
Cash flows from investing activities:			
Issuance of long-term debt	79,478	5,616,248	-
Advances from other funds	-	-	2,464,529
Interest income on investments	-	110,855	28,952
Purchases of certificates of deposits	-	-	(709,879)
Redemptions of certificates of deposit	-	146,351	-
Net cash provided by investing activities	79,478	5,873,454	1,783,602
Increase in Cash and Cash Equivalents	200	249,568	579,015
Cash and Cash Equivalents at Beginning of Year	3,350	1,030,516	252,549
Cash and Cash Equivalents at End of Year	\$ 3,550	\$ 1,280,084	\$ 831,564

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

<u>Nonmajor Fund</u>	
<u>Pool</u>	<u>Totals</u>
\$ 120,202	\$ 6,093,174
50,545	76,977
(162,430)	(1,915,045)
(99,841)	(4,652,696)
-	(792,895)
(91,524)	(1,190,485)
148,960	1,563,108
-	394,808
-	6,584,099
-	(424,845)
-	(312,722)
(57,436)	(13,521,714)
(57,436)	(7,280,374)
-	5,695,726
-	2,464,529
-	139,807
-	(709,879)
-	146,351
-	7,736,534
-	828,783
-	1,286,415
\$ -	\$ 2,115,198

**TALBOT COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2007**

	Major Funds		
	Recreation <u>Facilities</u>	Sanitary <u>District</u>	Easton <u>Airport</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ (1,358,239)	\$ (439,060)	\$ (552,487)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	459,179	544,213	895,542
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable, customers	272,532	-	(5,403)
(Increase) decrease in inventories	(71,851)	-	16,186
Increase (decrease) in accounts payable	(689,967)	(1,044,448)	(184,163)
Increase (decrease) in compensated absences	5,441	745	2,363
Increase (decrease) in due to other funds	991,961	-	-
Increase (decrease) in unearned revenue	-	72,000	(13,505)
Net Cash Provided (Used) by Operating Activities	<u>\$ (390,944)</u>	<u>\$ (866,550)</u>	<u>\$ 158,533</u>

Noncash investing, capital, and financing activities:

In October 2006, the County acquired 24 golf carts under a capital lease agreement totaling approximately \$79,500 which were recorded in the Recreation Facilities fund.

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

<u>Nonmajor Fund</u>	
<u>Pool</u>	<u>Totals</u>
\$ (255,413)	\$ (2,605,199)
82,527	1,981,461
(14,394)	252,735
-	(55,665)
(1,534)	(1,920,112)
(82)	8,467
97,372	1,089,333
-	58,495
<u>\$ (91,524)</u>	<u>\$ (1,190,485)</u>

Notes to Financial Statements

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

Note 1. Reporting Entity

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

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

Note 2. Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

Component units are legally separate organizations for which the County is financially accountable. The County is financially accountable for an organization if the County appoints a voting majority of the organization's governing board and (1) the County is able to significantly influence the programs or services performed or provided by the organization; or (2) the County is legally entitled to or can otherwise access the organization's resources; the County is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the County is obligated for the debt of the organization. Component units may also include organizations for which the County approves the budget, the issuance of debt, or the levying of taxes.

The component unit columns on the financial statements include the financial data of the County's discretely presented component units. They are reported in separate columns to emphasize that they are legally separate from the County; however, they are considered component units of the County and are included in the financial statements of the County because of the significance of their operating and financial relationships with the County. Separately issued financial statements can be obtained from the following:

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

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

The financial statements of Talbot County have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The County has elected to apply Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, to its business-type activities and to its enterprise funds provided they do not conflict with or contradict GASB pronouncements.

B. Basis of Presentation

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Government-Wide Financial Statements

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

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

Fund Financial Statements

During the year, the County segregates transactions related to certain County functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the County at this more detailed level. The focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

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. There are three categories of funds: governmental, proprietary and fiduciary. The County does not maintain any fiduciary funds.

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 two non-major governmental funds, the developmental impact fund and the Talbot Family Network.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

Proprietary Fund Types

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

Enterprise Funds: 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 County has three major enterprise funds, the Recreational Facilities Fund, the Sanitary District Fund, the Airport Fund and one non-major enterprise fund, the Pool Fund.

D. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

E. Basis of Accounting

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

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

E. Basis of Accounting (continued)

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.

On governmental fund financial statements, receivables that were not collected within the available period are recorded as unearned revenue.

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

F. Budgetary Process

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

- (1) The County Manager and the Board of Education submit a proposed operating budget for their respective general and capital projects funds annually to the County Council.
- (2) A minimum of two public hearings are conducted to obtain taxpayer comments.
- (3) Prior to June 1, the County's budget is legally enacted through passage of an ordinance by the County Council. The budget is required to be balanced as to proposed revenues and expenditures.
- (4) The County Manager is authorized to make transfers between general classifications of expenditures within the same agency and fund. Transfers between agencies can be made only with the approval of the County Council. The County's legal level of budgetary control is at the agency level. All unexpended and unencumbered appropriations in the general fund lapse at the end of the fiscal year. However, no appropriation for a capital project may lapse until the purpose for which the appropriation was made is accomplished or abandoned. A capital project is abandoned if three fiscal years elapse without any expenditure.
- (5) Formal budgets are employed as a management control device during the year for the general, capital projects, special revenue, and enterprise funds. Annual budgets are legally adopted and presented in the combined statement of revenues and expenditures - budget and actual for the general fund, capital projects fund and special revenue fund of the Primary Government.

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

Note 2. Summary of Significant Accounting Policies (continued)

F. Budgetary Process (continued)

- (6) Budgets are prepared and adopted on a basis consistent with generally accepted accounting principles.
- (7) The general fund, capital projects fund, and special revenue fund budgeted amounts are as originally adopted and approved by the County Council. The budgeted amounts for the Board of Education and Library are not presented in these financial statements.
- (8) There were no supplemental appropriations for the County.

G. Cash and Investments

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

H. Property Tax

Taxes are levied annually on July 1 and are due in full by September 30 for non-owner occupied properties. Owner occupied 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 properties and January 1 for owner occupied properties. The County bills and collects its own taxes. County property tax revenues are recognized when collected.

I. Inventory

Board of Education inventories, consisting of expendable items held for consumption, are stated at the lower of cost or market. The cost is recorded as an expenditure item at the time the individual inventory items are used. Inventories of the enterprise funds are stated at the lower of cost or market on a first-in, first-out basis.

J. Capital Assets

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical costs) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The County maintains a capitalization threshold of three hundred dollars. Public domain (infrastructure) general governmental capital assets such as roads, bridges, and streets and sidewalks are capitalized and depreciated. Improvements are capitalized; the costs of normal maintenance and repairs that do not add value to the asset or materially extend an asset's life are not.

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

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 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 Assets

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

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

N. Fund Balance Reserves

The County reserves those portions of governmental fund balances that are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriations for expenditures. Fund balance designations are established to identify tentative plans for restrictions on the future uses of financial resources.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 2. Summary of Significant Accounting Policies (continued)

O. Operating Revenues and Expenses

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

P. Use of Estimates

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

Q. Interfund Receivables/Payables

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

Note 3. Deposits and Investments

A. Deposits

Primary Government

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

At June 30, 2007, the County Primary Government had deposits of \$55,376,857 including \$33,000,000 in certificates of deposit with maturities greater than 3 months, with local banks (carrying value \$55,321,747). Of those deposits, \$300,000 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, 2007, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$3,650 as of June 30, 2007.

Board of Education

At June 30, 2007, the Board of Education had deposits totaling \$1,314,490 (carrying value \$1,291,403). Of the bank balance, \$323,542 was insured by federal depository insurance. Additionally, petty cash totaled \$500 as of June 30, 2007.

The Board of Education does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$990,948 of the Board of Education's bank balance of \$1,314,490 was exposed to custodial credit risk because it was uninsured by FDIC and fully collateralized by securities held by the pledging financial institution's trust department or agent, but not in the Board of Education's name.

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

Note 3. Deposits and Investments (continued)

Library

At June 30, 2007, the Library had deposits totaling \$294,065 (carrying value \$294,065), which were either fully insured or collateralized with securities held in the name of the Library or its agent in their name.

B. Investments

Primary Government

The County is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 94 22G of the Annotated Code of Maryland. The MLGIP is managed by Mercantile Safe Deposit and Trust Company, a Baltimore-based financial institution, which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a quarterly basis and provide suggestions to enhance the pool. The MLGIP 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, 2007, the County had investments in MLGIP of \$3,000,000, which are recorded at cost, which approximates fair value.

The County's exposure to investment rate and credit risk is minimal, as all investments are in cash, MLGIP, or certificates of deposit and are thus precluded from having to sell below original cost. Custodial credit risk is also mitigated by having all investments fully collateralized by securities as mentioned previously.

Board of Education

At June 30, 2007, the Board of Education's investment balances by type and maturity were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>		<u>Interest Rate at June 30</u>
		<u>Less than 1</u>	<u>1 - 5</u>	
Repurchase Agreements	\$6,281,924	-	\$6,281,924	1.9% - 4.6%

Note 4. Interfund Receivables and Payables

As a result of its operations, the County affects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2007, appropriate due from/to other funds have been established.

Interfund transactions are classified as follows:

1. Transfers to support the operations of other funds are recorded as "Transfers in (out) to other funds" and classified as "Other Financing Sources (Uses)" in the fund statements. Transfers between governmental and proprietary funds are netted as part of the reconciliation of the Government-wide financial statements.
2. Loans between funds are classified as Interfund loans receivable and payable or as advances to and from other funds in the fund statements. Interfund loans do not affect total equity, but advances to other funds are offset by a reservation of fund equity. Loans and advances are netted as part of the reconciliation of the Government-wide financial statements.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 4. Interfund Receivables and Payables (continued)

Due from/to other funds balances as of June 30, 2007 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	Operating transfers	\$ 1,909,880	\$ -
Enterprise Fund - Pool	Operating transfers	-	437,356
Enterprise Fund - Recreation	Operating transfers	-	1,472,524
		<u>\$ 1,909,880</u>	<u>\$ 1,909,880</u>

Advances to/from other funds balances as of June 30, 2007 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	\$ 2,464,529	\$ -
Enterprise Fund - Airport	Construction projects	-	2,464,529
		<u>\$ 2,464,529</u>	<u>\$ 2,464,529</u>

During the year, the County transferred approximately \$2.5 million to the Airport from the General fund for construction of the airport control tower. Of those advances, approximately \$2.4 million is not expected to be repaid within the current year. Thus, a portion of the fund balance in the general fund totaling \$2,389,995 has been reserved for this amount.

The Developmental Impact fund was set up by the County to collect fees on new development, construction, and expansion projects. Those fees will be used to support various infrastructure, transportation, education, and other capital projects required due to recent development. During the year, the County transferred \$26,510 from the Developmental Impact fund to the Capital Projects fund to finance various capital projects. Additionally, the County transferred \$170,000 from the Developmental Impact fund to the Recreation fund to finance improvements to the community center.

Note 5. Capital Assets

In the current year, pursuant to GASB 34, the County has retroactively reported all of its infrastructure assets and included those totals in the infrastructure classification in the summary below. Those assets have been recorded at their estimated historical cost and accumulated depreciation has been recorded based on their estimated useful lives. As a result of this retroactive reporting, the June 30, 2006 balance for infrastructure assets has been restated by \$25,755,018 and accumulated depreciation for infrastructure assets has been restated by \$1,092,850.

Certain infrastructure assets totaling \$2,997,668 were included in buildings and improvements in the prior year and have been reclassified to infrastructure assets. Accordingly, the accumulated depreciation associated with those assets has also been reclassified to accumulated depreciation for infrastructure assets. A portion of the infrastructure assets have been recorded in nondepreciable capital assets as they relate to items the County considers to have an indefinite useful life.

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

A summary of changes in capital assets for the fiscal year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Additions	Transfers and Reductions	Balance June 30, 2007
Primary Government				
Governmental Activities:				
Nondepreciable Capital Assets:				
Land	\$ 3,372,938	\$ 1,518,773	\$ -	\$ 4,891,711
Infrastructure	23,191,321	-	-	23,191,321
Construction in progress	2,230,783	1,344,491	(531,179)	3,044,095
Total Nondepreciable Capital Assets	28,795,042	2,863,264	(531,179)	31,127,127
Depreciable Capital Assets:				
Buildings and improvements	28,313,259	324,090	(2,466,488)	26,170,861
Infrastructure	2,563,697	696,280	2,997,668	6,257,645
Furniture and equipment	14,797,109	2,563,501	(463,601)	16,897,009
Total capital assets being depreciated	45,674,065	3,583,871	67,579	49,325,515
Less accumulated depreciation for:				
Buildings and improvements	6,865,652	732,537	(287,102)	7,311,087
Infrastructure	1,092,848	417,072	287,102	1,797,022
Furniture and equipment	6,435,467	1,522,598	(439,393)	7,518,672
Total accumulated depreciation	14,393,967	2,672,207	(439,393)	16,626,781
Total Depreciable Capital Assets, Net	31,280,098	911,664	506,972	32,698,734
Total Governmental Activities, Net	\$ 60,075,140	\$ 3,774,928	\$ (24,207)	\$ 63,825,861
Business-Type Activities:				
Nondepreciable Capital Assets:				
Land	\$ 1,500,854	\$ -	\$ (319,837)	\$ 1,181,017
Construction in progress	13,757,980	12,553,592	(7,886,988)	18,424,584
Total Nondepreciable Capital Assets	15,258,834	12,553,592	(8,206,825)	19,605,601
Depreciable Capital Assets:				
Buildings and improvements	50,012,454	844,981	8,193,136	59,050,571
Furniture and equipment	3,016,548	123,141	(541,998)	2,597,691
Total Depreciable Capital Assets	53,029,002	968,122	7,651,138	61,648,262
Less accumulated depreciation for:				
Buildings	21,297,993	1,805,219	-	23,103,212
Furniture and equipment	1,994,476	176,245	(539,259)	1,631,462
Total accumulated depreciation	23,292,469	1,981,464	(539,259)	24,734,674
Total Depreciable Capital Assets, Net	29,736,533	(1,013,342)	8,190,397	36,913,588
Total Business-Type Activities, Net	\$ 44,995,367	\$ 11,540,250	\$ (16,428)	\$ 56,519,189

