

TALBOT COUNTY, MARYLAND  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2015

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Report Prepared By:

Talbot County, Maryland Finance Office



TALBOT COUNTY, MARYLAND  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 for the FISCAL YEAR ENDED JUNE 30, 2015  
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INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

GFOA CERTIFICATE OF ACHIEVEMENT

ORGANIZATIONAL CHART

LIST OF ELECTED AND APPOINTED OFFICIALS



## TALBOT COUNTY, MARYLAND

COURT HOUSE

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

FINANCE OFFICE  
PHONE: 410-770-8020

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

December 22, 2015

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, 2015 as required by both local and state statutes. These statutes require that Talbot County, Maryland annually issue financial statements presented in conformity with generally accepted accounting principles in the United States of America (GAAP) and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for these representations, the management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The County's financial statements have been audited by TGM Group, LLC, Independent Certified Public Accountants. TGM Group, LLC issued an unmodified ("clean") opinion on the County's financial statements for the year ended June 30, 2015. 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, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

The County is required to undergo a federally mandated annual audit called the "Single Audit" which is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the County's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in Talbot County's separately issued Single Audit report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview and analysis to accompany the basic financial statements. MD&A is designed to complement this letter of transmittal and should be read in conjunction with it.

### **Profile of the Government**

Talbot County, located on the Eastern Shore of Maryland, was visited by Captain John Smith in 1608 and settled by the English 50 years later. The County was incorporated in 1661. The County has a land area of 269 square miles and more than 600 miles of waterfront. Talbot County is a predominantly rural county with a land area of 171,000 acres, of which approximately 109,000 acres are farmland.

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

### **Form of Government**

Both the executive and legislative functions of the County are vested in the elected, five-member County Council. Council members are elected on a countywide basis and serve four-year terms. The terms of the current members of the Council run to December 2018. The Council elects one Council member to serve as its President and one to serve as its Vice President.

As the result of a referendum held in November 1973, the County has adopted the Charter Home Rule form of government provided in Article XI-A of the Maryland Constitution and Sections 10-101 et. seq. of the Local Government Article of the Annotated Code of Maryland. Under this form of government, the Council has the authority to enact, amend, and repeal legislation relating to the incorporation, organization, and government of the County.

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

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

### **Component Units**

The Talbot County Board of Education and the Talbot County Free Library Association, Inc. are reported as discretely presented component units because they are deemed to be fiscally dependent on the County. These component units are reported separately within the County's financial statements to emphasize that they are legally separate from the County. Additional information on these component units can be found in Note 2 of the Notes to the Financial Statements.

### **Budget Process**

The annual budget serves as the foundation for Talbot County's financial planning and control. The formulation of the County's budget is the responsibility of the County Manager, who is subject to the supervision of the County Council.

All County departments and agencies seeking funding, submit requests for appropriations to the County Manager in February of each year. These requests are reviewed and amended by the

County Manager (except for the budget requests of the Legislative Branch and the Board of Appeals), and a preliminary budget is drafted and introduced by the County Council in April. At least two public hearings are held on the proposed budget. The County Council may increase, decrease, or delete any items in the budget except those required by the laws of the State, and any provisions for debt service on outstanding obligations or for any estimated budget deficits from prior years. The Annual Budget and Appropriation Ordinance must be passed by the County Council on or before June 1 of each year, to be effective on the first day of the subsequent fiscal year. The appropriated budget is prepared by fund, department/agency, and general classification of expenditure (personnel, operating, capital outlay, debt service, etc.). Budgetary control for all operating budgets is maintained at the general classification level and at the project level for capital projects. Transfers of appropriations between general classifications of expenditures within the same department may be authorized by the County Manager. Transfers between departments of the county government and within the same fund may be made only during the last quarter of the fiscal year and only on the recommendation of the County Manager and with the approval of the Council. Budget-to-actual comparisons are provided in this report for the individual governmental funds for which an appropriated annual budget has been adopted. The general fund comparison is presented in the Required Supplementary Information, as listed in the table of contents, as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the Other Supplementary Information subsection of this report, as listed in the table of contents.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the County operates.

**Local Economy.** Like state and local governments across the country, Talbot County is concerned about the National economy and the far reaching effects it has had on Maryland's and Talbot County's overall economy. Of greatest concern are the impacts of continued reductions in state funding and additional costs that may be passed on to local governments, and the potential reduction of income tax revenues, primarily those derived from non-wage income. Income tax revenues increased for the past 4 fiscal years; however the County is currently projecting that the actual Income Tax revenues received in FY 2016 will be less than the amount received in FY 2015 and will be less than the amount budgeted for FY 2016. The County's housing market has stabilized, and in FY 2016 the County is optimistic that the housing market will grow. The County continues to have a healthy mix of service related businesses, agriculture, and light manufacturing. Employment is expected to remain stable and the unemployment rate should continue to mirror both the State (5.6%) and National (5.3%) rates as evidenced by the June 2015 County rate of 5.2 percent. In addition, the County has maintained favorable tax rates, including the lowest property tax rate and the second lowest income tax rate in the State. In FY 2015 and FY 2016 a total of sixteen (16) new positions (all in the Public Safety area) were added to the County workforce. Even with the addition of these positions, the County's FY 2016 full time workforce is 5.4 percent below the FY 2010 level; and any increases to the workforce will be closely monitored in the future.

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

**Long Term Financial Planning.** The FY 2016 Capital Program includes additional funding for the expansion of the County's 911 Dispatching Center. This expansion is part of the multi-year project to replace the County's emergency radio system and enhance the emergency system for County residents and visitors. The total cost of this expansion and the replacement of the emergency radio system are projected to be approximately \$12.6 - \$16.6 million. Phase 2 of the emergency radio

system project totaling \$6.8 million was funded by issuing long term debt in FY 2015. In FY 2016 and beyond the focus will be on providing for various County and school building maintenance projects, the infrastructure requirements associated with the construction of a new hospital facility, projects that will improve the water quality of the County's waterways, and park and public landing improvement projects.

Talbot County has a policy to allot a portion of the General Fund unassigned fund balance equal to 15% of actual General Fund expenditures to be used in case of fiscal emergencies. As of June 30, 2015 Talbot County's unassigned fund balance was 31.9% of actual expenditures.

The economic outlook for the County is favorable. The County has a history of conservative budgeting. This has resulted in the continued growth of the County's fund balance. In addition, Talbot County has the lowest county real property tax rate and the second lowest county income tax rate in the State. These favorable tax rates along with miles of waterfront continue to attract residents to the County.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Talbot County, Maryland for its comprehensive annual financial report for the fiscal year ended June 30, 2014. 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 fourteen consecutive years. We believe that our current comprehensive annual financial report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this comprehensive annual financial report was made possible by the dedicated service of the entire staff of the Talbot County Finance Office. The Finance Office has maintained the accounting records of the County on a current and timely basis. I would like to express my appreciation to all members of the department for their conscientiousness and professionalism throughout the fiscal year.

Respectfully Submitted,



Angela Lane  
Finance Director



Government Finance Officers Association

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

Presented to

**Talbot County  
Maryland**

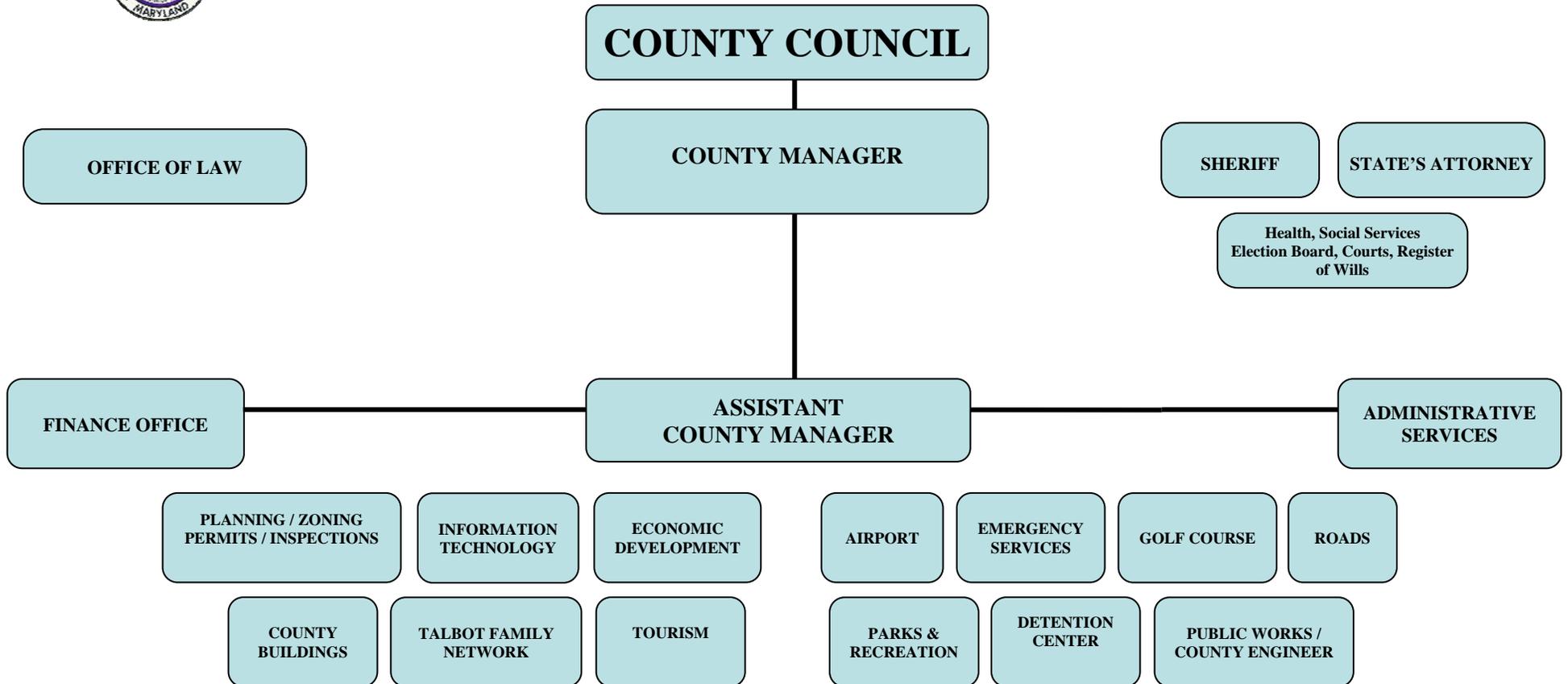
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO



# TALBOT COUNTY GOVERNMENT ORGANIZATIONAL CHART



Talbot County, Maryland

List of Elected and Appointed Officials

June 30, 2015

Elected Officials

County Council

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

Sheriff  
State's Attorney

Joseph J. Gamble  
Scott G. Patterson

Appointed Officials

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

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

FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

County Council of  
Talbot County, Maryland  
Easton, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Talbot County, Maryland (the "County") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Board of Education of Talbot County, Maryland. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Education of Talbot County, Maryland is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 15 to the financial statements, during the year ended June 30, 2015, the County adopted new accounting guidance from the Government Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress – other post-employment benefits, Maryland State Retirement and Pension Systems – schedule of the proportionate share of the net pension liability, and Maryland State Retirement and Pension Systems – schedule of contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, other supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2015, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Salisbury, Maryland  
December 22, 2015