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 5. Capital Assets (continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$	557,502
Public Safety		1,005,391
Public Works		928,126
Health & Hospitals		7,112
Social Services		15,300
Recreation		158,776
Total Depreciation Expense-Governmental Activities	\$	2,672,207

A summary of changes in capital assets for the component units at June 30, 2007 is as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
<u>Component Units</u>				
<u>Board of Education</u>				
Nondepreciable Capital Assets:				
Land	\$ 377,446	\$ -	\$ -	\$ 377,446
Construction in progress	1,167,166	10,714,528	-	11,881,694
Total Nondepreciable Capital Assets	1,544,612	10,714,528	-	12,259,140
Depreciable Capital Assets:				
Buildings and improvements	64,210,887	22,074	(3,009)	64,229,952
Furniture and equipment	14,247,225	1,522,305	(734,723)	15,034,807
Total capital assets being depreciated	78,458,112	1,544,379	(737,732)	79,264,759
Less accumulated Depreciation for:				
Buildings and improvements	23,928,675	1,363,613	(3,009)	25,289,279
Furniture and equipment	11,915,500	1,224,319	(734,723)	12,405,096
Total accumulated depreciation	35,844,175	2,587,932	(737,732)	37,694,375
Total Depreciable Capital Assets, Net	\$ 42,613,937	\$ (1,043,553)	\$ -	\$ 41,570,384
 <u>Library</u>				
Nondepreciable Capital Assets:				
Land	\$ 49,921	\$ -	\$ -	\$ 49,921
Depreciable Capital Assets:				
Buildings and improvements	329,025	-	-	329,025
Furniture and equipment	972,452	147,697	-	1,120,149
Total capital assets being depreciated	1,301,477	147,697	-	1,449,174
Less accumulated depreciation	612,230	220,593	-	832,823
Total Depreciable Capital Assets, Net	\$ 689,247	\$ (72,896)	\$ -	\$ 616,351

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt

The following is a summary of long-term debt at June 30, 2007:

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007	Amount Due in One Year
Primary Government					
Governmental Activities:					
Public Facilities and Refunding Bonds of 1998; Original issue \$15,075,000, payable annually in principal payments ranging from \$300,000 to \$1,085,000 through May 1, 2018; Interest payable semi-annually at rates from 4.1% to 6%	\$ 9,060,000	\$ -	\$ 900,000	\$ 8,160,000	\$ 945,000
Shore Erosion Construction Loan; Original issue \$168,825, Payable annually in principal payments of \$11,255 through July 1, 2011; Interest-free	67,530	-	11,255	56,275	11,255
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%	158,955	-	6,154	152,801	6,485
Chesapeake College Bond; Original issue \$620,000, a contractual liability payable to Queen Anne's County, the registered owner; Payable annually in principal payments ranging from \$20,000 to \$50,000 through January 15, 2020; Interest payable semi-annually at rates from 5.10% to 5.75%	490,000	-	25,000	465,000	25,000
Public Improvement and Refunding Bonds of 2006; Original issue \$2,325,000, payable annually in principal payments ranging from \$90,000 to \$175,000 through February 1, 2024; Interest payable semi-annually at rates from 4% to 4.3%	2,325,000	-	100,000	2,225,000	90,000
Public Facilities Bonds of 2002; Original issue \$11,245,000, Payable annually in principal payments ranging from \$379,000 to \$832,000 through March 15, 2022; Interest payable semi-annually at rates from 3.0% to 5.37%	9,656,175	-	431,315	9,224,860	448,920
	21,757,660	-	1,473,724	20,283,936	1,526,660
Compensated absences	490,329	582,075	543,579	528,825	268,050
TOTAL GOVERNMENTAL ACTIVITIES	\$ 22,247,989	\$ 582,075	\$ 2,017,303	\$ 20,812,761	\$ 1,794,710

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007	Amount Due in One Year
<u>Business-type Activities:</u>					
<u>Recreation Facilities</u>					
Public Improvement and Refunding Bonds of 2006; Original issue \$2,545,000, payable annually in principal payments ranging from \$90,000 to \$180,000 through February 1, 2026; Interest payable semi-annually at rates from 4% to 4.375%	\$ 2,545,000	\$ -	\$ 95,000	\$ 2,450,000	\$ 90,000
Golf course equipment capital lease; Original issue of \$319,792, payable monthly in principal and interest payments of approximately \$7,395 through November 2009; Interest at 3.9%	281,746	-	78,285	203,461	81,671
Golf course equipment capital lease; Original issue of \$79,478, payable monthly in principal and interest payments of approximately \$1,309 through October 2010; Interest at 5.6%	-	79,478	8,989	70,489	12,126
Public Facilities Bonds of 2002; Original issue \$1,030,000, Payable annually in principal payments ranging from \$34,000 to \$77,000 through March 15, 2022; Interest payable semi-annually at rates from 3.0% to 5.37%	884,470	-	39,506	844,964	41,119
Total Recreation Facilities	<u>\$ 3,711,216</u>	<u>\$ 79,478</u>	<u>\$ 221,780</u>	<u>\$ 3,568,914</u>	<u>\$ 224,916</u>

Sanitary District

Public Improvement and Refunding Bonds of 2006; Original issue \$50,000, payable annually in principal payments ranging from \$15,000 to \$20,000 through February 1, 2009; Interest payable semi-annually at 4%	\$ 50,000	\$ -	\$ 15,000	\$ 35,000	\$ 15,000
Public Improvement and Refunding Bonds of 2006; Original issue \$340,000, payable annually in principal payments ranging from \$20,000 to \$35,000 through February 1, 2019; Interest payable semi-annually at rates from 4% to 4.2%	340,000	-	20,000	320,000	20,000
Water Quality Bonds of 2006; Total authorized borrowing of \$8,258,799; \$7,499,020 borrowed to date, loan to be repaid in level principal and interest over 20 years beginning February 2008; Interest at 0.4%	1,882,772	5,616,248	-	7,499,020	360,888

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007	Amount Due in One Year
<u>Business-type Activities (continued):</u>					
Sanitary Districts (continued)					
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%	\$ 429,291	\$ -	\$ 15,380	\$ 413,911	\$ 16,186
Sanitary District Improvement Bonds of 1988; Tilghman, St. Michaels Wastewater Systems; Original issue \$683,000, Payable monthly in payments of approximately \$4,992, including interest at 5.25%, retired in current year	32,871	-	32,871	-	-
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%	165,943	-	3,936	162,007	4,117
Total Sanitary District	<u>\$ 2,900,877</u>	<u>\$ 5,616,248</u>	<u>\$ 87,187</u>	<u>\$ 8,429,938</u>	<u>\$ 416,191</u>
<u>Easton Airport</u>					
Public Facilities and Refunding Bonds of 2006; Original issue \$100,000, payable annually in principal payments ranging from \$5,000 to \$10,000 through February 1, 2019; Interest payable semi-annually at rates from 4% to 4.2%	\$ 100,000	\$ -	\$ 5,000	\$ 95,000	\$ 5,000
Public Facilities and Refunding Bonds of 2006; Original issue \$440,000, payable annually in principal payments ranging from \$30,000 to \$40,000 through February 1, 2019; Interest payable semi-annually at rates from 4% to 4.2%	440,000	-	30,000	410,000	30,000
Public Facilities and Refunding Bonds of 2006; Original issue \$235,000, payable annually in principal payments ranging from \$25,000 to \$35,000 through February 1, 2019; Interest payable semi-annually at rates from 4% to 4.125%	235,000	-	30,000	205,000	25,000

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007	Amount Due in One Year
<u>Business-type Activities (continued):</u>					
<u>Easton Airport (continued)</u>					
Public Facilities Bonds of 2002; Original issue \$1,055,000, Payable annually in principal payments ranging from \$31,000 to \$77,000 through March 15, 2022; Interest payable semi-annually at rates from 3.0% to 5.37%	\$ 914,354	\$ -	\$ 39,178	\$ 875,176	\$ 39,961
Department of Natural Resources Hangar; Original issue \$300,000, Payable monthly in principal and interest payments of \$2,030 through October 10, 2020; Interest is payable at 5.3% per annum	243,106	-	11,700	231,406	12,330
Total Easton Airport	1,932,460	-	115,878	1,816,582	112,291
	8,544,553	5,695,726	424,845	13,815,434	753,398
Compensated absences	70,840	79,182	70,715	79,307	36,996
TOTAL BUSINESS-TYPE ACTIVITIES	\$ 8,615,393	\$ 5,774,908	\$ 495,560	\$ 13,894,741	\$ 790,394

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	\$ 399,270
Less: accumulated depreciation	<u>(74,241)</u>
Total	<u><u>\$ 325,029</u></u>

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

Business-Type Activities

<u>Year Ending June 30</u>	
2008	\$ 104,447
2009	104,447
2010	52,684
2011	<u>32,728</u>
	294,306
Less amounts representing interest	<u>(20,356)</u>
Present value of future minimum lease payments	<u><u>\$ 273,950</u></u>

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

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 Obligation

The Primary Government is obligated to pay a share of the debt service on certain bonds issued by the County Commissioners of Queen Anne's County to finance construction of the Economic Development Center building at Chesapeake College. Talbot County's share of this debt is \$108,900. Currently, the obligation is being paid by Chesapeake College, and is not reported on the balance sheet of the County.

	Balance at June 30, 2006	Additions	Reductions	Balance at June 30, 2007
<u>Component Units</u>				
<u>Board of Education</u>				
Note payable to Talbot Bank; Principal and interest payments of \$1,217 are payable monthly through September 7, 2006; Interest is payable at 4.05% per annum; Unsecured	\$ 3,585	\$ -	\$ 3,585	\$ -
Note payable to Talbot County, Maryland; principal and interest payments of \$70,000 are payable annually through July 1, 2007; Interest is payable at 5% per annum; collateralized by school buses	65,981	-	65,981	-
Note payable to Branch Bank & Trust Co. principal and interest payments of \$6,835 are payable monthly through September 2011; interest payable at 4.19% per annum; collateralized by school buses	-	369,401	50,607	318,794
Note payable to Queenstown Bank of Maryland; principal and interest payment of \$6,167, payable monthly through July 2008; Interest is payable at 2.56% per annum; collateralized by equipment	149,992	-	70,984	79,008
TOTAL BOARD OF EDUCATION	\$ 219,558	\$ 369,401	\$ 191,157	\$ 397,802

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

Note 6. Long-Term Debt (continued)

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

Primary Government

	Principal	Interest	Total
Governmental Activities			
Fiscal year Ending June 30,			
2008	\$ 1,527,000	\$ 974,000	\$ 2,501,000
2009	1,594,000	904,000	2,498,000
2010	1,668,000	834,000	2,502,000
2011	1,745,000	757,000	2,502,000
2012	1,192,000	677,000	1,869,000
2013-2017	6,782,000	2,454,000	9,236,000
2018-2022	5,417,000	818,000	6,235,000
2023-2027	359,000	23,000	382,000
Total Governmental Activities	\$ 20,284,000	\$ 7,441,000	\$ 27,725,000
Enterprise Fund - Recreational Facilities			
Fiscal year Ending June 30,			
2008	\$ 131,000	\$ 145,000	\$ 276,000
2009	133,000	139,000	272,000
2010	139,000	133,000	272,000
2011	146,000	128,000	274,000
2012	154,000	122,000	276,000
2013-2017	850,000	502,000	1,352,000
2018-2022	1,057,000	295,000	1,352,000
2023-2027	685,000	76,000	761,000
Total Recreational Facilities	\$ 3,295,000	\$ 1,540,000	\$ 4,835,000
Enterprise Fund - Sanitary District			
Fiscal year Ending June 30,			
2008	\$ 416,000	\$ 73,000	\$ 489,000
2009	424,000	48,000	472,000
2010	411,000	65,000	476,000
2011	414,000	61,000	475,000
2012	416,000	58,000	474,000
2013-2017	2,140,000	231,000	2,371,000
2018-2022	2,143,000	125,000	2,268,000
2023-2027	2,034,000	42,000	2,076,000
2028-2032	32,000	2,000	34,000
Total Sanitary District	\$ 8,430,000	\$ 705,000	\$ 9,135,000

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

Primary Government (continued)

	Principal	Interest	Total
Enterprise Fund - Easton Airport			
Fiscal year Ending June 30,			
2008	\$ 112,000	\$ 88,000	\$ 200,000
2009	114,000	83,000	197,000
2010	125,000	78,000	203,000
2011	127,000	72,000	199,000
2012	129,000	66,000	195,000
2013-2017	668,000	231,000	899,000
2018-2022	542,000	74,000	616,000
Total Easton Airport	\$ 1,817,000	\$ 692,000	\$ 2,509,000

Component Units

Board of Education

Fiscal year Ending June 30,			
2008	\$ 143,000	\$ 13,000	\$ 156,000
2009	79,000	9,000	88,000
2010	76,000	6,000	82,000
2011	80,000	3,000	83,000
2012	20,000	-	20,000
Total Board of Education	\$ 398,000	\$ 31,000	\$ 429,000

Obligations Under State Retirement System

Component Unit – Board of Education

State Retirement and Pension System of Maryland
Payable annually through December 2035;
Interest only payable through December 2018

\$ 307,411

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 6. Long-Term Debt (continued)

Obligations Under State Retirement System (continued)

Component Unit – Board of Education (continued)

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

<u>Fiscal Year Ending June 30,</u>		
2008	\$	35,348
2009		37,115
2010		38,971
2011		40,920
2012		42,966
2013-2017		249,283
2018-2022		318,156
2023-2027		406,056
2028-2032		518,242
2033-2035		515,926
Sub-Total		2,202,983
Less amounts representing interest		(1,895,572)
Liability as of June 30, 2007	\$	307,411

Note 7. Pension Plans

Plan Description

Generally, all regular employees of the County participate in the State of Maryland Employees Retirement and Pension Systems (Employees Systems). Teachers employed by the Board generally participate in the State of Maryland Teachers Retirement and Pensions Systems (Teachers Systems). Both the Employees System and the Teachers Systems (collectively the Systems) are cost-sharing multiple-employer public retirement systems sponsored by the Maryland State Retirement and Pensions Systems and created by the Maryland General Assembly. The Maryland State Retirement Agency issues a publicly available financial report that includes financial statements and required supplementary information for the systems. That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland, 21201.

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

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

Note 7. Pension Plans (continued)

Funding Policy

The State Personnel and Pensions Article requires active members to contribute to the System at the rate of 5% or 7% of their covered salary depending upon the retirement option selected. The combined State contribution rate for the year ending 2007 is established by annual actuarial valuations. The current rate is 9.71% of covered payroll for teachers and range from 8.1% to 13.1% for classified employees. On-behalf payments consist of pension contributions made by the State of Maryland to the State Retirement System for applicable employees of the Board of Education and Library. The amounts recognized as revenue and expenditures for the fiscal year ended June 30, 2007 were \$2,241,430 and \$43,195 for the Board of Education and Library, respectively.

Employer's Payroll and Contributions Under the Plan

The employer's current year payroll for the years ended June 30, 2007, 2006, and 2005, payroll covered under the various state plans, and contributions paid are as follows:

	2007	2006	2005
Total payroll	\$ 40,842,959	\$ 38,570,253	\$ 36,446,399
Payroll covered under the plans	37,633,736	35,594,112	34,038,581
Contributions paid:			
County payments	762,772	604,364	545,818
Board of Education payments	470,731	652,868	425,201
State On-Behalf payments:			
Board of Education	2,241,430	2,150,165	2,034,542
Library	43,195	41,677	47,330

Board of Education - Funding Status

As a result of a first time actuarial study of the State Retirement and Pension System of Maryland, the Talbot County Board of Education was identified as one of 23 municipal corporations not having enough assets available to fund the present value of accrued benefits for participants in the retirement system. Under the rules of House Bill 1338, the original deficit amount was determined to be \$925,482 as of June 30, 1996, to be repaid over a period of 40 years. The Board was granted relief of \$210,003 (as of June 30, 1996) by HB1348 enacted in 1997 and further relief of \$210,003 (as of June 30, 1996) by HB430 which was enacted in 1998. The fiscal year 2007 payment was \$33,665. The payments reflect a pattern which increases by 5% per year for the next 29 years. (See also Note 6.)

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 8. Post-Employment Benefits

In addition to the pension benefits described in Note 7, the County provides post-retirement health care benefits to retirees who meet the Maryland State Retirement System qualifications for full retirement benefits. The retiree must be a full-time employee at the date of their retirement and must have completed at least five years of employment with the County. Presently, 34 retirees/family members meet these eligibility requirements. Current County guidelines state that if the employee has 16 or more years of service with the County, the County will pay 66.66% of the health insurance cost. If the employee has less than 16 years of employment, the County reduces the portion it subsidizes by 1/16 per year. The County finances these benefits on a pay-as-you-go basis. During the year ended June 30, 2007, expenditures of \$317,612 were recognized for post-retirement health care benefits.

Note 9. Deferred Compensation

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

The County funds all amounts of compensation deferred under the plan, at the direction of the covered employee, through investments underwritten by the Hartford Life Insurance Company.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the plan participants and are not subject to the claims of the County's general creditors.

The County has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. In accordance with GASB No. 32, adopted by the County in 1998, the plan's assets are not reported on the combined balance sheet of the County.

Note 10. Unearned Revenues

Unearned revenue consists of federal and state grants, agricultural taxes collected, and other revenues that have been received by the County, but not expended by June 30, 2007. Under the modified accrual basis of revenue recognition, property taxes not received within the "available" period should be deferred. Property taxes receivable at year-end are nominal and have not been deferred by the County. Unearned revenue at June 30, 2007 consisted of the following:

Agricultural taxes collected	\$ 1,432,057
Federal and state grants	159,333
Other sources	<u>1,826,610</u>
	<u>\$ 3,418,000</u>

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

Note 11. Commitments and Contingencies

Primary Government

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

In June 2007, a new cell was added to the landfill increasing its expected capacity. As of June 30, 2007, the landfill is approximately 81.6% filled. Closure of the Landfill is expected in 2010, and as of June 30, 2007, total closure and post closure care costs were estimated at approximately \$11.8 million, with approximately \$3.3 million attributable to the County. It is expected that these costs will be funded from future revenues. MES has accrued and reported as a long-term liability at June 30, 2007, a portion of these costs, \$9.64 million, determined by the estimated useful life of the Landfill.

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2006. MES expects to satisfy these requirements as of June 30, 2007 using the same criteria.

Due to inflation and changes in technology, laws, and regulations, estimated closure and post closure care costs may change in the future. Financial Statements of the Landfill can be obtained from MES located at 259 Najoles Road, Millersville, MD 21108.

Construction Commitments

The County has entered into contracts for the design, construction, and renovation of various facilities at June 30, 2007, which are as follows:

	Amounts Expended To Date	Remaining Construction Commitment	Expected Date of Completion
St. Michaels Wastewater Treatment Plant	\$ 9,086,212	\$ 2,539,715	December 2007
St. Michaels School Renovation	10,186,196	18,527,589	August 2009
Kingston Bridge Replacement	367,612	520,383	November 2007
Talbot County Community Center	8,245,449	768,778	December 2007

Note 12. Risk Management

Primary Government

General Insurance

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

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 12. Risk Management (continued)

Primary Government (continued)

General Insurance (continued)

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

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

Health Insurance

The County self-insures health insurance coverage for its employees with Integra Administrative Group 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. Effective July 1, 1992, the Board joined the Maryland Association of Boards of Education Group Insurance Pool (MABE), which provides casualty and property insurance 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, 2007, MABE had total fund equity of approximately \$20 million. It is believed that there are no outstanding claims in excess of the equity.

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

Health Insurance

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

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

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

TALBOT COUNTY, MARYLAND
NOTES TO FINANCIAL STATEMENTS

Note 13. Deficit

At June 30, 2007, the Recreation Fund had a deficit in unrestricted net assets of \$1,611,450 and the Pool Fund had a deficit of \$439,710. These deficits are expected to be eliminated through normal operations.

Note 14. Restatement of Net Assets

As noted in Note 5, in the current year, the County retroactively reported its infrastructure assets. Pursuant to GASB 34, the County has reported the infrastructure assets as a restatement of a prior period. Thus, net assets for the governmental activities have been restated by \$24,662,170 to reflect the change in infrastructure reporting.

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, 2007

<u>REVENUES</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
TAXES - LOCAL				
LOCAL PROPERTY TAXES				
Real property	\$ 24,000,000	\$ 24,000,000	\$ 24,452,320	\$ 452,320
Railroad and public utilities	400,000	400,000	608,041	208,041
Prior Years	-	-	(4,651)	(4,651)
Penalties and interest	115,000	115,000	157,902	42,902
Total property taxes	24,515,000	24,515,000	25,213,612	698,612
Less: Discounts allowed on taxes	(150,000)	(150,000)	(162,394)	(12,394)
Net property taxes	24,365,000	24,365,000	25,051,218	686,218
LOCAL INCOME TAXES	19,000,000	19,000,000	28,794,974	9,794,974
OTHER LOCAL TAXES				
Admissions and amusements	45,000	45,000	43,612	(1,388)
Recordation	4,500,000	4,500,000	5,472,722	972,722
Transfer	4,500,000	4,500,000	5,298,977	798,977
Public accommodations	875,000	875,000	1,094,620	219,620
Mobile manufactured home	60,000	60,000	92,570	32,570
Total other local taxes	9,980,000	9,980,000	12,002,501	2,022,501
Total local taxes	53,345,000	53,345,000	65,848,693	12,503,693
TAXES - STATE-SHARED				
Highway	3,470,945	3,470,945	3,268,012	(202,933)
Recordation	6,000	6,000	5,364	(636)
Total state-shared taxes	3,476,945	3,476,945	3,273,376	(203,569)
LICENSES AND PERMITS				
Beer, wine and liquor licenses	126,500	126,500	134,254	7,754
Traders licenses	35,000	35,000	41,145	6,145
Animal tags and fines	2,500	2,500	3,240	740
Stormwater permits	16,000	16,000	28,400	12,400
Flood plain permits	1,000	1,000	770	(230)
Health department fees	-	-	25	25
Boat ramp permits and violations	40,000	40,000	49,872	9,872
Marriage licenses	2,500	2,500	2,790	290
Plumbing permits	30,000	30,000	29,520	(480)
Plumbing licenses	5,500	5,500	9,871	4,371
Slot machine licenses	1,400	1,400	1,000	(400)
Electrical licenses	14,000	14,000	21,327	7,327
Building permits	420,000	420,000	356,247	(63,753)
Total licenses and permits	694,400	694,400	678,461	(15,939)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2007 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
INTERGOVERNMENTAL REVENUES				
FROM THE FEDERAL GOVERNMENT				
Highway safety - DOT	\$ 36,000	\$ 36,000	\$ 44,096	\$ 8,096
State's attorney - child support	85,000	85,000	85,125	125
Watershed restoration	-	-	15,448	15,448
Rural AED	-	-	9,948	9,948
Public works grant	40,000	40,000	-	(40,000)
Vest program	1,000	1,000	1,700	700
Byrne - corrections grant	8,000	8,000	8,373	373
Emergency management assistance	37,750	37,750	-	(37,750)
HMEP grant	12,384	12,384	10,952	(1,432)
FEMA	-	-	31,204	31,204
Emergency management - DHS	194,000	194,000	204,681	10,681
Community emergency response team	5,000	5,000	3,766	(1,234)
Emergency shelter	11,500	11,500	4,150	(7,350)
Emergency food assistance	2,500	2,500	795	(1,705)
Total Federal grants	433,134	433,134	420,238	(12,896)
FROM THE STATE OF MARYLAND				
Police protection	100,000	100,000	99,905	(95)
Sex offender grant	-	-	5,726	5,726
CSAFE	25,500	25,500	23,167	(2,333)
Fire and rescue	215,000	215,000	214,840	(160)
911 grants and numbers system board	400,000	400,000	1,531,960	1,131,960
Community right to know grant	8,000	8,000	15,027	7,027
Community service	5,000	5,000	23,000	18,000
Circuit Court - Family Services	138,000	138,000	120,762	(17,238)
Substance abuse court grant	-	-	51,059	51,059
Critical areas	35,000	35,000	25,512	(9,488)
MD Historic Trust	-	-	611	611
Emergency transitional housing	26,000	26,000	35,880	9,880
Homeless prevention program	5,000	5,000	4,140	(860)
Housing special loan program	200,000	200,000	339,522	139,522
Program Open Space	-	-	1,858,827	1,858,827
Community parks and playground	-	-	305,000	305,000
Public landing grants	20,000	20,000	16,276	(3,724)
Weed control	6,500	6,500	9,660	3,160
Tourism	30,000	30,000	89,840	59,840
DSS-Legal fees	30,000	30,000	58,080	28,080
Security filing fees	500	500	3,810	3,310
Total State grants	1,244,500	1,244,500	4,832,604	3,588,104
Total intergovernmental	1,677,634	1,677,634	5,252,842	3,575,208

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2007 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
SERVICE CHARGES				
GENERAL GOVERNMENT CHARGES				
Zoning fees and certificates	\$ 56,000	\$ 56,000	\$ 33,922	\$ (22,078)
Subdivision applications	45,000	45,000	38,395	(6,605)
Administrative variance	9,000	9,000	5,400	(3,600)
Board of appeals	15,000	15,000	9,200	(5,800)
Site plan reviews	10,000	10,000	15,822	5,822
Forest conservation fees	8,000	8,000	5,495	(2,505)
Bed & breakfast license/home occupation	800	800	1,350	550
Short term rental fees	2,000	2,000	11,750	9,750
Mobile home fees	-	-	5,472	5,472
Produce stand permits	600	600	600	-
Zoning ordinances/maps	500	500	-	(500)
BOCA publications	700	700	1,200	500
Roadside vendors	1,000	1,000	500	(500)
Weed and litter enforcement	1,000	1,000	600	(400)
Weed control spraying	55,000	55,000	46,496	(8,504)
Gypsy moth	-	-	1,398	1,398
Economic development/tourism	80,500	80,500	135,640	55,140
Support collections	2,000	2,000	-	(2,000)
Election filing and voter lists	3,000	3,000	1,377	(1,623)
Sheriff's fees	40,000	40,000	30,366	(9,634)
Emergency medical services	905,000	905,000	976,902	71,902
MIEMSS-EMS communications	25,000	25,000	25,000	-
Other charges	2,000	2,000	5,330	3,330
Total general government	1,262,100	1,262,100	1,352,215	90,115
PUBLIC SAFETY CHARGES				
Boarding of state prisoners	50,000	50,000	34,377	(15,623)
Boarding of local prisoners	70,000	70,000	132,834	62,834
Weekenders fees	4,000	4,000	4,369	369
Live-in, work-out fees	20,000	20,000	21,437	1,437
Home detention program	1,000	1,000	1,538	538
Narcotics task force	-	-	19,591	19,591
Federal prisoner program	225,000	225,000	338,701	113,701
Phone commissions/TCPSC	40,000	40,000	9,594	(30,406)
Inmate sick call service	500	500	-	(500)
Community service fees	5,000	5,000	5,980	980
Total public safety charges	415,500	415,500	568,421	152,921
HEALTH				
Mosquito control fees	92,100	92,100	63,159	(28,941)
RECREATION CHARGES				
Boat slips	25,000	25,000	34,578	9,578
Program fees	17,000	17,000	10,580	(6,420)
School/summer fees	22,000	22,000	920	(21,080)
Other recreation grants	1,500	1,500	5,278	3,778
Total recreation	65,500	65,500	51,356	(14,144)
Total service charges	1,835,200	1,835,200	2,035,151	199,951

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2007 (Continued)