## 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, 2015. 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, 2015, the assets of Talbot County exceeded liabilities by \$134.7 million (net position), an increase of \$5.9 million, or 4.6 percent, from the prior year. Approximately 61.8 percent of net position is attributable to the County's governmental activities. Total net position is comprised of \$132.2 million invested in capital assets, net of related debt, \$94 thousand in restricted net position and \$2.5 million in unrestricted net position. The County's unrestricted net position is a small amount because the County issues debt to fund the construction projects for the Board of Education of Talbot County, a component unit, and Chesapeake College, a five county regional community college. The school buildings that are constructed through the County's financial support are assets of the Board of Education of Talbot County and Chesapeake College, and therefore are not shown as assets of Talbot County. At June 30, 2015 the County included \$27.4 million of bonds payable in liabilities for school construction projects and no corresponding capital assets.
- Income Tax revenues increased by \$1.5 million or 5.4 percent from FY 2014's actual collections. This is the fourth consecutive year that actual income tax revenues have been more than the prior year.
- As of June 30, 2015, the County's governmental funds reported combined fund balances of \$35.7 million, an increase of \$3.8 million, or 11.9 percent, from the prior year. Approximately 66.6 percent of the combined fund balances is available to help meet the County's future funding needs (unassigned fund balance).
- The unassigned fund balance for the General Fund (primary operating fund) was \$23.7 million at June 30, 2015. The unassigned fund balance for the General Fund of \$23.7 million is 30.1 percent of general fund revenues which is more than the Government Finance Officers Association's Best Practices recommendation that, at minimum, regardless of size, all governments maintain reserves equal to about 16 percent of revenues. The County has a policy of allotting a portion of the unassigned fund balance as a "rainy day fund". The amount allotted at June 30, 2015 for the "rainy day fund" is \$11.2 million (15 percent of the actual general fund expenditures).
- An "other post-employment" benefits (OPEB) Trust was established in FY 2011. In FY 2015 the County joined the Maryland Association of Counties Pooled OPEB Trust. To date the County has transferred \$9.0 million to the Trust to fund future OPEB obligations.
- Talbot County Government's total debt, excluding compensated absences, increased by \$3.5 million during the year ended June 30, 2015. The County borrowed \$6.7 million to fund Phase 2 of the emergency radio system replacement. See Note 6 of this report for details of the debt.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

## **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of Talbot County Government's finances, in a manner similar to that of a private sector business. The Statement of Net Position and the Statement of Activities are prepared using the accrual basis of accounting.

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

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

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

The government-wide financial statements include not only the operations of Talbot County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education of Talbot County, Maryland and the Talbot County Free Library Association, Inc. The financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 26-29 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Talbot County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The basic governmental fund financial statements can be found on pages 32-35 of this report.

**Proprietary Funds.** Proprietary funds are reported in the fund financial statements and generally report services for which the County charges customers a fee. Proprietary funds include internal service funds and enterprise funds. An internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. Talbot County does not maintain any internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its wastewater treatment services, recreation facilities, and airport.

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

The basic proprietary fund financial statements can be found on pages 36-41 of this report.

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

The basic fiduciary fund financial statements can be found on pages 42-43 of this report.

## **Notes to Financial Statements**

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

The Notes to the Financial Statements can be found on pages 46-81 of this report.

## Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information and disclosures that are not considered part of the basic financial statements. Required supplementary information includes a budgetary comparison for the General Fund to demonstrate compliance with the annually adopted budget. Other supplementary information includes budgetary comparisons for the Capital Projects, Other Governmental, and Enterprise Funds, and combining statements for Other Governmental Funds. These reports are located immediately following the notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial condition and position. In Talbot County, assets exceeded liabilities by \$134.7 million at the close of the most recent fiscal year, as shown in the schedule of net position below. Talbot County's net position is divided into three categories, *invested in capital assets*, (net of related debt), *restricted* and *unrestricted*. The largest portion of the County's net position reflects its investment in capital assets net of depreciation (e.g., land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of outstanding debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

It is important to note that although counties in the State of Maryland issue debt for the construction of schools, school buildings are owned by each County's Public School System. Ownership reverts to the County if the local board determines that a building is no longer needed. Therefore, while the County's financial statements include this outstanding debt; they do not include the capital assets funded by the debt. The small amount of unrestricted net position in governmental activities of \$3.0 million reflects the imbalance of liabilities without corresponding assets.

Restricted net position of \$94 thousand represents 0.1 percent of total net position. Restricted net position resources are subject to external restrictions on how they may be used. Unrestricted net position of the total government is \$2.5 million. See Note 14 for additional information on the County's unrestricted net position.

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

### Talbot County Government's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 49,329,977	\$ 44,813,438	\$ 394,088	\$ 1,075,142	\$ 49,724,065	\$ 45,888,580
Capital Assets	87,524,692	81,110,954	61,885,388	62,537,445	149,410,080	143,648,399
Total Assets	136,854,669	125,924,392	62,279,476	63,612,587	199,134,145	189,536,979
Deferred Outflow of Resources	1,213,555	1,072,261	-	-	1,213,555	1,072,261
Non Current Liabilities	40,586,999	38,151,603	9,001,631	9,700,435	49,588,630	47,852,038
Other Liabilities	13,386,437	11,877,918	1,748,633	2,028,873	15,135,070	13,906,791
Total Liabilities	53,973,436	50,029,521	10,750,264	11,729,308	64,723,700	61,758,829
Deferred Inflow of Resources	893,794	-	-	-	893,794	-
Net Position:						
Invested in Capital Assets,						
Net of Related Debt	80,132,665	80,625,199	52,050,922	51,985,231	132,183,587	132,610,430
Restricted	94,369	94,239	-	-	94,369	94,239
Unrestricted	2,973,933	(3,752,306)	(521,710)	(101,952)	2,452,223	(3,854,258)
Total Net Position	\$ 83,200,994	\$ 76,967,132	\$ 51,529,212	\$ 51,883,279	\$134,730,206	\$ 128,850,411

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

Talbot County's net position increased by \$5.9 million during the current fiscal year as the result of a \$6.2 million increase in governmental activities and a \$.3 million decrease in business-type activities. The governmental activities increase is primarily due to increases in property, local, and other tax revenues. The business-type activities decrease is the result of expenditures (primarily depreciation) being more than revenues received through charges for services.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 3,324,942	\$ 3,015,278	\$ 6,986,424	\$ 7,206,426	\$ 10,311,366	\$ 10,221,704
Operating Grants and Contributions	5,444,857	5,413,274	739,049	776,126	6,183,906	6,189,400
Capital Grants and Contributions	368,625	227,346	2,359,600	539,479	2,728,225	766,825
<b>General Revenues:</b>						
Property Taxes	34,726,851	33,660,872	-	-	34,726,851	33,660,872
Local Income Tax	28,562,934	27,108,102	-	-	28,562,934	27,108,102
Other Local Taxes	10,706,846	9,522,629	-	-	10,706,846	9,522,629
Investment Income	91,344	94,004	6,195	6,500	97,539	100,504
Miscellaneous	514,997	2,306,687	4,500	10,500	519,497	2,317,187
<b>Total Revenues</b>	<b>83,741,396</b>	<b>81,348,192</b>	<b>10,095,768</b>	<b>8,539,031</b>	<b>93,837,164</b>	<b>89,887,223</b>
<b>Expenses:</b>						
General Government	10,360,176	9,551,119	-	-	10,360,176	9,551,119
Public Safety	14,798,173	16,071,849	-	-	14,798,173	16,071,849
Public Works	5,919,975	3,788,820	-	-	5,919,975	3,788,820
Health	4,394,559	4,099,374	-	-	4,394,559	4,099,374
Social Services	936,371	857,752	-	-	936,371	857,752
Education	39,518,549	41,640,092	-	-	39,518,549	41,640,092
Recreation	541,540	632,538	-	-	541,540	632,538
Conservation of Natural Resources	242,700	252,375	-	-	242,700	252,375
Interest Charges	173,141	13,439	-	-	173,141	13,439
Recreation Facilities	-	-	2,647,744	2,652,143	2,647,744	2,652,143
Sanitary District	-	-	3,710,861	3,430,264	3,710,861	3,430,264
Airport	-	-	4,464,150	4,837,671	4,464,150	4,837,671
Pools	-	-	249,430	215,301	249,430	215,301
<b>Total Expenses</b>	<b>76,885,184</b>	<b>76,907,358</b>	<b>11,072,185</b>	<b>11,135,379</b>	<b>87,957,369</b>	<b>88,042,737</b>
Increase (Decrease) in Net Position before transfers	6,856,212	4,440,834	(976,417)	(2,596,348)	5,879,795	1,844,486
Transfers In (Out)	(622,350)	(598,850)	622,350	598,850	-	-
Prior Period Restatement (See Note 15)	-	(7,930,509)	-	-	-	(7,930,509)
Increase (Decrease) in Net Position	6,233,862	(4,088,525)	(354,067)	(1,997,498)	5,879,795	(6,086,023)
Net Position – Beginning	76,967,132	81,055,657	51,883,279	53,880,777	128,850,411	134,936,434
<b>Net Position - Ending</b>	<b>\$ 83,200,994</b>	<b>\$ 76,967,132</b>	<b>\$ 51,529,212</b>	<b>\$ 51,883,279</b>	<b>\$134,730,206</b>	<b>\$ 128,850,411</b>

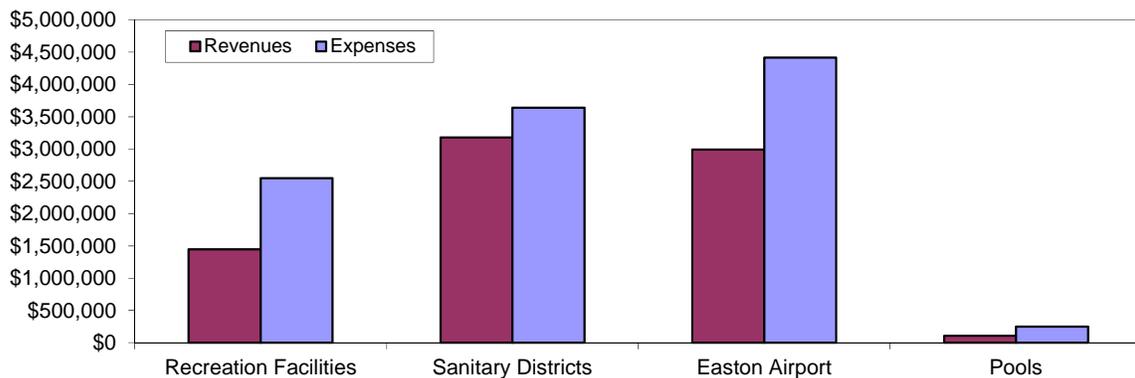
**Governmental Activities.** Governmental activities increased the County’s net position after transfers by \$6.2 million. Key elements of the increase in the net position of governmental activities are as follows:

- Income Tax revenues increased by \$1.5 million, a 5.4 percent increase from the prior year actual and were \$2.0 million more than originally budgeted for FY 2015.
- Property tax revenues increased by \$1.1 million, a 3.2 percent increase from the prior fiscal year and were \$549 thousand more than originally budgeted.
- Transfer and recordation taxes increased by \$1.1 million, a 13.4 percent increase from the prior fiscal year actual collections and were \$1.6 million more than originally budgeted for FY 2015. These revenues indicate a stabilization of the local housing market, but the housing market is not expanding or growing yet.
- Miscellaneous revenues decreased by \$1.8 million from the prior year actual.
- Governmental activities also included the transfer of \$622 thousand to various business-type activities, primarily for the operations of recreation facilities.