	Original Budget	Final Budget	Actual	Variance With Final Budget
FINES AND FORFEITURES	\$ 10,000	\$ 10,000	\$ 14,509	\$ 4,509
MISCELLANEOUS				
School bus lease	54,954	54,954	54,954	-
Other	20,000	20,000	568,026	548,026
Total miscellaneous	74,954	74,954	622,980	548,026
INTEREST	1,200,000	1,200,000	2,464,471	1,264,471
TOTAL REVENUES	62,314,133	62,314,133	80,190,483	17,876,350
OTHER FINANCING SOURCES				
Reserved and unexpended funds	7,285,867	7,285,867	-	(7,285,867)
Total other financing sources	7,285,867	7,285,867	-	(7,285,867)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 69,600,000	\$ 69,600,000	\$ 80,190,483	\$ 10,590,483
EXPENDITURES				
GENERAL GOVERNMENT				
LEGISLATIVE				
County Council:				
Salaries	\$ 73,000	\$ 73,000	\$ 73,458	\$ (458)
Other operating	45,900	45,900	49,431	(3,531)
Total legislative	118,900	118,900	122,889	(3,989)
JUDICIAL				
Circuit Court:				
Salaries	114,668	114,668	94,798	19,870
Other operating	25,100	25,100	14,935	10,165
Capital outlay	-	-	200	(200)
Court Stenographer:				
Salaries	14,000	14,000	15,370	(1,370)
Office supplies	1,000	1,000	208	792
Grand Jury	200	200	2	198
Petit Jury	12,000	12,000	9,436	2,564
Family Services:				
Salaries and fringe benefits	63,929	63,929	63,150	779
Other operating	75,550	75,550	57,612	17,938
Substance Abuse Court:				
Salaries and fringe benefits	-	-	46,365	(46,365)
Other operating	-	-	5,232	(5,232)
Orphan's Court:				
Salaries	17,000	17,000	16,315	685
Other operating	950	950	871	79
State's Attorney:				
Salaries	432,084	432,084	405,851	26,233
Other operating	23,950	23,950	38,664	(14,714)
Capital outlay	8,500	8,500	8,185	315
Child Support:				
Salaries and fringe benefits	161,863	161,863	129,748	32,115
Other operating	9,800	9,800	7,647	2,153

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2007 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
GENERAL GOVERNMENT (continued)				
JUDICIAL (continued)				
Victim Witness Program:				
Salaries	\$ 62,391	\$ 62,391	\$ 63,001	\$ (610)
Other operating	4,750	4,750	4,081	669
Law Library:				
Salaries	2,390	2,390	2,390	-
Other operating	250	250	132	118
Total judicial	1,030,375	1,030,375	984,193	46,182
EXECUTIVE				
County Manager:				
Salaries	244,446	244,446	241,771	2,675
Other operating	18,700	18,700	20,608	(1,908)
Capital outlay	4,900	4,900	4,851	49
Administrative Services:				
Salaries	131,035	131,035	131,740	(705)
Other operating	7,950	7,950	4,067	3,883
Capital outlay	40,000	40,000	39,388	612
Total executive	447,031	447,031	442,425	4,606
ELECTIONS				
Board of Supervisors of Elections:				
Salaries and fringe benefits	183,865	183,865	154,572	29,293
Other operating	113,762	113,762	128,263	(14,501)
Capital outlay	2,550	2,550	1,400	1,150
Registration and elections	75,000	75,000	47,425	27,575
Total elections	375,177	375,177	331,660	43,517
FINANCIAL ADMINISTRATION				
Finance Office:				
Salaries	436,069	436,069	437,672	(1,603)
Other operating	36,480	36,480	20,374	16,106
Contractual services	48,000	48,000	43,118	4,882
Capital outlay	9,320	9,320	8,862	458
Independent audit	34,500	34,500	26,450	8,050
Liquor License Commissioners:				
Salaries	21,977	21,977	21,978	(1)
Other operating	7,350	7,350	4,150	3,200
Contractual services	11,500	11,500	6,450	5,050
Total financial administration	605,196	605,196	569,054	36,142
LAW				
County Attorney:				
Salaries	145,940	145,940	169,342	(23,402)
Other operating	86,830	86,830	93,797	(6,967)
Total law	232,770	232,770	263,139	(30,369)
PLANNING AND ZONING				
Planning Office:				
Salaries	406,944	406,944	400,100	6,844
Other operating	41,455	41,455	35,485	5,970
Contractual services	75,000	75,000	64,190	10,810
Capital outlay	-	-	8,867	(8,867)

TALBOT COUNTY, MARYLAND

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

GENERAL FUND

For the Year Ended June 30, 2007 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
GENERAL GOVERNMENT (continued)				
PLANNING AND ZONING (continued)				
Board of Appeals:				
Salaries	\$ 69,857	\$ 69,857	\$ 65,687	\$ 4,170
Other operating	17,455	17,455	10,832	6,623
Total planning and zoning	610,711	610,711	585,161	25,550
GENERAL SERVICES				
County Buildings:				
Salaries	182,459	182,459	172,905	9,554
Other operating	414,437	414,437	474,456	(60,019)
Capital outlay	32,130	32,130	12,299	19,831
Library Maintenance	96,700	96,700	91,033	5,667
Information Technology				
Salaries	197,987	197,987	198,196	(209)
Other operating	183,380	183,380	120,282	63,098
Capital outlay	61,943	61,943	61,946	(3)
Insurance	100,975	100,975	80,761	20,214
Total general services	1,270,011	1,270,011	1,211,878	58,133
ECONOMIC DEVELOPMENT				
Office of Economic Development:				
Salaries and fringe benefits	113,967	113,967	92,560	21,407
Other operating	39,340	39,340	34,719	4,621
Arts Council	12,000	12,000	12,000	-
Tourism:				
Salaries and fringe benefits	126,196	126,196	115,561	10,635
Other operating	209,565	209,565	359,600	(150,035)
Capital outlay	1,908	1,908	1,323	585
Mid-Shore Regional Council	20,000	20,000	20,000	-
M.U.S.T.	5,000	5,000	5,000	-
Heritage Partnership	15,000	15,000	15,000	-
Historic District Commission	6,395	6,395	672	5,723
Talbot Partnership	5,000	5,000	5,000	-
Total economic development	554,371	554,371	661,435	(107,064)
Total general government	5,244,542	5,244,542	5,171,834	72,708
PUBLIC SAFETY				
SHERIFF				
Salaries	1,255,730	1,255,730	1,006,774	248,956
Other operating	194,660	194,660	234,639	(39,979)
Capital outlay	85,300	85,300	87,532	(2,232)
Total sheriff	1,535,690	1,535,690	1,328,945	206,745
NARCOTICS TASK FORCE				
Other operating	-	-	15,969	(15,969)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2007 (Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
PUBLIC SAFETY (continued)				
MUNICIPAL INSTITUTIONS				
Detention Center:				
Salaries	\$ 1,395,494	\$ 1,395,494	\$ 1,415,163	\$ (19,669)
Other operating	1,018,750	1,018,750	1,049,678	(30,928)
Capital outlay	4,500	4,500	11,186	(6,686)
Total municipal institutions	2,418,744	2,418,744	2,476,027	(57,283)
OTHER PUBLIC SAFETY				
School Crossing Guards	54,942	54,942	54,942	-
Animal Control Program:				
Other operating	1,700	1,700	1,135	565
Contractual services	326,300	326,300	326,300	-
Capital outlay	8,800	8,800	8,571	229
Emergency Management:				
Salaries	578,885	578,885	537,954	40,931
Other operating	308,648	308,648	312,365	(3,717)
Capital outlay	65,000	65,000	994,274	(929,274)
Volunteer Fire Companies	1,038,300	1,038,300	1,048,621	(10,321)
Highway Safety Program:				
Salaries	33,600	33,600	36,901	(3,301)
Other operating	2,400	2,400	7,096	(4,696)
CSAFE	25,500	25,500	18,632	6,868
Emergency Medical Services:				
Salaries and fringe benefits	1,968,269	1,968,269	2,004,477	(36,208)
Other operating	294,291	294,291	368,338	(74,047)
Capital outlay	79,000	79,000	76,320	2,680
Safety Committee	250	250	-	250
Hazardous Materials				
Salaries and fringe benefits	43,215	43,215	10,600	32,615
Other operating	13,500	13,500	10,667	2,833
Total other public safety	4,842,600	4,842,600	5,817,193	(974,593)
PROTECTIVE INSPECTION				
Electrical Inspection				
Salaries	-	-	1,950	(1,950)
Other operating	5,795	5,795	3,644	2,151
Building and Plumbing Inspection:				
Salaries	287,124	287,124	288,042	(918)
Other operating	32,550	32,550	28,027	4,523
Total protective inspection	325,469	325,469	321,663	3,806
Total public safety	9,122,503	9,122,503	9,959,797	(837,294)
PUBLIC WORKS				
PUBLIC WORKS - GENERAL				
Salaries	579,770	579,770	535,110	44,660
Other operating	38,700	38,700	34,960	3,740
Capital outlay	-	-	316,380	(316,380)
Total public works - general	618,470	618,470	886,450	(267,980)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2007 (Continued)

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
PUBLIC WORKS (continued)				
PUBLIC LANDINGS AND WHARVES				
Salaries	\$ 121,582	\$ 121,582	\$ 100,462	\$ 21,120
Other operating	44,075	44,075	45,126	(1,051)
Capital outlay	4,500	4,500	2,923	1,577
Total public landings and wharves	170,157	170,157	148,511	21,646
SOLID WASTE DISPOSAL				
Recycling:				
Salaries and fringe benefits	38,392	38,392	35,332	3,060
Other operating	2,940	2,940	502	2,438
Contractual services	1,000	1,000	648	352
Total solid waste disposal	42,332	42,332	36,482	5,850
HIGHWAYS AND STREETS				
Salaries and fringe benefits	1,361,825	1,361,825	1,235,860	125,965
Other operating	1,334,750	1,334,750	1,628,754	(294,004)
Capital outlay	736,000	736,000	403,398	332,602
Total highways and streets	3,432,575	3,432,575	3,268,012	164,563
Total public works	4,263,534	4,263,534	4,339,455	(75,921)
HEALTH AND HOSPITALS				
Health department	1,172,169	1,172,169	1,176,098	(3,929)
School health	558,692	558,692	558,692	-
Mental health	5,000	5,000	5,000	-
Addictions counseling	40,000	40,000	40,000	-
Mosquito control	101,600	101,600	67,846	33,754
Total health and hospitals	1,877,461	1,877,461	1,847,636	29,825
SOCIAL SERVICES				
Social services legal	60,000	60,000	73,852	(13,852)
Neighborhood Service Center	58,000	58,000	58,000	-
Choptank Community Health	15,000	15,000	15,000	-
Delmarva Community Services	58,895	58,895	58,895	-
Upper Shore Aging	146,006	146,006	146,006	-
Social Services	12,000	12,000	12,000	-
St. Martin's Ministries	5,000	5,000	5,000	-
Emergency Transitional Housing	26,000	26,000	35,880	(9,880)
Homelessness Prevention Program	5,000	5,000	4,140	860
Emergency Shelter	11,500	11,500	4,150	7,350
Emergency Food Assistance	2,500	2,500	795	1,705
Housing Special Loan Program	200,000	200,000	307,103	(107,103)
Housing:				
Salaries and fringe benefits	62,615	62,615	75,875	(13,260)
Other operating	4,600	4,600	2,949	1,651
Total social services	667,116	667,116	799,645	(132,529)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2007 (Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
EDUCATION				
Board of Education:				
Operating appropriation	\$ 29,848,888	\$ 29,848,888	\$ 29,848,888	\$ -
Debt Service	2,015,742	2,015,742	2,020,693	(4,951)
Nonpublic transportation	7,500	7,500	-	7,500
Library - operating appropriation	925,145	925,145	924,145	1,000
Community College:				
Operating appropriation	1,329,891	1,329,891	1,329,891	-
Capital outlay	49,500	49,500	49,500	-
Debt Service	63,195	63,195	62,601	594
Chesapeake Developmental Center	45,005	45,005	45,005	-
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	28,741	28,741	37,054	(8,313)
Other operating	5,395	5,395	4,647	748
Total education	34,319,002	34,319,002	34,322,424	(3,422)
RECREATION				
Parks and Recreation:				
Salaries	164,334	164,334	122,571	41,763
Other operating	178,000	178,000	189,465	(11,465)
Capital outlay	74,200	74,200	2,085,854	(2,011,654)
Total recreation	416,534	416,534	2,397,890	(1,981,356)
CONSERVATION OF NATURAL RESOURCES				
AGRICULTURAL EXTENSION SERVICE				
Salaries	94,167	94,167	92,800	1,367
Other operating	40,499	40,499	40,092	407
Total agricultural extension service	134,666	134,666	132,892	1,774
OTHER CONSERVATION				
Agricultural Preservation	45,000	45,000	85,199	(40,199)
Waterways testing/study	7,800	7,800	4,533	3,267
MES - resource conservation & development	200	200	350	(150)
Weed Control:				
Salaries and fringe benefits	51,662	51,662	50,490	1,172
Other operating	30,435	30,435	20,797	9,638
Gypsy Moth	7,500	7,500	1,398	6,102
Total other conservation	142,597	142,597	162,767	(20,170)
Total conservation of natural resources	277,263	277,263	295,659	(18,396)
INTERGOVERNMENTAL				
Payments to Municipalities:				
Fire, rescue and ambulance fund	22,500	22,500	45,568	(23,068)
Public accommodations tax	630,000	630,000	814,534	(184,534)
Total intergovernmental	652,500	652,500	860,102	(207,602)

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2007 (Continued)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
EMPLOYEE BENEFITS				
Retirement and pension contributions:				
Employees retirement	\$ 500,000	\$ 500,000	\$ 466,350	\$ 33,650
Social security tax	530,000	530,000	511,099	18,901
Health insurance	1,555,000	1,555,000	1,522,252	32,748
Health insurance waiver	30,000	30,000	28,614	1,386
Unemployment insurance	15,000	15,000	1,292	13,708
Pension direct	2,000	2,000	2,193	(193)
Group life insurance	35,000	35,000	28,591	6,409
Disability insurance	25,000	25,000	17,430	7,570
Substance abuse testing	5,000	5,000	5,488	(488)
Workers' compensation	190,000	190,000	125,942	64,058
Employee training	32,500	32,500	32,723	(223)
Other operating	4,000	4,000	6,357	(2,357)
Total employee benefits	2,923,500	2,923,500	2,748,331	175,169
MISCELLANEOUS	104,500	104,500	94,132	10,368
DEBT SERVICE				
Principal on long-term debt	318,023	318,023	318,022	1
Interest on long-term debt	102,429	102,429	100,461	1,968
Total debt service	420,452	420,452	418,483	1,969
RESERVE FOR CONTINGENCIES	1,113,168	1,113,168	135,445	977,723
TOTAL EXPENDITURES	61,402,075	61,402,075	63,390,833	(1,988,758)
OTHER FINANCING USES				
Operating transfers:				
Pool - Operating appropriation	148,960	148,960	148,960	-
Recreation	1,244,148	1,244,148	1,244,148	-
Capital Projects:				
Pay-as-you-go transfer	6,804,817	6,804,817	6,704,817	100,000
Total other financing uses	8,197,925	8,197,925	8,097,925	100,000
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 69,600,000	\$ 69,600,000	\$ 71,488,758	\$ (1,888,758)

TALBOT COUNTY, MARYLAND
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1. Budgetary Basis

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

Note 2. Excess of Expenditures Over Appropriations

The following fund had an excess of expenditures over appropriations for the year ended June 30, 2007:

Fund	Budgeted Expenditures	Actual Expenditures	Excess of Actual Over Budgeted Expenditures
General	\$ 69,600,000	\$ 71,488,758	\$ (1,888,758)

Funds to provide for the excess expenditures were made available from unbudgeted restricted grant revenue within the fund.