**Business-type Activities.** Business-type activities decreased Talbot County’s net position after transfers by \$.3 million. The decrease is primarily attributable to expenditures (primarily depreciation) being more than revenues received through charges for services

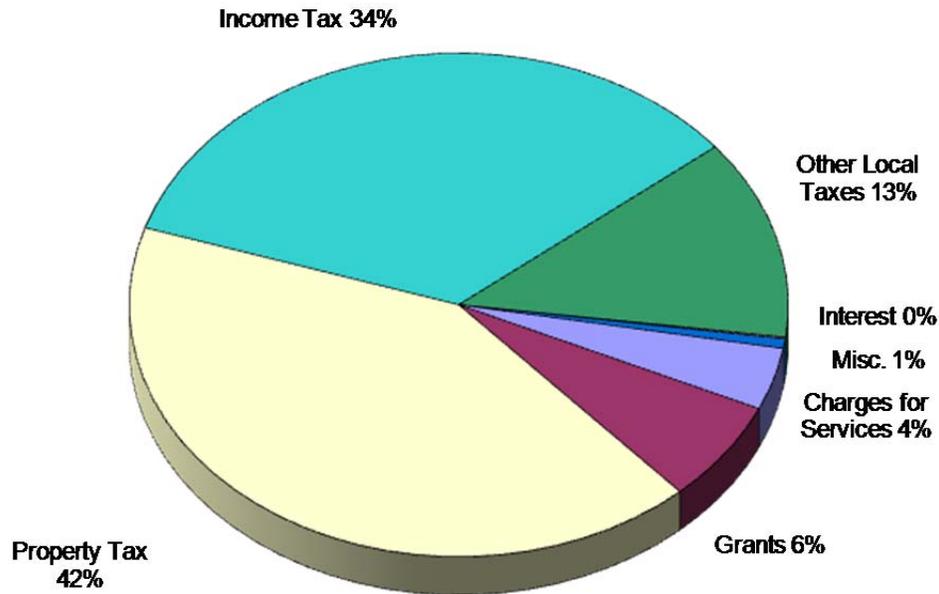
Fiscal year 2015 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

***Expenses and Program Revenues - Business-Type Activities  
For the Year Ended June 30, 2015***



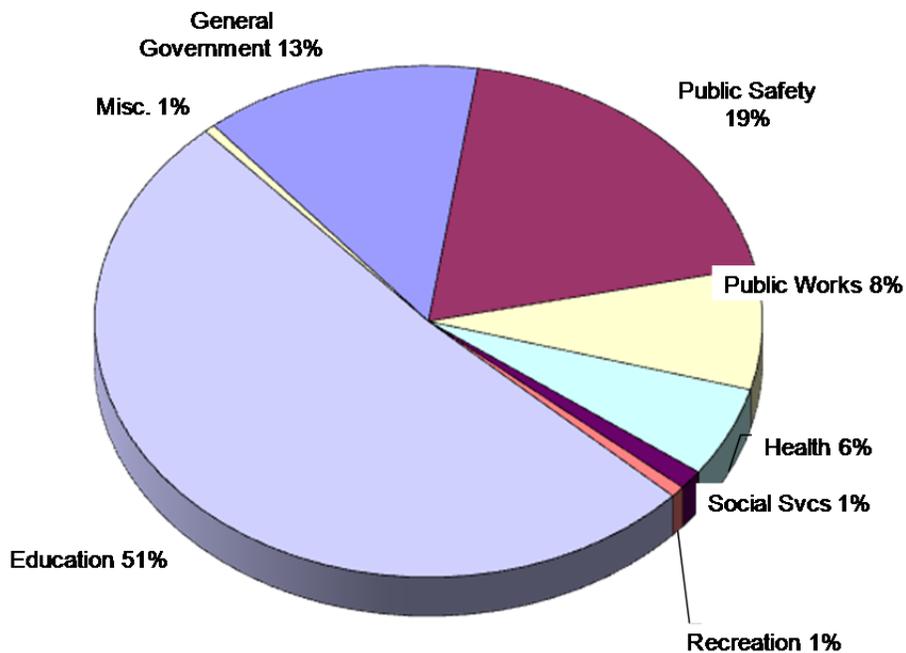
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**Revenues by Source - Governmental Activities  
For the Year Ended June 30, 2015**



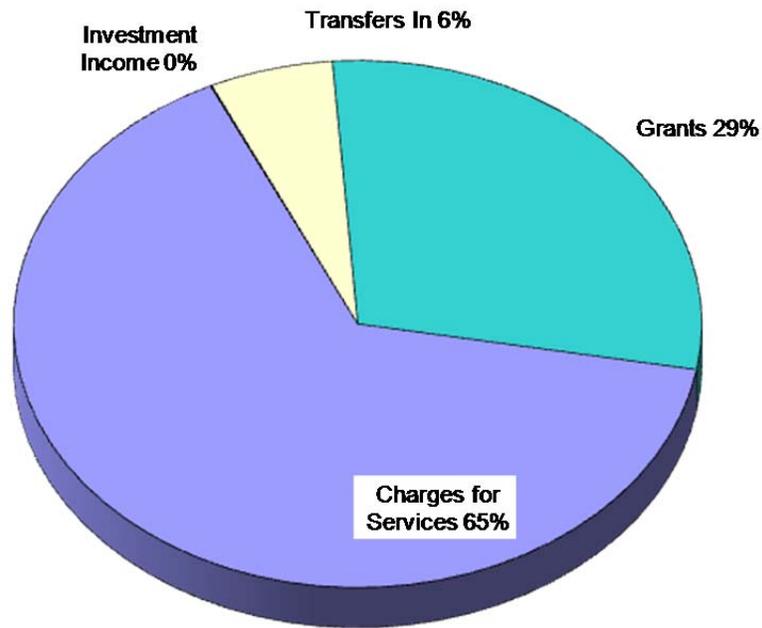
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**Expenses - Governmental Activities  
For the Year Ended June 30, 2015**



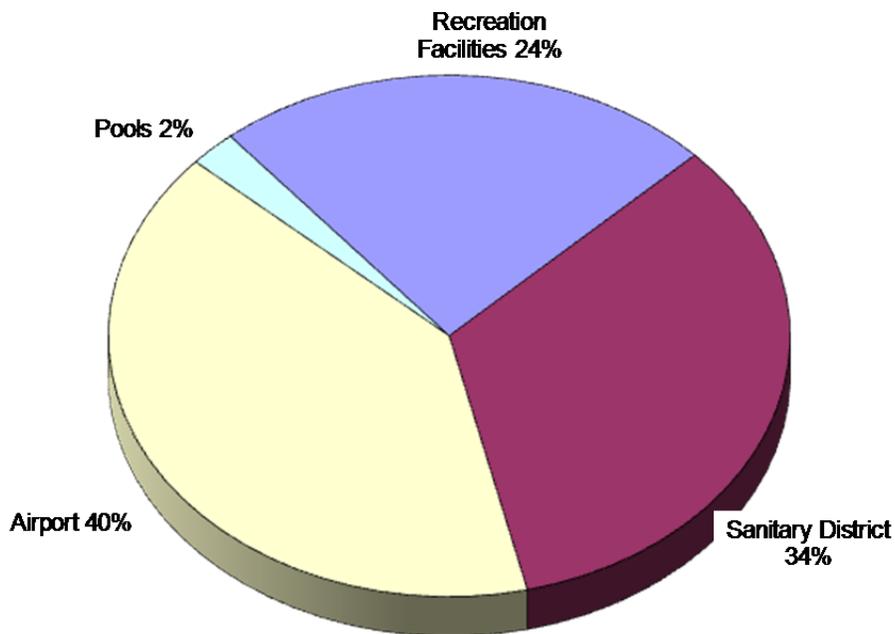
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**Revenues by Source - Business-Type Activities  
For the Year Ended June 30, 2015**



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**Expenses - Business-Type Activities  
For the Year Ended June 30, 2015**



## **FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$35.7 million. Approximately 66.6 percent of this total (\$23.7 million) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been classified to fund other purposes. Capital projects account for the vast majority of committed funds.

The General Fund is the primary operating fund of the Talbot County Government. At the end of the current fiscal year, the total fund balance was \$25.2 million, and the unassigned fund balance was \$23.7 million. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31.9 percent of total general fund expenditures, while total fund balance represents 33.9 percent of total general fund expenditures.

The fund balance of Talbot County's General Fund increased by \$4.4 million during FY 2015. This increase is due primarily to increases in local (property, income, recordation and transfer) tax revenues.

The fund balance of the County's Capital Projects Fund decreased by \$911 thousand during FY 2015. This decrease was due to spending funds on approved capital projects.

**Proprietary Funds.** Talbot County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. The total net position of the proprietary funds at the end of the year totaled \$51.5 million. There is a deficit balance of \$522 thousand in unrestricted net position.

**Fiduciary Funds.** Talbot County's fiduciary fund statements provide information regarding the County's Other Post- Employment Benefits (OPEB) Trust. Total assets held in trust for the OPEB plan totaled \$9.0 million at June 30, 2015.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the final budget and the final actual results for the County totaled \$4.4 million. Revenues received were \$4.2 million more than final budgeted estimates and operating expenditures were \$144 thousand less than final budgeted estimates. The major variances can be summarized as follows:

- **Revenues.** Revenues were \$4.2 million more than originally budgeted for the year. As discussed earlier, the major differences between the budgeted amounts and the actual revenues are as follows:

- Local Tax revenues received were \$4.1 million more than budgeted. This total includes \$2.0 million in income tax revenues, \$1.6 million in recordation and transfer taxes, \$549 thousand in property tax revenues.
- **Expenditures.** Expenditures were \$144 thousand less than budgeted for the year.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** Talbot County's investment in capital assets for its governmental and business-type activities as of June 30, 2015 totals \$149.4 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year is \$5.8 million or 4.0 percent.

Capital assets are summarized as follows:

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2015	2014	2015	2014	2015	2014
Land	\$ 12,436,837	\$ 12,436,837	\$ 3,499,479	\$ 3,499,479	\$ 15,936,316	\$ 15,936,316
Construction in progress	9,667,756	2,420,089	3,519,365	1,900,541	13,187,121	4,320,630
Buildings and improvements	25,660,475	26,791,363	50,808,134	53,154,379	76,468,609	79,945,742
Non-deprec. infrastructure	25,449,891	25,449,891	-	-	25,449,891	25,449,891
Infrastructure	8,763,424	8,808,549	-	-	8,763,424	8,808,549
Furniture and equipment	5,546,309	5,204,225	4,058,410	3,983,046	9,604,719	9,187,271
<b>Total</b>	<b>\$ 87,524,692</b>	<b>\$ 81,110,954</b>	<b>\$ 61,885,388</b>	<b>\$ 62,537,445</b>	<b>\$ 149,410,080</b>	<b>\$ 143,648,399</b>

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

**Long-term Debt.** At the end of the current fiscal year, Talbot County had total long term debt outstanding of \$44.6 million, an increase of approximately \$3.5 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, \$9.8 million is considered self-supporting bonds, funded through various charges and assessments related to the enterprise operations of the County.