Other Supplementary Information

TALBOT COUNTY, MARYLAND

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

CAPITAL PROJECTS FUND

For the Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - federal	\$ -	\$ -	\$ 607,357	\$ 607,357
Intergovernmental - state	5,867,000	5,867,000	36,991	(5,830,009)
Miscellaneous	2,030,000	2,030,000	-	(2,030,000)
Interest	-	-	365,016	365,016
Total revenues	7,897,000	7,897,000	1,009,364	(6,887,636)
EXPENDITURES				
General government	2,100,000	2,100,000	19,339	2,080,661
Public safety	35,000	35,000	35,000	-
Public works	5,080,000	5,080,000	1,189,345	3,890,655
Health and hospitals	50,000	50,000	25,286	24,714
Education	22,398,327	22,398,327	6,691,539	15,706,788
Recreation	885,000	885,000	594,771	290,229
Total expenditures	30,548,327	30,548,327	8,555,280	21,993,047
OTHER FINANCING SOURCES (USES)				
Issuance of debt	15,130,000	15,130,000	-	(15,130,000)
Transfers from developmental impact fund	816,510	816,510	26,510	(790,000)
Transfers from general fund	6,704,817	6,704,817	6,704,817	-
Total other financing sources	22,651,327	22,651,327	6,731,327	(15,920,000)
Net Change in Fund Balance	\$ -	\$ -	\$ (814,589)	\$ (814,589)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
DEVELOPMENTAL IMPACT FUND
For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Licenses and permits:				
Impact fees:				
General government	\$ 240,000	\$ 240,000	\$ 249,769	\$ 9,769
Public works	216,000	216,000	1,089,966	873,966
Education				
Public schools	713,000	713,000	433,014	(279,986)
Library	133,000	133,000	81,852	(51,148)
Community College	28,000	28,000	17,665	(10,335)
Recreation	170,000	170,000	84,084	(85,916)
Interest	-	-	160,370	160,370
Total revenues	1,500,000	1,500,000	2,116,720	616,720
OTHER FINANCING USES				
Transfers to capital fund	266,510	266,510	26,510	240,000
Transfers to recreation fund	170,000	170,000	170,000	-
Total other financing uses	436,510	436,510	196,510	240,000
Net Change in Fund Balance	\$ 1,063,490	\$ 1,063,490	\$ 1,920,210	\$ 856,720

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
TALBOT FAMILY NETWORK
For the Year Ended June 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental:				
Federal	\$ 134,398	\$ 134,398	\$ 50,423	\$ (83,975)
State	1,087,782	1,087,782	824,434	(263,348)
Interest	-	-	59,650	59,650
Total revenues	1,222,180	1,222,180	934,507	(287,673)
EXPENDITURES				
Social services	1,222,180	1,222,180	601,537	620,643
Excess of expenditures over revenues	\$ -	\$ -	\$ 332,970	\$ 332,970

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TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - RECREATION FACILITIES
For the Year Ended June 30, 2007**

	Hog Neck Golf Course		
	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OPERATING REVENUES			
Program fees and admissions	\$ -	\$ -	\$ -
Room rents	-	-	-
Ice revenues	-	-	-
Pro shop and concessions	177,710	320,043	142,333
Cart rentals	168,100	130,647	(37,453)
Green fees	1,318,690	879,448	(439,242)
Other operating	6,000	3,969	(2,031)
Total operating revenues	1,670,500	1,334,107	(336,393)
OPERATING EXPENSES			
Salaries and related expenses	828,491	844,801	(16,310)
Professional fees	9,000	14,296	(5,296)
Office	28,200	31,967	(3,767)
Insurance	6,500	7,599	(1,099)
Repairs and maintenance	253,307	171,937	81,370
Utilities	52,200	62,008	(9,808)
Supplies and equipment	183,000	180,997	2,003
Lessons and programs	4,000	4,985	(985)
Pro shop and concessions	80,000	194,568	(114,568)
Other operating	22,800	24,404	(1,604)
Total operating expenses	1,467,498	1,537,562	(70,064)
Operating income (loss) before depreciation	203,002	(203,455)	(406,457)
Depreciation	-	182,156	(182,156)
Net operating income (loss)	203,002	(385,611)	(588,613)
NON-OPERATING REVENUES (EXPENSES)			
Contributions	-	-	-
Loss on disposal of capital assets	-	-	-
Transfer from General Fund	-	-	-
Transfer from Developmental Impact Fund	-	-	-
Interest expense	(83,002)	(56,551)	26,451
Net non-operating revenues (expenses)	(83,002)	(56,551)	26,451
Net income (loss)	\$ 120,000	\$ (442,162)	\$ (562,162)
OTHER BUDGETED EXPENDITURES			
Capital outlay	(120,000)		
Total other budgeted expenditures	(120,000)		
Budgeted net income (loss)	\$ -		

Talbot Community Center			Combined Totals		
<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
\$ 60,000	\$ 103,592	\$ 43,592	\$ 60,000	\$ 103,592	\$ 43,592
15,000	34,171	19,171	15,000	34,171	19,171
170,000	182,454	12,454	170,000	182,454	12,454
51,000	43,252	(7,748)	228,710	363,295	134,585
-	-	-	168,100	130,647	(37,453)
-	-	-	1,318,690	879,448	(439,242)
2,500	511	(1,989)	8,500	4,480	(4,020)
298,500	363,980	65,480	1,969,000	1,698,087	(270,913)
331,811	440,047	(108,236)	1,160,302	1,284,848	(124,546)
5,000	18,077	(13,077)	14,000	32,373	(18,373)
20,375	16,158	4,217	48,575	48,125	450
11,000	19,009	(8,009)	17,500	26,608	(9,108)
76,000	114,193	(38,193)	329,307	286,130	43,177
161,500	241,155	(79,655)	213,700	303,163	(89,463)
-	29,556	(29,556)	183,000	210,553	(27,553)
53,200	107,641	(54,441)	57,200	112,626	(55,426)
30,000	46,208	(16,208)	110,000	240,776	(130,776)
7,200	27,541	(20,341)	30,000	51,945	(21,945)
696,086	1,059,585	(363,499)	2,163,584	2,597,147	(433,563)
(397,586)	(695,605)	(298,019)	(194,584)	(899,060)	(704,476)
-	277,023	(277,023)	-	459,179	(459,179)
(397,586)	(972,628)	(575,042)	(194,584)	(1,358,239)	(1,163,655)
-	167,748	167,748	-	167,748	167,748
-	(2,740)	(2,740)	-	(2,740)	(2,740)
1,244,148	1,244,148	-	1,244,148	1,244,148	-
170,000	170,000	-	170,000	170,000	-
(188,437)	(104,965)	83,472	(271,439)	(161,516)	109,923
1,225,711	1,474,191	248,480	1,142,709	1,417,640	274,931
\$ 828,125	\$ 501,563	\$ (326,562)	\$ 948,125	\$ 59,401	\$ (888,724)
\$ (828,125)			\$ (948,125)		
(828,125)			(948,125)		
\$ -			\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - SANITARY DISTRICT
For the Year Ended June 30, 2007**

	<u>St. Michaels District</u>			<u>Royal Oak District</u>		
	Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget
OPERATING REVENUES						
Sewer service charges	\$ 374,800	\$ 395,379	\$ 20,579	\$ 117,250	\$ 118,509	\$ 1,259
Sewer connection charges	1,250	15,000	13,750	3,000	10,000	7,000
Residential benefit charges	120,000	106,394	(13,606)	53,680	71,576	17,896
Pump installation charges	-	-	-	-	-	-
Miscellaneous	7,500	188	(7,312)	-	84	84
Total operating revenues	503,550	516,961	13,411	173,930	200,169	26,239
OPERATING EXPENSES						
Salaries and related expenses	84,927	85,880	(953)	30,574	30,367	207
Professional fees	500	7,302	(6,802)	150	60	90
Office	5,350	4,026	1,324	1,225	1,395	(170)
Insurance	9,250	7,796	1,454	3,150	2,269	881
Contracted services	334,400	485,450	(151,050)	99,340	106,709	(7,369)
Repairs and maintenance	46,200	23,271	22,929	10,200	8,051	2,149
Other operating	14,500	12,920	1,580	1,300	1,891	(591)
Total operating expenses	495,127	626,645	(131,518)	145,939	150,742	(4,803)
Operating income before depreciation	8,423	(109,684)	(118,107)	27,991	49,427	21,436
Depreciation	15,588	134,727	(119,139)	2,071	117,297	(115,226)
Net operating income (loss)	(7,165)	(244,411)	(237,246)	25,920	(67,870)	(93,790)
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	3,342,285	3,342,285	-	-	-
Issuance of long-term debt	1,000,000	-	(1,000,000)	-	-	-
Interest income	35,345	46,175	10,830	12,000	23,127	11,127
Interest expense	(205)	(13,629)	(13,424)	(22,540)	(22,509)	31
Net non-operating revenues (expenses)	1,035,140	3,374,831	2,339,691	(10,540)	618	11,158
Net income (loss)	\$ 1,027,975	\$ 3,130,420	\$ 2,102,445	\$ 15,380	\$ (67,252)	\$ (82,632)
OTHER BUDGETED EXPENDITURES						
Capital outlay	\$ (1,013,300)			\$ -		
Debt service	(14,675)			(15,380)		
Total other budgeted expenditures	(1,027,975)			(15,380)		
Budgeted net income (loss)	\$ -			\$ -		

Tilghman District			Unionville District			Combined Totals		
Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget	Original and Final Budget	Actual	Variance With Final Budget
\$ 117,200	\$ 124,579	\$ 7,379	\$ 60,200	\$ 61,653	\$ 1,453	\$ 669,450	\$ 700,120	\$ 30,670
15,000	58,781	43,781	-	2,500	2,500	19,250	86,281	67,031
139,000	148,786	9,786	21,100	23,223	2,123	333,780	349,979	16,199
-	14,469	14,469	-	-	-	-	14,469	14,469
-	176	176	-	43	43	7,500	491	(7,009)
271,200	346,791	75,591	81,300	87,419	6,119	1,029,980	1,151,340	121,360
42,464	42,042	422	11,890	11,771	119	169,855	170,060	(205)
340	70	270	100	40	60	1,090	7,472	(6,382)
2,300	2,061	239	925	601	324	9,800	8,083	1,717
5,950	2,709	3,241	1,300	878	422	19,650	13,652	5,998
99,100	107,550	(8,450)	50,650	93,186	(42,536)	583,490	792,895	(209,405)
12,350	3,206	9,144	7,800	3,741	4,059	76,550	38,269	38,281
-	-	-	1,000	945	55	16,800	15,756	1,044
162,504	157,638	4,866	73,665	111,162	(37,497)	877,235	1,046,187	(168,952)
108,696	189,153	80,457	7,635	(23,743)	(31,378)	152,745	105,153	(47,592)
15,990	152,608	(136,618)	-	139,581	(139,581)	33,649	544,213	(510,564)
92,706	36,545	(56,161)	7,635	(163,324)	(170,959)	119,096	(439,060)	(558,156)
-	-	-	-	-	-	-	3,342,285	3,342,285
-	-	-	-	-	-	1,000,000	-	(1,000,000)
10,000	27,475	17,475	5,700	14,078	8,378	63,045	110,855	47,810
(22,099)	(15,606)	6,493	(7,395)	(7,393)	2	(52,239)	(59,137)	(6,898)
(12,099)	11,869	23,968	(1,695)	6,685	8,380	1,010,806	3,394,003	2,383,197
\$ 80,607	\$ 48,414	\$ (32,193)	\$ 5,940	\$ (156,639)	\$ (162,579)	\$ 1,129,902	\$ 2,954,943	\$ 1,825,041
\$ (30,000)			\$ (2,000)			(1,045,300)		
(50,607)			(3,940)			(84,602)		
(80,607)			(5,940)			(1,129,902)		
\$ -			\$ -			\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - EASTON AIRPORT
For the Year Ended June 30, 2007**

	Original and <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
OPERATING REVENUES			
Charges - operations	\$ 180,200	\$ 186,359	\$ 6,159
Charges - fuel facility	2,717,180	2,150,963	(566,217)
Charges - hangars	464,369	480,039	15,670
Other operating	3,500	6,992	3,492
Total operating revenues	3,365,249	2,824,353	(540,896)
OPERATING EXPENSES			
Salaries and related expenses	308,056	306,256	1,800
Cost of sales - fuel	2,516,080	2,019,413	496,667
Professional fees	1,500	2,240	(740)
Office	16,154	13,599	2,555
Insurance	18,000	21,849	(3,849)
Repairs and maintenance	64,300	47,382	16,918
Utilities	52,500	51,002	1,498
Supplies and equipment	1,000	-	1,000
Other operating	8,100	19,557	(11,457)
Total operating expenses	2,985,690	2,481,298	504,392
Operating income before depreciation	379,559	343,055	(36,504)
Depreciation	41,893	895,542	(853,649)
Net operating income	337,666	(552,487)	(890,153)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues (expenses)	2,045,000	2,679,816	634,816
Contributions	-	227,060	227,060
Interest income	18,000	28,952	10,952
Interest expense	(111,386)	(92,069)	19,317
Gain on disposal of assets	-	-	-
Net non-operating expenses	1,951,614	2,843,759	892,145
Net income	\$ 2,289,280	\$ 2,291,272	\$ 1,992
OTHER BUDGETED EXPENDITURES			
Debt service	\$ (97,280)		
Capital outlay	(2,192,000)		
Total other budgeted expenditures	(2,289,280)		
Budgeted net income (loss)	\$ -		

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND - POOL
For the Year Ended June 30, 2007**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
OPERATING REVENUES			
Admissions	\$ 37,000	\$ 37,224	\$ 224
Other operating	46,100	50,545	4,445
<hr/>			
Total operating revenues	83,100	87,769	4,669
<hr/>			
OPERATING EXPENSES			
Salaries and related expenses	146,190	162,348	(16,158)
Professional fees	2,530	3,741	(1,211)
Office	5,325	3,904	1,421
Insurance	3,865	3,415	450
Repairs and maintenance	26,700	37,579	(10,879)
Utilities	10,800	14,574	(3,774)
Supplies and equipment	13,050	19,652	(6,602)
Lessons and programs	5,100	3,979	1,121
Other operating	7,300	11,463	(4,163)
<hr/>			
Total operating expenses	220,860	260,655	(39,795)
<hr/>			
Operating income (loss) before depreciation	(137,760)	(172,886)	(35,126)
<hr/>			
Depreciation	-	82,527	(82,527)
<hr/>			
Net operating income (loss)	(137,760)	(255,413)	(117,653)
<hr/>			
NON-OPERATING REVENUES			
Transfer from General Fund	148,960	148,960	-
<hr/>			
Net income (loss)	\$ 11,200	\$ (106,453)	\$ (117,653)
<hr/>			
OTHER BUDGETED EXPENDITURES			
Capital outlay	\$ (11,200)		
<hr/>			
Total other budgeted expenditures	(11,200)		
<hr/>			
Budgeted net income (loss)	\$ -		
<hr/>			

TALBOT COUNTY, MARYLAND
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2007

	Governmental Funds		
	Developmental Impact	Talbot Family Network	Total Other Governmental Funds
ASSETS			
Cash and short-term investments	\$ 1,608,321	\$ 497,589	\$ 2,105,910
Certificate of deposit	2,381,353	736,752	3,118,105
Receivables:			
Accounts receivable	-	2,908	2,908
Intergovernmental			
State	-	120,939	120,939
Federal	-	20,020	20,020
Total Assets	\$ 3,989,674	\$ 1,378,208	\$ 5,367,882
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable and accrued liabilities	\$ -	\$ 100,463	\$ 100,463
Unearned revenue	-	91,102	91,102
Total Liabilities	-	191,565	191,565
FUND BALANCES			
Unreserved:			
Designated for social services	-	849,610	849,610
Designated for capital projects	3,989,674	-	3,989,674
Undesignated	-	337,033	337,033
Total Fund Balances	3,989,674	1,186,643	5,176,317
Total Liabilities and Fund Balances	\$ 3,989,674	\$ 1,378,208	\$ 5,367,882

TALBOT COUNTY, MARYLAND

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
OTHER GOVERNMENTAL FUNDS
Year Ended June 30, 2007**

	Governmental Funds		
	Developmental <u>Impact</u>	Talbot Family <u>Network</u>	Total Other Governmental <u>Funds</u>
REVENUES			
Intergovernmental:			
Federal	\$ -	\$ 50,423	\$ 50,423
State	-	824,434	824,434
Licenses and permits	1,956,350	-	1,956,350
Interest	160,370	59,650	220,020
Total revenues	2,116,720	934,507	3,051,227
EXPENDITURES			
Social services	-	601,537	601,537
Excess (deficiency) of revenues over expenditures	2,116,720	332,970	2,449,690
OTHER FINANCING SOURCES (USES)			
Transfers in (out) to other funds:			
Recreation	(170,000)	-	(170,000)
Capital projects - capital	(26,510)	-	(26,510)
Total other financing sources (uses)	(196,510)	-	(196,510)
Net change in fund balances	1,920,210	332,970	2,253,180
Fund balances at beginning of year	2,069,464	853,673	2,923,137
Fund balances at end of year	\$ 3,989,674	\$ 1,186,643	\$ 5,176,317

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

Combining Balance Sheet - Other Governmental Funds

Combining Schedule of Revenues and Expenditures - Other Governmental Funds

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STATISTICAL SECTION

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

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

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

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

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

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

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

Schedule 1
Talbot County, Maryland
Net Assets by Component, Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities					
Invested in capital assets, net of related debt	\$ 25,549,797	\$ 30,368,639	\$ 34,281,353	\$ 38,317,480	\$ 43,541,925
Restricted	-	-	-	-	-
Unrestricted	<u>21,900,817</u>	<u>24,467,804</u>	<u>33,050,665</u>	<u>43,576,637</u>	<u>53,678,457</u>
Total governmental activities net assets	\$ 47,450,614	\$ 54,836,443	\$ 67,332,018	\$ 81,894,117	\$ 97,220,382
Business-type activities					
Invested in capital assets, net of related debt	\$ 28,226,489	\$ 28,895,926	\$ 29,355,427	\$ 36,450,814	\$ 40,239,226
Unrestricted	<u>2,766,537</u>	<u>2,010,982</u>	<u>1,962,310</u>	<u>408,598</u>	<u>1,819,349</u>
Total business-type activities net assets	\$ 30,993,026	\$ 30,906,908	\$ 31,317,737	\$ 36,859,412	\$ 42,058,575
Primary government					
Invested in capital assets, net of related debt	\$ 53,776,286	\$ 59,264,565	\$ 63,636,780	\$ 74,768,294	\$ 83,781,151
Restricted	-	-	-	-	-
Unrestricted	<u>24,667,354</u>	<u>26,478,786</u>	<u>35,012,975</u>	<u>43,985,235</u>	<u>55,497,806</u>
Total primary government net assets	<u>\$ 78,443,640</u>	<u>\$ 85,743,351</u>	<u>\$ 98,649,755</u>	<u>\$ 118,753,529</u>	<u>\$ 139,278,957</u>

Note: Accrual-basis financial information for the county government as a whole is available back to 2003 only, the year GASB Statement 34 was implemented.

Schedule 2
Talbot County, Maryland
Changes in Net Assets, Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental activities:					
General government	\$ 3,875,189	\$ 4,207,109	\$ 3,815,657	\$ 5,406,098	\$ 5,231,945
Public safety	6,808,285	8,529,100	10,262,503	10,921,003	11,161,287
Public works	2,496,544	2,925,889	4,642,392	4,935,194	4,637,883
Health and hospitals	1,379,364	1,355,972	1,449,359	1,531,391	1,880,034
Social services	2,953,069	1,609,871	1,696,493	1,794,137	1,402,948
Education	32,986,288	28,866,119	30,704,758	31,966,292	39,858,261
Recreation	296,404	345,504	542,531	1,275,345	2,563,646
Conservation of natural resources	209,727	231,996	210,248	244,923	295,659
Miscellaneous	2,470,833	2,763,416	1,179,852	276,215	229,577
Interest on long-term debt	155,585	157,743	124,966	113,108	100,461
Total governmental activities expenses	<u>53,631,288</u>	<u>50,992,719</u>	<u>54,628,759</u>	<u>58,463,706</u>	<u>67,361,701</u>
Business-type activities:					
Recreation facilities	2,137,153	2,147,153	2,140,155	2,494,818	3,217,842
Sanitary district	1,337,094	1,414,081	1,468,246	1,485,046	1,649,537
Airport	2,204,071	2,434,808	2,832,127	3,438,045	3,468,909
Pool	282,896	276,819	314,780	350,962	343,182
Total business-type activities expenses	<u>5,961,214</u>	<u>6,272,861</u>	<u>6,755,308</u>	<u>7,768,871</u>	<u>8,679,470</u>
Total primary government expenses	<u>\$ 59,592,502</u>	<u>\$ 57,265,580</u>	<u>\$ 61,384,067</u>	<u>\$ 66,232,577</u>	<u>\$ 76,041,171</u>
Program Revenues					
Governmental activities:					
Charges for services					
General government	\$ 766,926	\$ 1,695,600	\$ 1,876,461	\$ 2,252,476	\$ 2,294,954
Public safety	492,915	700,872	767,105	586,274	568,421
Public works	-	-	181,792	408,874	1,089,966
Health and hospitals	42,531	69,496	68,644	57,058	63,159
Education	-	-	391,810	631,900	532,531
Recreation	35,320	65,631	114,412	150,279	135,440
Miscellaneous	-	22,220	-	-	-
Operating grants and contributions	4,588,259	4,178,419	5,129,023	5,133,898	6,772,047
Capital grants and contributions	-	-	-	-	-
Total governmental activities program revenues	<u>5,925,951</u>	<u>6,732,238</u>	<u>8,529,247</u>	<u>9,220,759</u>	<u>11,456,518</u>
Business-type activities:					
Charges for services					
Recreation facilities	992,355	1,319,337	1,443,726	1,247,469	1,698,087
Sanitary district	1,072,726	1,015,001	1,110,847	1,061,865	1,151,340
Easton airport	1,807,185	1,856,821	2,330,429	2,904,517	2,824,353
Pool	276,852	86,424	80,220	93,161	87,769
Operating grants and contributions	-	-	-	-	-
Capital grants and contributions	-	1,647,042	833,848	4,895,190	6,416,909
Total business-type activities program revenues	<u>4,149,118</u>	<u>5,924,625</u>	<u>5,799,070</u>	<u>10,202,202</u>	<u>12,178,458</u>
Total primary government program revenues	<u>\$ 10,075,069</u>	<u>\$ 12,656,863</u>	<u>\$ 14,328,317</u>	<u>\$ 19,422,961</u>	<u>\$ 23,634,976</u>
Net (Expense)/Revenue					
Governmental activities	\$ (47,705,337)	\$ (44,260,481)	\$ (46,099,512)	\$ (49,242,947)	\$ (55,905,183)
Business-type activities	(1,812,096)	(348,236)	(956,238)	2,433,331	3,498,988
Total primary government net expense	<u>\$ (49,517,433)</u>	<u>\$ (44,608,717)</u>	<u>\$ (47,055,750)</u>	<u>\$ (46,809,616)</u>	<u>\$ (52,406,195)</u>

	Fiscal Year				
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Property taxes	\$ 20,285,162	\$ 21,230,753	\$ 22,509,555	\$ 23,824,569	\$ 25,051,218
Local income tax	13,115,496	15,429,138	19,492,772	23,825,934	28,794,974
Other local taxes	9,234,107	12,063,661	16,342,890	16,910,723	15,275,877
Interest	588,344	299,144	795,404	1,870,166	3,049,507
Miscellaneous	3,855,478	2,840,639	718,241	324,881	622,980
Transfers in (out)	<u>(793,990)</u>	<u>(217,025)</u>	<u>(1,263,775)</u>	<u>(2,951,227)</u>	<u>(1,563,108)</u>
Total governmental activities	<u>46,284,597</u>	<u>51,646,310</u>	<u>58,595,087</u>	<u>63,805,046</u>	<u>71,231,448</u>
Business-type activities:					
Interest	87,770	45,093	103,292	145,109	139,807
Miscellaneous	-	-	-	12,008	(2,740)
Transfers in (out)	<u>793,990</u>	<u>217,025</u>	<u>1,263,775</u>	<u>2,951,227</u>	<u>1,563,108</u>
Total business-type activities	<u>881,760</u>	<u>262,118</u>	<u>1,367,067</u>	<u>3,108,344</u>	<u>1,700,175</u>
Total primary government	<u>\$ 47,166,357</u>	<u>\$ 51,908,428</u>	<u>\$ 59,962,154</u>	<u>\$ 66,913,390</u>	<u>\$ 72,931,623</u>
Change in Net Assets					
Governmental activities	\$ (1,420,740)	\$ 7,385,829	\$ 12,495,575	\$ 14,562,099	\$ 15,326,265
Business-type activities	<u>(930,336)</u>	<u>(86,118)</u>	<u>410,829</u>	<u>5,541,675</u>	<u>5,199,163</u>
Total primary government	<u>\$ (2,351,076)</u>	<u>\$ 7,299,711</u>	<u>\$ 12,906,404</u>	<u>\$ 20,103,774</u>	<u>\$ 20,525,428</u>

Note: Accrual-basis financial information for the county government as a whole is only available back to 2003, the year GASB Statement 34 was implemented.