### **Talbot County Government's Outstanding Debt**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2015	2014	2015	2014	2015	2014
General Debt	\$ 34,773,062	\$ 30,585,558	\$ 9,834,466	\$ 10,552,214	\$ 44,607,528	\$ 41,137,772

The County's most recent bond ratings from Moody's Investors Service and Fitch Ratings are Aa2 (June 2015) and AAA (July 2015), respectively.

See Note 6 of this report for additional information on Talbot County's long-term debt.

The County's Charter limits the amount of general obligation debt the County may issue to no more than 15 percent of the County's assessable property tax base. See Schedule 16 in the Statistical Section of this report for additional information on the computation of the legal debt margin.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The FY 2016 approved budget for the General Fund is \$78,640,000 representing an increase of \$4.0 million or 5.38 percent from the FY 2015 original approved budget.
- Real Property tax revenue is expected to generate \$198 thousand more than the FY 2015 actual collections.
- Income tax revenue in FY 2016 is budgeted to be slightly less than the FY 2015 actual collections. However, the County is projecting that the actual FY 2016 Income tax revenues will be less than the amount budgeted.
- Fund balance of \$1.3 million is used to balance the FY 2016 General Fund budget.

All of these factors were considered in preparing the County's budget for FY 2016. The County is cognizant of the economic struggles of the past several years and will continue to carefully monitor expenditures.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Talbot County Government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, Talbot County Courthouse, 11 North Washington Street, Suite 9, Easton, Maryland 21601. This report can also be found on the County's website: [www.talbotcountymd.gov](http://www.talbotcountymd.gov).

The County's component units issue their own separately audited financial statements. These statements may be obtained from the component unit. Contact information can be found in Note 2 of this report.

## Government-Wide Financial Statements

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF NET POSITION**  
**PRIMARY GOVERNMENT AS OF JUNE 30, 2015**  
**COMPONENT UNITS AS OF JUNE 30, 2015**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and short-term investments	\$ 32,272,742	\$ 6,964,989	\$ 39,237,731
Investments	-	-	-
Receivables:			
Accounts receivable	556,019	226,313	782,332
Other	-	-	-
Intergovernmental:			
State	3,728,312	316,404	4,044,716
Federal	993,388	169,846	1,163,234
Local	-	-	-
Prepaid items	205,551	8,038	213,589
Prepaid OPEB	4,072,166	-	4,072,166
Internal balances	7,062,507	(7,062,507)	-
Inventories	-	210,297	210,297
Advances to (from) other funds	439,292	(439,292)	-
Other assets	-	-	-
Nondepreciable capital assets	47,554,484	7,018,844	54,573,328
Depreciable capital assets, net	39,970,208	54,866,544	94,836,752
<b>TOTAL ASSETS</b>	<b>136,854,669</b>	<b>62,279,476</b>	<b>199,134,145</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions (See Note 7)	1,213,555	-	1,213,555
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	3,073,744	723,000	3,796,744
Other payables	2,405,649	-	2,405,649
Unearned revenue	4,123,094	72,241	4,195,335
Long-term liabilities, due within one year			
Compensated absences	391,382	38,115	429,497
Bonds and notes payable	3,392,568	915,277	4,307,845
Obligations under state retirement system	-	-	-
Long-term liabilities, due in more than one year			
Compensated absences	446,019	82,442	528,461
Bonds and notes payable	31,975,238	8,919,189	40,894,427
Obligations under state retirement system	-	-	-
Pension liability	8,165,742	-	8,165,742
Other post-employment benefit obligation	-	-	-
<b>TOTAL LIABILITIES</b>	<b>53,973,436</b>	<b>10,750,264</b>	<b>64,723,700</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions (See Note 7)	893,794	-	893,794
<b>NET POSITION</b>			
Net investment in capital assets	80,132,665	52,050,922	132,183,587
Restricted for:			
Social services (Talbot Family Network)	94,396	-	94,396
Food services	-	-	-
Programs	-	-	-
Unrestricted (deficit)	2,973,933	(521,710)	2,452,223
<b>TOTAL NET POSITION</b>	<b>\$ 83,200,994</b>	<b>\$ 51,529,212</b>	<b>\$ 134,730,206</b>

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

Component Units	
<u>Board of Education</u>	<u>Library</u>
\$ 5,977,473	\$ 91,073
-	1,850,212
-	36,601
62,867	-
57,175	-
383,022	-
750	-
-	1,715
-	-
-	-
57,576	-
-	-
-	122,642
409,547	51,801
59,280,688	704,512
<u>66,229,098</u>	<u>2,858,556</u>
570,179	-
4,083,566	43,143
69,372	122,642
951,738	3,714
200,363	-
263,506	-
35,651	-
134,245	-
436,140	-
527,207	-
3,978,041	-
26,091,425	712,219
<u>36,771,254</u>	<u>881,718</u>
435,423	-
58,990,589	756,313
-	-
235,612	-
-	1,718,225
(29,633,601)	(497,700)
<u>\$ 29,592,600</u>	<u>\$ 1,976,838</u>

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

Function/Program	Expenses	Program Revenues		
		Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest
<b>GOVERNMENTAL ACTIVITIES</b>				
Current:				
General government	\$ 10,360,176	\$ 2,569,426	\$ 583,094	\$ -
Public safety	14,798,173	26,450	920,405	-
Public works	5,919,975	416,507	1,467,987	368,625
Health and hospitals	4,394,559	115,961	1,975,624	-
Social services	936,371	-	497,747	-
Education	39,518,549	99,143	-	-
Recreation	541,540	97,455	-	-
Conservation of natural resources	242,700	-	-	-
Interest on long-term debt	173,141	-	-	-
<b>Total Governmental Activities</b>	<b>76,885,184</b>	<b>3,324,942</b>	<b>5,444,857</b>	<b>368,625</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Recreation facilities	2,647,744	1,445,070	-	101,185
Sanitary district	3,710,861	2,440,190	739,049	287,629
Easton airport	4,464,150	2,992,658	-	1,970,786
Pool	249,430	108,506	-	-
<b>Total Business-Type Activities</b>	<b>11,072,185</b>	<b>6,986,424</b>	<b>739,049</b>	<b>2,359,600</b>
<b>Total Primary Government</b>	<b>\$ 87,957,369</b>	<b>\$ 10,311,366</b>	<b>\$ 6,183,906</b>	<b>\$ 2,728,225</b>
<b>COMPONENT UNITS</b>				
Board of Education	\$ 67,962,116	\$ 616,826	\$ 60,676,080	\$ 292,478
Talbot County Free Library	1,843,915	-	1,617,895	-
<b>Total Component Units</b>	<b>\$ 69,806,031</b>	<b>\$ 616,826</b>	<b>\$ 62,293,975</b>	<b>\$ 292,478</b>

**General Revenues**

Taxes:
Property
Local income
Other
Admissions and amusements
Recordation
Transfer
Public accommodations
Mobile manufactured homes
Interest
Miscellaneous
Total general revenues
Transfers
Total general revenues and transfers
Change in net position
Net position, beginning of year, as restated (see Note 15)
Net position, end of year

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-Type Activities	Total	Board of Education	Library
\$ (7,207,656)	\$ -	\$ (7,207,656)	\$ -	\$ -
(13,851,318)	-	(13,851,318)	-	-
(3,666,856)	-	(3,666,856)	-	-
(2,302,974)	-	(2,302,974)	-	-
(438,624)	-	(438,624)	-	-
(39,419,406)	-	(39,419,406)	-	-
(444,085)	-	(444,085)	-	-
(242,700)	-	(242,700)	-	-
(173,141)	-	(173,141)	-	-
<u>(67,746,760)</u>	<u>-</u>	<u>(67,746,760)</u>	<u>-</u>	<u>-</u>
-	(1,101,489)	(1,101,489)	-	-
-	(243,993)	(243,993)	-	-
-	499,294	499,294	-	-
-	(140,924)	(140,924)	-	-
<u>-</u>	<u>(987,112)</u>	<u>(987,112)</u>	<u>-</u>	<u>-</u>
<u>\$ (67,746,760)</u>	<u>\$ (987,112)</u>	<u>\$ (68,733,872)</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (6,376,732)	\$ -
-	-	-	-	(226,020)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,376,732)</u>	<u>\$ (226,020)</u>
\$ 34,726,851	\$ -	\$ 34,726,851	\$ -	\$ -
28,562,934	-	28,562,934	-	-
36,065	-	36,065	-	-
5,887,703	-	5,887,703	-	-
3,505,646	-	3,505,646	-	-
1,215,271	-	1,215,271	-	-
62,161	-	62,161	-	-
91,344	6,195	97,539	8,501	-
514,997	4,500	519,497	20,752	-
<u>74,602,972</u>	<u>10,695</u>	<u>74,613,667</u>	<u>29,253</u>	<u>-</u>
(622,350)	622,350	-	-	-
<u>73,980,622</u>	<u>633,045</u>	<u>74,613,667</u>	<u>29,253</u>	<u>-</u>
6,233,862	(354,067)	5,879,795	(6,347,479)	(226,020)
<u>76,967,132</u>	<u>51,883,279</u>	<u>128,850,411</u>	<u>35,940,079</u>	<u>2,202,858</u>
<u>\$ 83,200,994</u>	<u>\$ 51,529,212</u>	<u>\$ 134,730,206</u>	<u>\$ 29,592,600</u>	<u>\$ 1,976,838</u>

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## Fund Financial Statements

**TALBOT COUNTY, MARYLAND**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2015**

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Projects</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 22,246,632	\$ 8,805,248	\$ 1,220,862	\$ 32,272,742
Receivables:				
Accounts receivable	431,592	123,014	1,413	556,019
Intergovernmental:				
State	2,992,809	351,042	384,461	3,728,312
Federal	44,719	-	948,669	993,388
Prepaid items	205,551	-	-	205,551
Due from other funds	7,611,909	-	-	7,611,909
Advances to other funds	439,292	-	-	439,292
	<hr/>			
Total Assets	\$ 33,972,504	\$ 9,279,304	\$ 2,555,405	\$ 45,807,213
	<hr/> <hr/>			
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 2,412,115	\$ 72,818	\$ 588,811	\$ 3,073,744
Other payables	2,405,649	-	-	2,405,649
Due to other funds	-	-	549,402	549,402
Unearned revenue	3,914,965	-	208,129	4,123,094
	<hr/>			
Total Liabilities	8,732,729	72,818	1,346,342	10,151,889
	<hr/>			
<b>FUND BALANCES</b>				
Nonspendable	205,551	-	-	205,551
Restricted for:				
Social Services	-	-	94,396	94,396
Committed for:				
Capital projects	-	9,206,486	676,717	9,883,203
Assigned for:				
Future budget	1,290,000	-	437,950	1,727,950
Unassigned	23,744,224	-	-	23,744,224
	<hr/>			
Total Fund Balances	25,239,775	9,206,486	1,209,063	35,655,324
	<hr/>			
Total Liabilities and Fund Balances	\$ 33,972,504	\$ 9,279,304	\$ 2,555,405	\$ 45,807,213
	<hr/> <hr/>			

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

**TALBOT COUNTY, MARYLAND**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2015**

Total Governmental Funds Balances		\$ 35,655,324
Amounts reported for governmental activities in the statement of net position are different because:		
Prepayment of post retirement benefits		4,072,166
Deferred outflows of resources - pensions (see Note 7)		1,213,555
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		87,524,692
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds		
Bonds, notes payable and bond premiums	(35,367,806)	
Net pension liability	(8,165,742)	
Compensated absences	(837,401)	
		(44,370,949)
Deferred inflows of resources - pensions (see Note 7)		(893,794)
Net Position of Governmental Activities		\$ 83,200,994

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUND TYPES**  
**For the Year Ended June 30, 2015**

	General <u>Fund</u>	Capital <u>Projects</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>REVENUES</b>				
Real property taxes	\$ 34,726,851	\$ -	\$ -	\$ 34,726,851
Local income taxes	28,562,934	-	-	28,562,934
Other local taxes	10,706,846	-	-	10,706,846
Licenses and permits	595,332	-	602,052	1,197,384
Intergovernmental:				
Federal	186,931	-	2,524,931	2,711,862
State	1,567,638	368,625	1,159,957	3,096,220
Other grants	-	5,400	-	5,400
Service charges	2,124,798	-	-	2,124,798
Fines and forfeitures	2,760	-	-	2,760
Miscellaneous	317,907	-	197,090	514,997
Interest	82,007	7,515	1,822	91,344
<b>Total Revenues</b>	<b>78,874,004</b>	<b>381,540</b>	<b>4,485,852</b>	<b>83,741,396</b>
<b>EXPENDITURES</b>				
Current				
General government	6,017,033	3,112	330,595	6,350,740
Public safety	13,188,860	7,039,084	49,521	20,277,465
Public works	4,071,579	726,168	1,035,730	5,833,477
Health and hospitals	2,422,530	-	1,993,595	4,416,125
Social services	498,241	-	438,130	936,371
Education	41,665,005	393,624	1,611	42,060,240
Recreation	277,546	181,014	31,507	490,067
Conservation of natural resources	242,700	-	-	242,700
Employee benefits	4,038,964	-	-	4,038,964
Miscellaneous	101,568	-	-	101,568
Intergovernmental	1,068,923	-	-	1,068,923
Debt service interest	173,141	-	-	173,141
Debt service principal	50,680	-	-	50,680
Contingencies	41,972	-	-	41,972
<b>Total Expenditures</b>	<b>73,858,742</b>	<b>8,343,002</b>	<b>3,880,689</b>	<b>86,082,433</b>
Excess of Revenues Over (Under) Expenditures	5,015,262	(7,961,462)	605,163	(2,341,037)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out) to other funds:				
Pool - operating appropriation	(107,950)	-	-	(107,950)
Recreation - operating appropriation	(514,400)	-	-	(514,400)
Capital projects	-	300,000	(300,000)	-
Note issued - Motorola	-	6,716,277	-	6,716,277
Note issued - DNR	-	33,932	-	33,932
<b>Total Other Financing Sources (Uses)</b>	<b>(622,350)</b>	<b>7,050,209</b>	<b>(300,000)</b>	<b>6,127,859</b>
Net Change in Fund Balances	4,392,912	(911,253)	305,163	3,786,822
Fund Balances at Beginning of Year	20,846,863	10,117,739	903,900	31,868,502
Fund Balances at End of Year	\$ 25,239,775	\$ 9,206,486	\$ 1,209,063	\$ 35,655,324

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

**TALBOT COUNTY, MARYLAND**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2015**

Net change in fund balances - total Governmental Funds \$ 3,786,822

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

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

Capital outlays	10,214,790
Current year depreciation	<u>(3,681,393)</u>

Total	6,533,397
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Loss on disposal (119,659)

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

Long-term debt issuance	(6,750,209)
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Repayment of debt obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal payments on long-term debt	2,562,705
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in unamortized bond premium	77,324
Change in other post-employment benefits, asset	57,902
Change in pension expense	84,528
Change in compensated absences	1,052

Change in net position of Governmental Activities	<u><u>\$ 6,233,862</u></u>
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**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**June 30, 2015**

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
<b><u>ASSETS</u></b>					
<b>CURRENT ASSETS</b>					
Cash and short-term investments	\$ 7,875	\$ 822,133	\$ 426,367	\$ -	\$ 1,256,375
Cash and short-term investments - capital projects	5,708,614	-	-	-	5,708,614
Accounts receivable:					
Accounts receivable, customers	11,035	151,240	60,635	3,403	226,313
Intergovernmental:					
State	-	198,862	117,542	-	316,404
Federal	-	-	169,846	-	169,846
Prepaid items	3,262	2,197	2,211	368	8,038
Inventories	48,422	-	161,875	-	210,297
<b>Total Current Assets</b>	<b>5,779,208</b>	<b>1,174,432</b>	<b>938,476</b>	<b>3,771</b>	<b>7,895,887</b>
<b>NONCURRENT ASSETS</b>					
Land	450,000	2,463,801	585,678	-	3,499,479
Construction in progress	404,540	229,790	2,885,035	-	3,519,365
Buildings and improvements	15,877,334	41,862,247	39,210,581	1,660,648	98,610,810
Furniture and equipment	1,880,206	4,157,536	1,587,929	140,700	7,766,371
Less: accumulated depreciation	(10,329,982)	(18,021,946)	(21,816,625)	(1,342,084)	(51,510,637)
<b>Total Noncurrent Assets</b>	<b>8,282,098</b>	<b>30,691,428</b>	<b>22,452,598</b>	<b>459,264</b>	<b>61,885,388</b>
<b>Total Assets</b>	<b>14,061,306</b>	<b>31,865,860</b>	<b>23,391,074</b>	<b>463,035</b>	<b>69,781,275</b>
<b><u>LIABILITIES</u></b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	169,314	162,554	379,357	11,775	723,000
Compensated absences	9,826	17,875	10,414	-	38,115
Due to other funds	4,131,952	2,747,576	-	182,979	7,062,507
Unearned revenues	30,843	21,500	19,850	48	72,241
Advances from other funds	-	-	439,292	-	439,292
Current maturities of long-term debt	220,463	567,727	127,087	-	915,277
<b>Total Current Liabilities</b>	<b>4,562,398</b>	<b>3,517,232</b>	<b>976,000</b>	<b>194,802</b>	<b>9,250,432</b>
<b>NONCURRENT LIABILITIES</b>					
Compensated absences	33,925	32,507	16,010	-	82,442
Long-term debt, less current maturities	2,072,929	5,919,745	926,515	-	8,919,189
<b>Total Noncurrent Liabilities</b>	<b>2,106,854</b>	<b>5,952,252</b>	<b>942,525</b>	<b>-</b>	<b>9,001,631</b>
<b>Total Liabilities</b>	<b>6,669,252</b>	<b>9,469,484</b>	<b>1,918,525</b>	<b>194,802</b>	<b>18,252,063</b>
<b><u>NET POSITION</u></b>					
Net investment in capital assets	5,988,706	24,203,956	21,398,996	459,264	52,050,922
Unrestricted (deficit)	1,403,348	(1,807,580)	73,553	(191,031)	(521,710)
<b>Total Net Position</b>	<b>\$ 7,392,054</b>	<b>\$ 22,396,376</b>	<b>\$ 21,472,549</b>	<b>\$ 268,233</b>	<b>\$ 51,529,212</b>

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

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended June 30, 2015**

	Major Funds			Nonmajor Fund	Totals
	Recreation Facilities	Sanitary District	Easton Airport	Pool	
<b>OPERATING REVENUES</b>					
Airport - operations	\$ -	\$ -	\$ 321,641	\$ -	\$ 321,641
Airport - fuel facility	-	-	2,078,863	-	2,078,863
Airport - hangars	-	-	575,058	-	575,058
Sewer service charges	-	2,015,310	-	-	2,015,310
Sewer connection charges	-	282,486	-	-	282,486
Residential benefit charges	-	20,355	-	-	20,355
Wind/solar renewable energy	-	119,447	-	-	119,447
Admissions	132,873	-	-	44,873	177,746
Room rents	62,241	-	-	-	62,241
Ice revenue	233,563	-	-	-	233,563
Pro shop and concessions	269,774	-	-	-	269,774
Cart rentals	31,041	-	-	-	31,041
Greens fees	681,570	-	-	-	681,570
Other operating	34,008	2,592	17,096	63,633	117,329
<b>Total Operating Revenues</b>	<b>1,445,070</b>	<b>2,440,190</b>	<b>2,992,658</b>	<b>108,506</b>	<b>6,986,424</b>
<b>OPERATING EXPENSES</b>					
Salaries and related expenses	969,769	851,010	342,014	101,358	2,264,151
Cost of sales - fuel	-	-	1,957,123	-	1,957,123
Professional fees	21,959	2,199	38,705	1,985	64,848
Office	49,092	16,955	21,674	276	87,997
Insurance	16,513	17,664	15,386	1,519	51,082
Contracted services	-	1,097,848	-	-	1,097,848
Repairs and maintenance	227,218	319,643	109,647	24,196	680,704
Utilities	190,665	-	53,306	10,373	254,344
Supplies and equipment	70,328	-	208	24,003	94,539
Lessons and programs	85,617	-	-	-	85,617
Concessions	187,081	-	-	-	187,081
Depreciation	693,849	1,252,343	1,861,511	78,373	3,886,076
Other operating	37,052	79,616	13,528	7,347	137,543
<b>Total Operating Expenses</b>	<b>2,549,143</b>	<b>3,637,278</b>	<b>4,413,102</b>	<b>249,430</b>	<b>10,848,953</b>
<b>Operating Income (Loss)</b>	<b>(1,104,073)</b>	<b>(1,197,088)</b>	<b>(1,420,444)</b>	<b>(140,924)</b>	<b>(3,862,529)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Intergovernmental revenues	-	739,049	-	-	739,049
Gain on disposal of capital assets	4,500	-	-	-	4,500
Interest income	-	5,378	817	-	6,195
Interest expense	(98,601)	(73,583)	(51,048)	-	(223,232)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(94,101)</b>	<b>670,844</b>	<b>(50,231)</b>	<b>-</b>	<b>526,512</b>
<b>CAPITAL CONTRIBUTIONS</b>					
Intergovernmental revenues	-	287,629	1,970,786	-	2,258,415
Contributions	101,185	-	-	-	101,185
<b>Total Capital Contributions</b>	<b>101,185</b>	<b>287,629</b>	<b>1,970,786</b>	<b>-</b>	<b>2,359,600</b>
<b>Income (Loss) Before Transfers</b>	<b>(1,096,989)</b>	<b>(238,615)</b>	<b>500,111</b>	<b>(140,924)</b>	<b>(976,417)</b>
<b>Transfers In</b>	<b>514,400</b>	<b>-</b>	<b>-</b>	<b>107,950</b>	<b>622,350</b>
<b>Change in Net Position</b>	<b>(582,589)</b>	<b>(238,615)</b>	<b>500,111</b>	<b>(32,974)</b>	<b>(354,067)</b>
<b>Net Position, Beginning of Year</b>	<b>7,974,643</b>	<b>22,634,991</b>	<b>20,972,438</b>	<b>301,207</b>	<b>51,883,279</b>
<b>Net Position, End of Year</b>	<b>\$ 7,392,054</b>	<b>\$ 22,396,376</b>	<b>\$ 21,472,549</b>	<b>\$ 268,233</b>	<b>\$ 51,529,212</b>