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

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,051	\$ 7,681	\$ 42,293	\$ 2,509,615
Unreserved										
Designated	3,496,950	4,152,200	4,553,000	5,248,000	4,201,000	4,200,000	5,200,000	9,922,800	7,285,867	15,812,496
Undesignated	<u>6,751,707</u>	<u>7,233,440</u>	<u>8,195,376</u>	<u>9,932,537</u>	<u>10,505,119</u>	<u>9,588,567</u>	<u>14,118,491</u>	<u>17,993,526</u>	<u>25,387,252</u>	<u>23,095,026</u>
Total General Fund	<u>\$ 10,248,657</u>	<u>\$ 11,385,640</u>	<u>\$ 12,748,376</u>	<u>\$ 15,180,537</u>	<u>\$ 14,706,119</u>	<u>\$ 13,788,567</u>	<u>\$ 19,340,542</u>	<u>\$ 27,924,007</u>	<u>\$ 32,715,412</u>	<u>\$ 41,417,137</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	5,477,764	6,928,788	6,407,016	5,290,622	13,424,726	7,771,608	4,933,233	3,863,961	8,428,417	7,613,828
Designated - Special Revenue Funds	-	402,847	365,441	695,660	721,981	720,150	594,188	1,707,767	2,859,426	4,839,284
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,604</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,711</u>	<u>337,033</u>
Total all other governmental funds	<u>\$ 5,477,764</u>	<u>\$ 7,331,635</u>	<u>\$ 6,772,457</u>	<u>\$ 5,990,886</u>	<u>\$ 14,146,707</u>	<u>\$ 8,491,758</u>	<u>\$ 5,527,421</u>	<u>\$ 5,571,728</u>	<u>\$ 11,351,554</u>	<u>\$ 12,790,145</u>
Total Governmental Funds	\$ 15,726,421	\$ 18,717,275	\$ 19,520,833	\$ 21,171,423	\$ 28,852,826	\$ 22,280,325	\$ 24,867,963	\$ 33,495,735	\$ 44,066,966	\$ 54,207,282

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
Property tax	\$ 16,784,680	\$ 16,687,762	\$ 17,817,082	\$ 18,669,717	\$ 19,517,609	\$ 20,285,162	\$ 21,230,753	\$ 22,509,555	\$ 23,824,569	\$ 25,051,218
Income tax	12,322,333	11,376,282	12,166,186	15,779,471	15,004,893	13,115,496	15,429,138	19,492,772	23,825,934	28,794,974
Other local taxes	4,545,825	5,740,043	6,652,020	6,436,648	7,445,196	9,234,107	12,063,661	13,681,174	13,647,096	12,002,501
State-shared taxes	2,295,010	2,591,859	2,674,038	2,852,272	2,800,832	2,657,073	2,153,704	2,661,716	3,263,627	3,273,376
Licenses and permits	496,717	542,540	555,027	527,143	634,650	559,035	657,060	1,434,242	2,163,301	2,634,811
Intergovernmental:										
Federal	243,910	401,652	435,917	361,314	598,959	1,005,838	1,017,047	2,161,763	897,727	1,166,795
State	1,101,348	1,254,220	1,433,321	2,857,083	2,942,042	3,582,423	3,161,372	2,967,260	4,236,173	5,605,252
Service charges	889,397	997,932	1,269,816	1,345,313	1,291,900	1,337,694	1,874,539	1,965,982	1,918,108	2,035,151
Fines and forfeitures	10,361	7,587	19,830	18,131	17,499	21,830	22,220	11,241	5,452	14,509
Miscellaneous	246,358	287,170	76,946	341,200	520,350	617,536	742,247	707,000	324,881	622,980
Interest Income	678,408	1,192,289	1,586,395	1,765,084	786,748	588,344	299,143	795,404	1,870,166	3,049,507
Total revenues	<u>39,614,347</u>	<u>41,079,336</u>	<u>44,686,578</u>	<u>50,953,376</u>	<u>51,560,678</u>	<u>53,004,538</u>	<u>58,650,884</u>	<u>68,388,109</u>	<u>75,977,034</u>	<u>84,251,074</u>
Expenditures										
General Government	2,929,152	2,496,252	3,337,813	5,093,901	4,264,382	5,803,654	7,225,024	5,603,724	5,584,396	5,191,173
Public Safety	3,541,799	4,000,180	7,390,869	7,670,175	5,842,322	6,940,735	7,757,238	9,135,164	9,157,464	9,994,797
Public Works	2,904,588	2,982,273	3,366,543	3,210,685	3,902,358	4,361,390	3,209,637	4,492,762	6,126,343	5,528,800
Health and hospitals	998,450	1,048,390	1,190,112	1,203,189	1,379,633	1,375,601	1,352,209	1,445,596	1,526,270	1,872,922
Social services	505,719	879,853	882,269	1,608,066	2,104,868	2,937,003	1,594,320	1,681,193	1,778,837	1,401,182
Education	24,614,112	23,881,821	23,921,312	26,350,832	31,955,041	31,627,468	28,777,258	29,644,623	31,029,594	38,998,222
Debt service interest	187,455	693,452	673,942	679,689	664,574	1,128,080	1,095,167	1,060,135	901,243	891,193
Debt service principal	171,307	325,422	362,757	407,871	571,051	953,302	1,002,888	1,044,951	988,345	1,124,548
Recreation	134,713	177,204	411,362	334,753	491,690	492,123	518,026	491,528	1,104,324	2,992,661
Conservation of natural resources	124,315	145,412	165,992	173,938	164,901	206,433	231,996	210,248	244,923	295,659
Employee Benefits	820,203	840,270	1,060,095	1,180,514	1,476,801	1,409,577	1,522,465	2,303,921	2,579,628	2,748,331
Miscellaneous	95,066	33,308	47,394	157,887	87,856	45,590	125,035	58,960	209,365	94,132
Intergovernmental	431,198	471,154	492,913	481,343	446,811	451,785	492,908	544,538	701,132	860,102
Debt service interest	236,905	175,599	164,231	149,516	135,342	155,585	157,743	124,966	113,108	100,461
Debt service principal	227,727	255,307	269,177	283,077	292,947	330,842	341,299	291,241	306,022	318,022
Contingencies	-	-	146,239	317,350	973,848	563,881	623,008	363,013	66,850	135,445
Total expenditures	<u>37,922,709</u>	<u>38,405,897</u>	<u>43,883,020</u>	<u>49,302,786</u>	<u>54,754,425</u>	<u>58,783,049</u>	<u>56,026,221</u>	<u>58,496,562</u>	<u>62,417,844</u>	<u>72,547,650</u>
Excess of revenues over (under) expenditures	<u>1,691,638</u>	<u>2,673,439</u>	<u>803,558</u>	<u>1,650,590</u>	<u>(3,193,747)</u>	<u>(5,778,511)</u>	<u>2,624,663</u>	<u>9,891,547</u>	<u>13,559,190</u>	<u>11,703,424</u>
Other Financing Sources (Uses)										
Proceeds from long-term debt	15,075,000	-	-	-	11,245,000	-	180,000	-	2,325,000	-
Payment to refunded debt escrow agen	(6,170,157)	-	-	-	-	-	-	-	(2,361,732)	-
Transfers in (out)										
Pools	-	-	-	-	(33,800)	(119,100)	(139,720)	(125,275)	(119,526)	(148,960)
Recreation	-	-	-	-	(336,050)	(674,890)	(77,305)	(1,138,500)	(2,831,701)	(1,414,148)
Total other financing sources (uses)	<u>8,904,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,875,150</u>	<u>(793,990)</u>	<u>(37,025)</u>	<u>(1,263,775)</u>	<u>(2,987,959)</u>	<u>(1,563,108)</u>
Net change in fund balances	\$ 10,596,481	\$ 2,673,439	\$ 803,558	\$ 1,650,590	\$ 7,681,403	\$ (6,572,501)	\$ 2,587,638	\$ 8,627,772	\$ 10,571,231	\$ 10,140,316
Debt service as a percentage of noncapital expenditures	2.21%	3.80%	3.38%	3.10%	3.57%	4.78%	5.11%	4.65%	3.98%	3.68%

Schedule 5

Talbot County, Maryland

Assessed Value and Actual Value of Taxable Property,

Last Ten Fiscal Years

Fiscal Year	Real Property ^a				Public Utility Personal ^b	Total			Real Property Tax Rate ^c
	Assessed Value	Estimated Actual Value	Exempt Value	Taxable Assessed Value	Assessed Value	Assessed Value	Estimated Actual Value	Taxable Assessed Value	
2007	\$ 6,664,737,183	\$ 6,664,737,183	\$ 367,157,050	\$ 6,297,580,133	\$ 55,889,230	\$ 6,720,626,413	\$ 6,720,626,413	\$ 6,353,469,363	\$ 0.500
2006	5,802,305,273	5,802,305,273	352,765,830	5,449,539,443	50,485,530	5,852,790,803	5,852,790,803	5,500,024,973	0.520
2005	4,668,045,168	4,668,045,168	327,189,150	4,340,856,018	51,646,400	4,719,691,568	4,719,691,568	4,392,502,418	0.540
2004	4,225,258,553	4,225,258,553	299,699,730	3,925,558,823	54,126,210	4,279,384,763	4,279,384,763	3,979,685,033	0.553
2003	3,838,437,925	3,838,437,925	285,160,971	3,553,276,954	58,610,730	3,897,048,655	3,897,048,655	3,611,887,684	0.553
2002	3,657,847,336	3,657,847,336	278,724,228	3,379,123,108	62,042,860	3,719,890,196	3,719,890,196	3,441,165,968	0.556
2001	1,395,818,899	3,489,547,248	109,222,275	1,286,596,624	62,387,330	1,458,206,229	3,551,934,578	1,348,983,954	1.390
2000	1,339,884,960	3,349,712,400	106,887,120	1,232,997,840	60,209,369	1,400,094,329	3,409,921,769	1,293,207,209	1.390
1999	1,289,300,597	3,223,251,493	103,202,650	1,186,097,947	59,480,863	1,348,781,460	3,282,732,356	1,245,578,810	1.390
1998	1,263,415,958	3,158,539,895	104,100,110	1,159,315,848	59,932,860	1,323,348,818	3,218,472,755	1,219,248,708	1.390

Source: State of Maryland, Department of Assessments and Taxation

Notes:

^a For fiscal years ending June 30, 2002 and later, real property is assessed at full cash value; prior to fiscal year 2002, real property was assessed at 40% of cash value.

^b For all years, Public Utility Personal Property is assessed at full cash value.

^c Per \$100 of value.

Schedule 6
Talbot County, Maryland
Direct and Overlapping Property Tax Rates,
Last Ten Years
(rate per \$100 of assessed value)

	Year Taxes Are Payable									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
County Direct Rates										
General	\$ 1.39	\$ 1.39	\$ 1.39	\$ 1.39	\$ 0.556	\$ 0.553	\$ 0.553	\$ 0.540	\$ 0.520	\$ 0.500
Town Rates										
Easton	1.00	1.00	1.00	1.00	0.44	0.44	0.453	0.440	0.430	0.480
Oxford	0.57	0.55	0.53	0.55	0.25	0.26	0.280	0.300	0.300	0.290
Queen Anne	0.55	0.50	0.45	0.45	0.18	0.18	0.180	0.180	0.180	0.180
St. Michaels	0.90	0.90	0.90	1.20	0.58	0.58	0.640	0.640	0.640	0.640
Trappe	0.54	0.54	0.54	0.54	0.22	0.30	0.300	0.300	0.300	0.300

Notes:

For fiscal years ending June 30, 2002 and later, real property is assessed at full cash value; prior to fiscal year 2002, real property was assessed at 40% of cash value.

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

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

<u>Taxpayer</u>	<u>Fiscal Year 2007</u>			<u>Fiscal Year 1999</u>		
	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Retirement Comm. of Easton, Inc.	\$ 16,256,400	1	0.37%			
Perry Cabin Acquisitions Corp.	16,131,932	2	0.37%	2,435,560	6	0.12%
Easton Shoppes Business Trust	14,059,900	3	0.32%	4,966,240	1	0.24%
Eastern Shore Retirement Assoc.	11,662,200	4	0.27%	3,959,500	2	0.19%
Hampden Investment Properties LLC	9,345,900	5	0.21%	2,460,200	5	0.12%
Wal Mart Stores, Inc. #1715	8,206,800	6	0.19%	2,334,640	8	0.11%
Individual	8,181,000	7	0.19%			
Cal-Mar Associates	7,613,400	8	0.17%	2,737,360	3	0.13%
Easton Marketplace LLC	7,260,600	9	0.17%			
Tred Avon LLC	6,700,000	10	0.15%			
T.I. Properties LLC				2,152,600	10	0.10%
Black & Decker, Inc.				2,681,040	4	0.13%
Individual				2,421,040	7	0.12%
Marlboro Road (shopping center)				2,267,820	9	0.11%
Total	\$ 105,418,132		2.40%	\$ 28,416,000		1.35%

Note: Oldest available records are from FY 1999.

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$ 24,484,233	\$ 24,452,320	99.87%	\$ (4,651)	\$ 24,447,669	99.85%
2006	23,255,337	23,233,396	99.91%	(775)	23,232,621	99.90%
2005	21,921,706	21,889,134	99.85%	(688)	21,888,446	99.85%
2004	20,578,116	20,553,632	99.88%	(9,052)	20,544,580	99.84%
2003	19,505,902	19,462,848	99.78%	(2,207)	19,460,641	99.77%
2002	18,660,305	18,630,613	99.84%	28,058	18,658,671	99.99%
2001	17,787,367	17,762,792	99.86%	36,187	17,798,979	100.07%
2000	17,024,418	16,958,568	99.61%	(59,447)	16,899,121	99.26%
1999	16,405,961	16,376,441	99.82%	23,207	16,399,648	99.96%
1998	16,783,675	16,755,689	99.83%	27,296	16,782,985	100.00%

Note: The information in this schedule relates to the County's own property tax levies, and does not include those it collects on behalf of other governments.

Schedule 9
Talbot County, Maryland
Income Tax Rates
Last Ten Tax Years

State Income Tax Rate					
Tax Year	1st \$1,000 of Net Taxable Income	2nd \$1,000 of Net Taxable Income	3rd \$1,000 of Net Taxable Income	In excess of \$3,000 Net Taxable Income	Talbot County Income Tax Direct Rate
2005	2.00%	3.00%	4.00%	4.75%	2.25%
2004	2.00%	3.00%	4.00%	4.75%	2.25%
2003	2.00%	3.00%	4.00%	4.75%	1.79%
2002	2.00%	3.00%	4.00%	4.75%	1.79%
2001	2.00%	3.00%	4.00%	4.80%	1.77%
2000	2.00%	3.00%	4.00%	4.85%	1.75%
1999	2.00%	3.00%	4.00%	4.85%	1.76%
1998	2.00%	3.00%	4.00%	4.88%	35.00%
1997	2.00%	3.00%	4.00%	5.00%	40.00%
1996	2.00%	3.00%	4.00%	5.00%	40.00%

Notes:

For tax year 1999 and later, income tax rates reflect a percentage of Maryland taxable income; prior to tax year 1999, rates reflect a percentage of Maryland income tax.

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

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

Tax Year	Number of Taxable Returns	Maryland Adjusted Gross Income	Net Taxable Income	Net State Income Tax	Local Income Tax	Total Tax Liability	Talbot County Income Tax Direct Rate
2005	14,598	\$ 1,291,510,360	\$ 1,044,209,152	\$ 45,179,814	\$ 23,253,365	\$ 68,433,179	2.25%
2004	13,838	1,019,237,035	814,647,762	35,470,358	18,097,797	53,568,155	2.25%
2003	13,465	885,849,882	693,793,965	29,853,475	12,237,862	42,091,337	1.79%
2002	13,209	840,433,946	646,451,786	28,141,244	11,400,412	39,541,656	1.79%
2001	13,402	859,877,248	677,836,887	30,101,156	11,831,961	41,933,117	1.77%
2000	13,646	937,647,561	754,189,002	33,740,370	13,030,384	46,770,754	1.75%
1999	13,309	876,025,027	706,628,699	31,824,426	12,265,887	44,090,313	1.76%
1998	12,953	749,901,515	594,137,067	26,916,286	10,199,758	37,116,044	35.00%

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

Notes:

See Schedule 11 for detailed breakout of adjusted gross income.

For tax year 1999 and later, income tax rates reflect a percentage of Maryland taxable income; prior to tax year 1999, rates reflect a percentage of Maryland income tax.

Oldest available records are from tax year 1998.

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

	Tax Year 2005					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$200,000 and higher	916	6.3%	\$ 544,897,930	52.2%	\$ 12,260,204	52.7%
\$100,000 - 199,999	1,622	11.1%	175,157,905	16.8%	3,941,224	16.9%
\$50,000 - 99,999	3,499	24.0%	182,622,404	17.5%	4,109,009	17.7%
\$25,000 - 49,999	4,146	28.4%	100,656,796	9.6%	2,203,652	9.5%
\$5,000 - 24,999	4,278	29.3%	40,666,357	3.9%	735,238	3.2%
Under \$5,000	137	0.9%	207,760	0.0%	4,038	0.0%
Totals	14,598	100.0%	\$ 1,044,209,152	100.0%	\$ 23,253,365	100.0%

	Tax Year 1998					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$200,000 and higher	462	3.6%	\$ 206,090,369	34.7%	\$ 3,607,670	35.4%
\$100,000 - 199,999	895	6.9%	100,337,582	16.9%	1,758,930	17.2%
\$50,000 - 99,999	2,590	20.0%	139,546,158	23.5%	2,451,423	24.0%
\$25,000 - 49,999	3,712	28.7%	96,572,604	16.3%	2,334,067	22.9%
\$5,000 - 24,999	5,163	39.9%	51,360,310	8.6%	45,373	0.4%
Under \$5,000	131	1.0%	230,044	0.0%	2,295	0.0%
Totals	12,953	100.0%	\$ 594,137,067	100.0%	\$ 10,199,758	100.0%

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

Note: Oldest available records are from tax year 1998.

Schedule 12
Talbot County, Maryland
Ratios of Outstanding Debt by Type,
Last Ten Fiscal Years

Fiscal Year	Governmental Activities	Business Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	General Obligation Bonds	Capital Leases			
2007	\$ 20,283,936	\$ 13,541,483	\$ 272,950	\$ 34,098,369	1.88%	\$ 945.55
2006	21,757,660	8,262,807	281,747	30,302,214	1.67%	840.28
2005	23,053,302	4,038,642	-	27,091,944	1.49%	760.37
2004	24,389,494	4,271,029	-	28,660,523	1.68%	816.34
2003	25,711,180	4,493,625	-	30,204,805	2.00%	875.35
2002	27,156,574	4,772,135	-	31,928,709	2.18%	929.83
2001	16,940,572	3,231,374	-	20,171,946	1.42%	591.83
2000	17,324,570	2,669,030	-	19,993,600	1.55%	589.69
1999	18,260,674	2,598,872	-	20,859,546	1.75%	619.79
1998	19,138,913	2,706,889	-	21,845,802	1.97%	655.05
1997	10,690,109	2,818,384	-	13,508,493	1.28%	410.35

Notes:

2006 and 2007 percentages calculated using 2005 personal income data, which is the most recent available.

2007 debt per capita is calculated using 2006 census data, which is the most recent available.

See Schedule 16 for population and personal income data.

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

Fiscal Year	General Obligation Bonds	Total Taxable Assessable Base	Percentage of Total Taxable Assessable Base	Population	Debt Per Capita
2007	\$ 33,825,419	\$ 6,353,469,363	0.53%	*	\$ 937.98
2006	30,020,467	5,500,024,973	0.55%	36,062	832.47
2005	27,091,944	4,392,502,418	0.62%	35,630	760.37
2004	28,660,523	3,979,685,033	0.72%	35,109	816.34
2003	30,204,805	3,611,887,684	0.84%	34,506	875.35
2002	31,928,709	3,441,165,968	0.93%	34,338	929.83
2001	20,171,946	1,348,983,954	1.50%	34,084	591.83
2000	19,993,600	1,293,207,209	1.55%	33,905	589.69
1999	20,859,546	1,245,578,810	1.67%	33,656	619.79
1998	21,845,802	1,219,248,708	1.79%	33,350	655.05

* Information not yet available; 2007 debt per capita is calculated using 2006 census data.

Schedule 14
Talbot County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007

<u>Governmental Unit</u>	<u>Total Assessed Valuation of Real Property</u>	<u>% of Assessed Valuation to County Total</u>	<u>Pro Rata Share of County General Obligation Bonded Debt</u>	<u>Municipal Debt Outstanding^a</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Easton	1,416,061,840	21.25%	4,309,743	\$ 1,755,000	\$ 6,064,743
Oxford	297,744,556	4.47%	906,177	70,451	976,628
Queen Anne	5,599,086	0.08%	17,041	-	17,041
St. Michaels	231,919,926	3.48%	705,842	7,131,875	7,837,717
Trappe	65,578,402	0.98%	199,586	218,981	418,567
Unincorporated	4,647,833,373	69.74%	14,145,547		14,145,547
Total	6,664,737,183	100.00%	20,283,936	\$ 9,176,307	\$ 29,460,243

Source:

^a Municipal Town Clerks

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

	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Taxable Assessable Base	\$ 3,048,122	\$ 3,113,947	\$ 3,233,018	\$ 3,372,460	\$ 3,441,166	\$ 3,611,888	\$ 3,979,685	\$ 4,392,502	\$ 5,500,025	\$ 6,353,469
Debt Limit, 15% of Assessable Base	457,218	467,092	484,953	505,869	516,175	541,783	596,953	658,875	825,004	953,020
Amount of Debt Applicable to Limit										
General Obligation Bonds	19,139	18,261	17,325	16,941	27,157	25,711	24,389	23,053	30,020	20,284
Legal Debt Margin	<u>\$ 438,079</u>	<u>\$ 448,831</u>	<u>\$ 467,628</u>	<u>\$ 488,928</u>	<u>\$ 489,018</u>	<u>\$ 516,072</u>	<u>\$ 572,563</u>	<u>\$ 635,822</u>	<u>\$ 794,984</u>	<u>\$ 932,736</u>
Total net debt applicable to the limit as a percentage of debt limit	4.19%	3.91%	3.57%	3.35%	5.26%	4.75%	4.09%	3.50%	3.64%	2.13%

Note:

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

Schedule 16
Talbot County, Maryland
Demographic and Economic Statistics,
Last Ten Fiscal Years

Year	Population^a	Personal Income^b (thousands of dollars)	Per Capita Personal Income^b	Public School Enrollment^c	Unemployment Rate^d
2007	*	*	*	4,398	*
2006	36,062	*	*	4,482	3.6%
2005	35,630	1,812,581	50,872	4,505	3.7%
2004	35,109	1,702,809	48,501	4,459	2.9%
2003	34,506	1,509,115	43,735	4,498	4.0%
2002	34,338	1,466,518	42,708	4,516	3.1%
2001	34,084	1,421,670	41,711	4,521	3.0%
2000	33,905	1,287,110	37,962	4,502	3.1%
1999	33,656	1,193,846	35,472	4,590	2.8%
1998	33,350	1,108,349	33,234	4,557	3.9%

Sources:

^a U.S. Census Bureau.

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

^c Maryland State Department of Education.

^d Maryland Department of Labor, Licensing and Regulation.

* Information not yet available.

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

<u>Employer</u>	<u>CY 2006</u>			<u>CY 1998</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Shore Health Systems/EMH	1,200	1	6.22%	1,000	2	6.43%
Allen Family Foods	700	2	3.63%	700	3	4.50%
Wal-Mart	320	3	1.66%			
Cadmus Prof. Communications	265	4	1.37%	340	4	2.18%
Lowe's Home Center	215	5	1.11%			
Chesapeake Building Components	200	6	1.04%			
Chesapeake Publishing	200	7	1.04%	165	8	1.06%
William Hill Manor	200	8	1.04%	185	7	1.19%
Meridian/The Pines	186	9	0.96%	186	6	1.20%
Pro-Temps Staffing Solutions	175	10	0.91%			
Black & Decker, Inc.				1,200	1	7.71%
Celeste Industries				200	5	1.29%
First Services, Inc.				105	9	0.67%
Standard Jackson Fuse Co.				52	10	0.33%
	<u>3,661</u>		<u>18.97%</u>	<u>4,133</u>		<u>26.55%</u>

Source: Maryland Department of Business and Economic Development

Note: Oldest available records are from CY 1998.

Schedule 18
Talbot County, Maryland
Full-time Equivalent County Government Employees by Function,
Last Ten Fiscal Years

Function/Program	Full-time Equivalent Employees as of June 30									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government	*	*	*	*	*	49.6	50.1	57.8	60.9	65.8
Public Safety	*	*	*	*	*	103.1	112.8	117.3	123.3	128.7
Public Works	*	*	*	*	*	35.2	33.0	34.4	36.5	39.9
Social Services	*	*	*	*	*	10.8	5.6	5.3	5.0	4.0
Recreation	*	*	*	*	*	45.2	47.1	46.9	47.8	51.1
Airport	*	*	*	*	*	5.0	5.1	5.0	5.1	5.0
Total	196.0	207.0	212.0	244.0	251.0	248.9	253.7	266.7	278.6	294.5

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.

* Oldest available records, by function, are from FY 2003.

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

<u>Function/Program</u>	Fiscal Year									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
General Government										
Building Permits issued	800	985	918	921	920	656	909	999	1,034	626
Value of new construction (000's)	46,784	56,348	63,239	61,128	83,618	64,013	70,601	130,073	62,002	76,505
Public Safety										
Detention Center										
Avg. daily population	95	90	100	107	91	102	98	106	101	106
Bookings	802	724	790	838	821	876	782	833	850	764
Fire Protection (All Volunteer)										
Calls answered	1,460	1,388	1,241	1,288	1,286	1,388	1,339	1,370	1,440	1,462
Emergency Medical Services										
Calls answered (County Paramedic)	1,452	1,164	1,439	1,082	1,267	3,144	3,861	4,568	4,129	4,670
Calls answered (Volunteer Fire)	2,953	3,134	3,031	3,681	3,695	3,875	4,326	4,229	2,019	1,542
Education										
Students	4,557	4,590	4,502	4,521	4,516	4,498	4,459	4,505	4,482	4,398
Teachers	295	311	314	317	324	330	329	320	319	319
Recreation Facilities										
Boat ramp permits	3,611	3,152	3,230	2,651	2,934	3,992	3,705	4,357	4,482	3,635
Golf rounds	45,009	46,715	44,155	38,863	44,654	23,507	37,217	39,142	40,080	43,110
Public Works										
Centerline miles of road maintained	367	367	367	367	367	369	369	369	370	371
Wastewater treated (mgd)	*	*	*	*	0.423	0.423	0.540	0.550	0.490	0.561
Airport										
Based aircraft	135	135	135	148	145	148	148	158	158	170
Gallons of fuel sold	677,246	747,655	904,667	864,267	757,000	730,500	715,161	760,910	817,497	809,242

Note:

* Information not available.

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Safety										
Detention center capacity	140	140	140	140	140	140	140	140	140	140
Fire stations	7	7	7	7	7	7	7	7	7	7
Emergency Medical Services Stations	3	3	3	3	3	3	10	10	11	11
Education										
Elementary Schools	6	6	6	6	6	6	6	6	6	6
Middle Schools	2	2	2	2	2	2	2	2	2	2
High Schools	2	2	2	2	2	2	2	2	2	2
Public Libraries	3	3	3	3	3	3	3	3	3	3
Recreation Facilities										
Community Center/Ice Rink	1	1	1	1	1	1	1	1	1	1
Golf Course (27 holes)	1	1	1	1	1	1	1	1	1	1
County Parks	11	11	11	11	11	11	11	11	11	13
Park acreage	190	190	190	190	190	190	190	190	190	632
Public Landings & Wharves	28	28	28	28	28	28	28	29	29	29
Boat Slips	88	88	102	102	102	102	102	102	113	113
Public Pools	1	1	1	1	1	2	2	2	2	2
Public Works										
Centerline miles of county roads	367	367	367	367	367	369	369	369	370	372
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	2	2	2	2	2	2	2	2	2	2
Miles of mains	33	33	33	33	33	33	33	33	33	33
Pump stations	12	12	12	12	12	12	12	12	12	12
Airport										
Number of Runways	2	2	2	2	2	2	2	2	2	2

Sources: Talbot County Finance Office and individual County departments.