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

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended June 30, 2015**

	Major Funds		
	Recreation Facilities	Sanitary District	Easton Airport
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 1,456,370	\$ 2,434,227	\$ 3,020,044
Cash received from other revenues	34,008	2,592	17,096
Cash payments for salaries and related expenses	(956,139)	(842,781)	(341,559)
Cash payments to suppliers	(869,895)	(842,049)	(2,028,054)
Cash payments for contracted services	-	(1,097,848)	-
Other receipts (payments)	218,006	682,896	-
Net cash provided (used) by operating activities	(117,650)	337,037	667,527
<b>Cash flows from noncapital financing activities:</b>			
Transfers from other funds	514,400	-	-
Intergovernmental revenues	-	1,131,358	-
Net cash provided by noncapital financing activities	514,400	1,131,358	-
<b>Cash flows from capital and related financing activities:</b>			
Intergovernmental revenues	-	287,629	1,730,728
Capital contributions	101,185	-	-
Issuance of long-term debt	230,800	-	-
Principal paid on long-term notes and bonds	(258,416)	(564,987)	(125,145)
Interest paid on long-term notes and bonds	(98,601)	(73,583)	(51,048)
Proceeds from sale of capital assets	4,500	-	-
Acquisition and construction of capital assets	(373,818)	(728,514)	(2,131,687)
Net cash used by capital and related financing activities	(394,350)	(1,079,455)	(577,152)
<b>Cash flows from investing activities:</b>			
Interest income on investments	-	5,378	817
Repayment of advances from other funds	-	-	(72,393)
Net cash provided (used) by investing activities	-	5,378	(71,576)
Increase in Cash and Cash Equivalents	2,400	394,318	18,799
Cash and Cash Equivalents at Beginning of Year	5,714,089	427,815	407,568
Cash and Cash Equivalents at End of Year	\$ 5,716,489	\$ 822,133	\$ 426,367

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

<u>Nonmajor Fund</u>			
	<u>Pool</u>		<u>Totals</u>
\$	24,867	\$	6,935,508
	63,633		117,329
	(101,358)		(2,241,837)
	(68,902)		(3,808,900)
	-		(1,097,848)
	(26,190)		874,712
	<u>(107,950)</u>		<u>778,964</u>
	107,950		622,350
	-		<u>1,131,358</u>
	<u>107,950</u>		<u>1,753,708</u>
	-		2,018,357
	-		101,185
	-		230,800
	-		(948,548)
	-		(223,232)
	-		4,500
	-		<u>(3,234,019)</u>
	-		<u>(2,050,957)</u>
	-		6,195
	-		<u>(72,393)</u>
	-		<u>(66,198)</u>
	-		415,517
	-		<u>6,549,472</u>
\$	-	\$	<u><u>6,964,989</u></u>

**TALBOT COUNTY, MARYLAND**  
**STATEMENT OF CASH FLOWS**  
**BUSINESS-TYPE ACTIVITIES**  
**For the Year Ended June 30, 2015 (continued)**

	Major Funds		
	<u>Recreation Facilities</u>	<u>Sanitary District</u>	<u>Easton Airport</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>			
Operating loss	\$ (1,104,073)	\$ (1,197,088)	\$ (1,420,444)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation	693,849	1,252,343	1,861,511
Changes in assets and liabilities:			
Decrease (increase) in accounts receivable, customers	22,713	(3,371)	55,869
Decrease (increase) in prepaid	914	(2,197)	(907)
Decrease in inventories	3,307	-	62,516
Increase (decrease) in accounts payable	11,409	(403,775)	119,914
Increase in compensated absences	13,630	8,229	455
Increase (decrease) in due to other funds	218,006	682,896	-
Increase (decrease) in unearned revenue	22,595	-	(11,387)
Net cash provided (used) by operating activities	<u>\$ (117,650)</u>	<u>\$ 337,037</u>	<u>\$ 667,527</u>

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

<u>Nonmajor Fund</u>		
<u>Pool</u>		<u>Totals</u>
\$ (140,924)	\$	(3,862,529)
78,373		3,886,076
3,525		78,736
(368)		(2,558)
-		65,823
1,165		(271,287)
-		22,314
(26,190)		874,712
(23,531)		(12,323)
<u>\$ (107,950)</u>	<u>\$</u>	<u>778,964</u>

**TALBOT COUNTY, MARYLAND**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUND**

**June 30, 2015**

	<u>Other Post-Employment Benefits Trust Fund</u>
<b><u>ASSETS</u></b>	
Cash and cash equivalents	\$ 5,967,958
Other assets	<u>2,973,340</u>
Total Assets	<u>8,941,298</u>
<b><u>NET POSITION</u></b>	
Held in trust for other post-employment benefits	<u>\$ 8,941,298</u>

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

**TALBOT COUNTY, MARYLAND**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
For the Year Ended June 30, 2015**

	<u>Other Post-Employment Benefits Trust Fund</u>
<b>ADDITIONS:</b>	
Contributions	
Investment income	\$ 5,979
Total additions	<u>5,979</u>
<b>DEDUCTIONS:</b>	
Net depreciation in fair value of investments	15,094
Administrative and investment expenses	<u>21,417</u>
Total deductions	<u>36,511</u>
Change in net position	(30,532)
Net position held in trust for other post-employment benefits beginning of year	<u>8,971,830</u>
Net position held in trust for other post-employment benefits end of year	<u>\$ 8,941,298</u>

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

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## Notes to Financial Statements

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Reporting Entity**

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

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

**Note 2. Summary of Significant Accounting Policies**

**A. Financial Reporting Entity**

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

The component unit columns contain the financial data of the County’s two discretely presented component units – the Board of Education of Talbot County and the Talbot County Free Library. They are reported in separate columns to emphasize that they are legally separate from the County. Although these organizations are legally separate entities and have separately elected or appointed governing boards, they are included in the financial statements of the County because the County is financially accountable for each organization. Separately issued financial statements can be obtained from the following:

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

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

The *Board of Education of Talbot County (BOE)* is a separately elected body that administers the public school system in the County. The BOE is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The BOE’s budget is subject to approval by the County Council, and the BOE receives a significant portion of its operational and capital project funding from the County.

The *Talbot County Free Library Association, Inc. (TCFL)* is a separately appointed body that administers the public library system in the County. The TCFL is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The County owns and/or maintains most TCFL facilities and provides a significant portion of its operational funding.

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

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**B. Basis of Presentation**

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

**Government-Wide Financial Statements**

The statement of net position and the statement of activities display information about the County as a whole. These statements include the financial activities of the primary government. The statements distinguish between those activities of the County that are governmental in nature and those that are considered business-type activities. Fiduciary funds are not included within the government-wide financial statements.

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

**Fund Financial Statements**

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

**C. Fund Accounting**

The County uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The County maintains three categories of funds: governmental, proprietary and fiduciary.

**Governmental Fund Types**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the County's major governmental funds:

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**Governmental Fund Types (continued)**

General Fund: The General Fund is the general operating fund of the County. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, which are not financed by proprietary funds.

In addition, the County has three non-major governmental funds, the Developmental Impact Fund, Grants Fund and the Talbot Family Network.

**Proprietary Fund Types**

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

Enterprise Funds are established to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The following are the County's major enterprise funds:

Recreation Fund: The Recreation Fund is used to account for the operations of the County owned golf course and community center.

Sanitary District Fund: The Sanitary District Fund is used to account for the operations of the County's wastewater treatment plants, onsite sewage disposal systems, and bio-solids utilization facilities.

Easton Airport Fund: The Easton Airport Fund is used to account for the operations of the County owned airport.

In addition, the County has one non-major enterprise fund, the pool fund.

**Fiduciary Fund Types**

Fiduciary funds account for assets held by the County in a trustee capacity for others and therefore are not available to support County programs.

Other Post-Employment Benefits ("OPEB") Trust Fund: The OPEB Trust Fund is used to account for assets that are required to be held in trust for the members and beneficiaries of the postemployment benefit plan.

**D. Measurement Focus**

**Government-Wide Financial Statements**

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

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**Fund Financial Statements**

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

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

**E. Basis of Accounting**

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

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

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

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

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

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**E. Basis of Accounting (continued)**

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

**F. Budgetary Process**

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

- (1) The County Manager and the Board of Education submit a proposed operating budget for their respective general and capital projects funds annually to the County Council.
- (2) A minimum of two public hearings are conducted to obtain taxpayer comments.
- (3) On or before June 1, the County's budget is legally enacted through passage of an ordinance by the County Council. The budget is required to be balanced as to proposed revenues and expenditures.
- (4) The County's legal level of budgetary control is at the general classification of expenditure level (personnel, operating, capital outlay, debt service, etc.). The County Manager is authorized to make transfers between general classifications of expenditures within the same department and fund. Transfers between departments can be made only with the approval of the County Council. All unexpended and unencumbered appropriations in the general fund lapse at the end of the fiscal year. However, no appropriation for a capital project may lapse until the purpose for which the appropriation was made is accomplished or abandoned. A capital project is abandoned if three fiscal years elapse without any expenditure.
- (5) Formal budgets are employed as a management control device during the year for the general, capital projects, special revenue, and enterprise funds. Annual budgets are legally adopted and presented in the combined statement of revenues and expenditures - budget and actual for the general fund, capital projects fund and special revenue funds of the Primary Government.
- (6) Budgets are prepared and adopted on a basis consistent with generally accepted accounting principles.
- (7) The general fund, capital projects fund, and special revenue fund budgeted amounts reflect the originally adopted and approved budget and the revised budget by the County Council. The budgeted amounts for the Board of Education and Library are not presented in these financial statements.
- (8) There were no supplemental appropriations for the County.

**G. Cash and Short-Term Investments**

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

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**H. Property Tax**

Taxes are levied annually on July 1 and are due in full by September 30 for non-owner occupied and non-small business properties. Owner occupied and small business property taxes are due in two equal semi-annual installments on September 30 and December 31, respectively. Property taxes are attached as an enforceable lien and are in arrears on October 1 for non-owner occupied and non-small business properties and January 1 for owner occupied and small business properties. The County bills and collects its own taxes. County property tax revenues are recognized when collected.

**I. Inventory and Prepaid Items**

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

Certain payments to vendors reflect costs applicable to future periods and are recorded by the purchase method as prepaid items in both government-wide and fund financial statements.

**J. Capital Assets**

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

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

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

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

**K. Compensated Absences**

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

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**K. Compensated Absences (continued)**

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

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

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

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

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

**M. Net Position**

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

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

**N. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that period. The County has one item that qualifies for reporting in this category. The County recognizes a deferred outflow of resources related to its pension obligation (Note 7) for changes in assumptions and contributions subsequent to the measurement date. These amounts are deferred and recognized as an outflow from resources in the period that the amounts become available.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The County has one item that qualifies for reporting in this category. The County recognizes a deferred inflow of resources related to its pension obligation (Note 7) for the net difference between projected and actual investment earnings on pension plan investments. This item is deferred and recognized as an inflow from resources in the period that the amounts become available.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

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

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

**O. Fund Balance Reserves**

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can only be spent for specific purposes because of the County charter or code, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes imposed by the County Council. The Council may establish, modify, or rescind a fund balance commitment by voting on a motion made by any Council Member and approved by the majority of the Council Members at a County Council meeting.

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

Unassigned – Amounts not included in other spendable classifications.

Nonspendable fund balances consist of prepaid amounts.

When fund balance resources are available for a specific purpose in more than one classification, it is the County's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

**P. Operating Revenues and Expenses**

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

**Q. Use of Estimates**

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

**R. Interfund Receivables/Payables**

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

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 3. Deposits and Investments**

**A. Deposits**

**Primary Government**

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

At June 30, 2015, the County Primary Government had deposits of \$21,760,734 with local banks (carrying value \$21,237,731). Of those deposits, \$250,000 was insured by federal depository insurance (FDIC). As required by law, a depository is required to pledge securities, in addition to FDIC insurance, at least equal to the amount on deposit at all times. At June 30, 2015, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$19,515 as of June 30, 2015.

**Board of Education**

At June 30, 2015, the reported amount of the Board's bank deposits was \$7,161,119 and the bank balance was \$8,607,714. These balances include \$986,485 of trust and agency cash and MLGIP of \$4,504,578 reported below. The cash in the bank was covered by federal depository insurance or by collateral held by the pledging bank's trust department in the Board's name.

**Library**

At June 30, 2015, the Library had deposits totaling \$112,268 (carrying value \$91,073), which were fully insured by federal depository insurance issued by the Federal Depository Insurance Corporation (FDIC).

**B. Investments**

**Primary Government**

The County is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 §22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A., which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a semi-annual basis and provide suggestions to enhance the pool. The MLGIP portfolio is managed in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The MLGIP is rated AAAM by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. At June 30, 2015, the County had investments in MLGIP of \$18,000,000, which are recorded at cost, which approximates fair value.

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

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

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

**B. Investments (continued)**

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

At June 30, 2015, the County had the following investments:

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

**Board of Education**

The Board is also authorized to invest in the Maryland Local Government Investment Pool (MLGIP), where deposits are recorded at cost. Due to the nature of the MLGIP investment it is considered a cash equivalent. MLGIP is not covered by FDIC, but it is collateralized by United States Treasury instruments. The Maryland State Treasurer oversees the MLGIP. At June 30, 2015, the Board had investments in MLGIP of \$4,504,578.

**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, 2015, appropriate due from/to other funds have been established.

Interfund transactions are classified as follows:

1. Transfers to support the operations of other funds are recorded as "Transfers in (out) to other funds" and classified as "Other Financing Sources (Uses)" in the fund statements. Transfers between governmental and proprietary funds are netted as part of the reconciliation of the Government-wide financial statements.
2. Loans between funds are classified as Interfund loans receivable and payable or as advances to and from other funds in the fund statements. Loans and advances are netted as part of the reconciliation of the Government-wide financial statements.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 4. Interfund Receivables and Payables (continued)**

Due from/to other funds balances as of June 30, 2015 were as follows:

<b><u>Primary Government</u></b>	<b><u>Purpose</u></b>	<b><u>Due from Other Funds</u></b>	<b><u>Due to Other Funds</u></b>
General Fund	Transfers	\$ 7,611,909	\$ -
Special Revenue Fund - Grants Fund	Transfers	-	549,402
Enterprise Fund - Recreation Facilities	Transfers	-	4,131,952
Enterprise Fund - Sanitary District	Transfers	-	2,747,576
Enterprise Fund - Pool	Transfers	-	182,979
		<b><u>\$ 7,611,909</u></b>	<b><u>\$ 7,611,909</u></b>

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

Advances to/from other funds balances as of June 30, 2015 were as follows:

<b><u>Primary Government</u></b>	<b><u>Purpose</u></b>	<b><u>Advances to Other Funds</u></b>	<b><u>Advances from Other Funds</u></b>
General Fund	Construction projects	\$ 439,292	\$ -
Enterprise Fund - Airport	Construction projects	-	439,292
		<b><u>\$ 439,292</u></b>	<b><u>\$ 439,292</u></b>

During fiscal year 2007, the County transferred approximately \$2.5 million to the Airport from the General Fund for construction of an airport control tower. The outstanding balance at June 30, 2015 was \$439,292.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 5. Capital Assets**

A summary of changes in capital assets for the fiscal year ended June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Transfers and Reductions	Balance June 30, 2015
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Nondepreciable Capital Assets:				
Land	\$ 12,436,837	\$ -	\$ -	\$ 12,436,837
Infrastructure - road base	25,449,891	-	-	25,449,891
Construction in progress	2,420,089	7,914,620	(666,953)	9,667,756
<b>Total Nondepreciable Capital Assets</b>	<b>40,306,817</b>	<b>7,914,620</b>	<b>(666,953)</b>	<b>47,554,484</b>
Depreciable Capital Assets:				
Buildings and improvements	41,337,839	29,891	175,119	41,542,849
Infrastructure	15,659,776	424,611	(197,625)	15,886,762
Furniture and equipment	22,139,075	1,845,668	(490,920)	23,493,823
<b>Total capital assets being depreciated</b>	<b>79,136,690</b>	<b>2,300,170</b>	<b>(513,426)</b>	<b>80,923,434</b>
Less accumulated depreciation for:				
Buildings and improvements	14,546,476	1,335,898	-	15,882,374
Infrastructure	6,851,227	841,911	(569,800)	7,123,338
Furniture and equipment	16,934,850	1,503,584	(490,920)	17,947,514
<b>Total accumulated depreciation</b>	<b>38,332,553</b>	<b>3,681,393</b>	<b>(1,060,720)</b>	<b>40,953,226</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>40,804,137</b>	<b>(1,381,223)</b>	<b>547,294</b>	<b>39,970,208</b>
<b>Total Governmental Activities, Net</b>	<b>\$ 81,110,954</b>	<b>\$ 6,533,397</b>	<b>\$ (119,659)</b>	<b>\$ 87,524,692</b>
	Balance June 30, 2014	Additions	Transfers and Reductions	Balance June 30, 2015
<b>Business-Type Activities:</b>				
Nondepreciable Capital Assets:				
Land	\$ 3,499,479	\$ -	\$ -	\$ 3,499,479
Construction in progress	1,900,541	2,566,343	(947,519)	3,519,365
<b>Total Nondepreciable Capital Assets</b>	<b>5,400,020</b>	<b>2,566,343</b>	<b>(947,519)</b>	<b>7,018,844</b>
Depreciable Capital Assets:				
Buildings and improvements	97,476,900	186,391	947,519	98,610,810
Furniture and equipment	7,317,713	481,285	(32,627)	7,766,371
<b>Total Depreciable Capital Assets</b>	<b>104,794,613</b>	<b>667,676</b>	<b>914,892</b>	<b>106,377,181</b>
Less accumulated depreciation for:				
Buildings and improvements	44,322,521	3,480,155	-	47,802,676
Furniture and equipment	3,334,667	405,921	(32,627)	3,707,961
<b>Total accumulated depreciation</b>	<b>47,657,188</b>	<b>3,886,076</b>	<b>(32,627)</b>	<b>51,510,637</b>
<b>Total Depreciable Capital Assets, Net</b>	<b>57,137,425</b>	<b>(3,218,400)</b>	<b>947,519</b>	<b>54,866,544</b>
<b>Total Business-Type Activities, Net</b>	<b>\$ 62,537,445</b>	<b>\$ (652,057)</b>	<b>\$ -</b>	<b>\$ 61,885,388</b>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 900,632
Public Safety	1,142,348
Public Works	1,402,045
Health & Hospitals	6,260
Recreation	<u>230,108</u>
Total Depreciation Expense-Governmental Activities	<u>\$ 3,681,393</u>

A summary of changes in capital assets for the component units at June 30, 2015 is as follows:

	Balance June 30, 2014	Additions	Transfers and Reductions	Balance June 30, 2015
<b>Component Units</b>				
<b>Board of Education</b>				
Nondepreciable Capital Assets:				
Land	\$ 377,446	\$ -	\$ -	\$ 377,446
Construction in progress	-	32,101	-	32,101
Total Nondepreciable Capital Assets	<u>377,446</u>	<u>32,101</u>	<u>-</u>	<u>409,547</u>
Depreciable Capital Assets:				
Buildings and improvements	94,415,041	-	-	94,415,041
Furniture and equipment	25,144,592	1,292,261	(2,555,080)	23,881,773
Total capital assets being depreciated	<u>119,559,633</u>	<u>1,292,261</u>	<u>(2,555,080)</u>	<u>118,296,814</u>
Less accumulated depreciation for:				
Buildings and improvements	36,913,184	2,130,571	-	39,043,755
Furniture and equipment	21,004,134	1,518,615	(2,550,378)	19,972,371
Total accumulated depreciation	<u>57,917,318</u>	<u>3,649,186</u>	<u>(2,550,378)</u>	<u>59,016,126</u>
Total Depreciable Capital Assets, Net	<u>\$ 61,642,315</u>	<u>\$ (2,356,925)</u>	<u>\$ (4,702)</u>	<u>\$ 59,280,688</u>
<b>Library</b>				
Nondepreciable Capital Assets:				
Land	\$ 49,921	\$ -	\$ -	\$ 49,921
Construction in progress	1,880	-	-	1,880
Total Nondepreciable Capital Assets	<u>51,801</u>	<u>-</u>	<u>-</u>	<u>51,801</u>
Depreciable Capital Assets:				
Buildings and improvements	559,721	-	-	559,721
Furniture and equipment	1,494,001	107,361	(151,081)	1,450,281
Total capital assets being depreciated	<u>2,053,722</u>	<u>107,361</u>	<u>(151,081)</u>	<u>2,010,002</u>
Less accumulated depreciation	1,222,255	234,316	(151,081)	1,305,490
Total Depreciable Capital Assets, Net	<u>\$ 831,467</u>	<u>\$ (126,955)</u>	<u>\$ -</u>	<u>\$ 704,512</u>

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

**Note 6. Long-Term Debt**

The following is a summary of long-term debt at June 30, 2015:

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amount Due in One Year
<b>Primary Government</b>					
<b>Governmental Activities:</b>					
Public Improvement Bonds of 2008; original issue \$25,020,000, payable annually in principal payments ranging from \$810,000 to \$1,820,000 through December 15, 2027; interest payable semi-annually at rates from 3.5% to 4.0%.	\$ 18,490,000	\$ -	\$ 1,045,000	\$ 17,445,000	\$ 1,090,000
Shore Erosion (Black Walnut Point); total authorized borrowing \$160,000, to be repaid in 15 annual payments of \$9,100, no interest, beginning July 1, 2011.	109,200	-	9,100	100,100	9,100
Chesapeake College Bond of 2003; original issue \$180,000, a contractual liability payable to Queen Anne's County, the registered owner, payable in annual principal installments from \$5,559 to \$13,434; interest payable annually at rates from 4.83% to 5.4%.	100,125	-	9,066	91,059	9,529
Chesapeake College Bond of 2000; original issue \$620,000, a contractual liability payable to Queen Anne's County, the registered owner, payable annually in principal payments ranging from \$20,000 to \$50,000 through January 15, 2020; interest payable semi-annually at rates from 5.10% to 5.75%.	255,000	-	35,000	220,000	40,000
Public Improvement and Refunding Bonds of 2006; original issue \$2,325,000, payable annually in principal payments ranging from \$90,000 to \$175,000 through February 1, 2024; interest payable semi-annually at rates from 4% to 4.3%.	1,485,000	-	125,000	1,360,000	130,000
Public Improvement and Refunding Bonds of 2010; original issue \$12,157,771, payable annually in principal payments ranging from \$587,000 to \$1,318,000 through May 2022; interest payable semi-annually at rates from 2% to 5%.	8,131,832	-	1,230,175	6,901,657	1,247,803

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

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

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amount Due in One Year
<b>Primary Government (continued)</b>					
<b>Governmental Activities (continued):</b>					
Excavation equipment financing agreement; original amount of \$287,000, payable in monthly payments of \$4,338 which include principal and interest at a rate of 1.98% with one final payment of \$43,050 through August 15, 2018.	243,661	-	47,658	196,003	48,610
Shore Erosion Control Loan (Neavitt Landing); total borrowing of \$82,032, to be repaid in 10 equal annual payments, no interest, beginning in 2015 after completion of the project.	10,740	33,932	-	44,672	8,203
Chesapeake College Bonds of 2014; original issue \$1,760,000, a contractual liability payable to Queen Anne's County, the registered owner; payable in annual principal installments from \$61,313 to \$124,198 through April 1, 2034; interest payable semi-annually.	1,760,000	-	61,706	1,698,294	61,313
Emergency radio system equipment financing agreement; original amount of \$6,716,277, to be repaid in eight annual payments of \$967,815 which include principal and interest at a rate of 3.273% through October 1, 2022.	-	6,716,277	-	6,716,277	748,010
Unamortized bond premium	672,068	-	77,324	594,744	-
Compensated absences	838,453	727,690	728,742	837,401	391,382
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$32,096,079</b>	<b>\$7,477,899</b>	<b>\$3,368,771</b>	<b>\$36,205,207</b>	<b>\$3,783,950</b>

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amount Due in One Year
<b>Business-type Activities:</b>					
<b>Recreation Facilities</b>					
Public Improvement and Refunding Bonds of 2006; original issue \$2,545,000, payable annually in principal payments ranging from \$90,000 to \$180,000 through February 1, 2026; interest payable semi-annually at rates from 4% to 4.375%.	\$ 1,755,000	\$ -	\$ 115,000	\$ 1,640,000	\$ 120,000
Public Improvement and Refunding Bonds of 2010; original issue \$630,945, payable annually in principal payments ranging from \$5,590 to \$72,300 through May 2022; interest payable semi-annually at rates from 2% to 5%.	517,133	-	57,105	460,028	58,700
Golf course equipment capital lease; original issue of \$181,322, payable monthly in principal and interest payments of approximately \$4,176 through June 2015, interest at 4.8%.	48,875	-	48,875	-	-
Golf course equipment capital lease; original issue of \$230,800, payable in monthly payments of \$4,222 which include principal and interest at a rate of 5.104% with one final payment of \$57,710 through August 30, 2018.	-	230,800	37,436	193,364	41,763
Total Recreation Facilities	<b>\$ 2,321,008</b>	<b>\$ 230,800</b>	<b>\$ 258,416</b>	<b>\$ 2,293,392</b>	<b>\$ 220,463</b>

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

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

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amount Due in One Year
<b>Business-type Activities (continued):</b>					
<b>Sanitary District</b>					
Public Improvement and Refunding Bonds of 2006; original issue \$390,000, payable annually in principal payments ranging from \$20,000 to \$35,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.2%.	\$ 155,000	\$ -	\$ 30,000	\$ 125,000	\$ 30,000
Water Quality Bonds of 2006; Total authorized borrowing of \$10,212,981; \$9,975,333 borrowed to date, loan to be repaid in level principal and interest payments over 20 years beginning February 2008; interest at 0.4%.	6,493,162	-	505,444	5,987,718	507,466
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%.	275,601	-	23,910	251,691	24,373
Farmers Home Administration Bond; Unionville/Tunis Mills/Coppper ville Wastewater System Bond of 2001; original issue \$186,000, payable quarterly in payments of \$2,833 through May 2030, including interest at 4.5%.	128,696	-	5,633	123,063	5,888
Total Sanitary District	<u>\$ 7,052,459</u>	<u>\$ -</u>	<u>\$ 564,987</u>	<u>\$ 6,487,472</u>	<u>\$ 567,727</u>

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

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

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015	Amount Due in One Year
<b>Business-type Activities (continued):</b>					
<b>Easton Airport</b>					
Public Facilities and Refunding Bonds of 2006; original issue \$100,000, payable annually in principal payments ranging from \$5,000 to \$10,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.2%.	\$ 50,000	\$ -	\$ 10,000	\$ 40,000	\$ 10,000
Public Facilities and Refunding Bonds of 2006; original issue \$440,000, payable annually in principal payments ranging from \$30,000 to \$40,000 through February 1, 2019; interest payable semi-annually at rates from 4% to 4.2%.	190,000	-	35,000	155,000	35,000
Public Facilities Bonds of 2002; original issue \$1,055,000, payable annually in principal payments ranging from \$30,000 to \$77,000 through March 15, 2022; interest payable semi-annually at rates from 3.0% to 5.37%.	295,001	-	30,000	265,001	30,000
Public Improvement and Refunding Bonds of 2010; original issue \$306,284, payable annually in principal payments ranging from \$13,000 to \$35,000 through May 2022; interest payable semi-annually at rates from 2% to 5%.	251,035	-	27,720	223,315	28,497
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.	129,939	-	17,857	112,082	18,827
Consolidated Public Improvement Bonds, Series 2013; original issue \$265,000, payable monthly in principal and interest payments of \$1,304 through December 4, 2042; interest is payable at 4.25% per annum.	262,772	-	4,568	258,204	4,763
Total Easton Airport	<u>1,178,747</u>	<u>-</u>	<u>125,145</u>	<u>1,053,602</u>	<u>127,087</u>
Compensated absences	98,243	80,207	57,893	120,557	38,115
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>	<u>\$ 10,650,457</u>	<u>\$ 311,007</u>	<u>\$ 1,006,441</u>	<u>\$ 9,955,023</u>	<u>\$ 953,392</u>

The bonds outstanding at June 30, 2015 for the primary government's governmental activities and business-type activities are general obligation bonds.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

The County has entered into leases for the acquisition of various equipment items, which transfer ownership at the end of the lease. Accordingly, the present value of future minimum lease payments and the related assets have been recorded in the appropriate fund.

The assets acquired through capital leases are as follows:

**Business-Type Activities**

Equipment	\$ 230,800
Less: accumulated depreciation	(9,617)
Total	\$ 221,183

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

**Business-Type Activities**

Year Ending June 30	
2016	\$ 50,664
2017	50,664
2018	50,664
2019	61,922
Less amounts representing interest	(20,550)
Present value of future minimum lease payments	\$ 193,364

Funds Used For Debt Service and Liquidation of Compensated Absences

Payments on bonds and notes payable that pertain to the County's governmental activities are made by the general fund. Payments on bonds and notes payable that pertain to the County's business-type activities are made by the fund in which the liability exists. The compensated absences liability attributable to the governmental activities will be liquidated by the County's general fund. The compensated absences liability attributable to business-type activities will be liquidated by the fund in which the liability exists.

Other Obligations

As part of the acquisition agreement between the County and the Martingham Utilities Cooperative for the wastewater treatment facility, the County is obligated to collect fees for use of the Martingham facilities from its customers and remit a portion of those proceeds to service debt related to the entire Martingham facility. The debt is in the name of the Martingham Utilities Cooperative and is not reported on the balance sheet of the County.

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

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

Other Obligations (continued)

The County, on behalf of the Edge Creek Waterway Improvement District, entered into a loan agreement with the State of Maryland, Department of Natural Resources for a 20 year interest-free Waterway Improvement Loan in the amount of \$304,699. The proceeds of this loan were used to dredge Edge Creek and pay the expenses associated with the dredging. This loan is payable from the proceeds of a special assessment levied on parcels within the district and is not backed by the County's full faith and credit. This loan does not appear on the balance sheet of the County. The County acts only as a fiduciary in collecting the assessments and servicing the debt. The balance outstanding as of June 30, 2015 is \$213,289.

	Balance at June 30, 2014	Additions	Reductions	Balance at June 30, 2015
<b><u>Component Units</u></b>				
<b><u>Board of Education</u></b>				
Note payable to Bank of America principal and interest payments of \$7,372 are payable monthly through September 29, 2016; interest payable at 1.72% per annum; collateralized by school buses.	\$ 195,118	\$ -	\$ 85,788	\$ 109,330
Note payable to Branch Bank & Trust Co. principal and interest payments of \$2,009 are payable monthly through September 5, 2017; interest payable at 2.11% per annum; collateralized by school bus.	75,646	-	22,726	52,920
Note payable to Suntrust Equipment Finance & Leasing Corp. principal and interest payments of \$8,638 are payable monthly through September 1, 2018; interest payable at 1.597% per annum; collateralized by school buses.	409,514	-	89,623	319,891
Note payable to Suntrust Equipment Finance & Leasing Corp. principal and interest payments of \$56,321 are payable annually through September 1, 2018; interest payable at 1.58% per annum; collateralized by school buses.	-	258,724	41,219	217,505
<b>TOTAL BOARD OF EDUCATION</b>	<b>\$ 680,278</b>	<b>\$ 258,724</b>	<b>\$ 239,356</b>	<b>\$ 699,646</b>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

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

**Primary Government**

	Principal	Interest	Total
<b>Governmental Activities</b>			
Fiscal year Ending June 30,			
2016	\$ 3,392,568	\$ 1,276,018	\$ 4,668,586
2017	3,521,334	1,173,919	4,695,253
2018	3,634,104	1,061,975	4,696,079
2019	3,079,363	924,910	4,004,273
2020	3,239,476	818,912	4,058,388
2021 - 2025	12,811,152	2,366,129	15,177,281
2026 - 2030	4,625,784	473,291	5,099,075
2031 - 2035	469,281	47,840	517,121
Total Governmental Activities	<u>\$ 34,773,062</u>	<u>\$ 8,142,994</u>	<u>\$ 42,916,056</u>

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

Fiscal year Ending June 30,			
2016	\$ 178,700	\$ 84,592	\$ 263,292
2017	187,295	77,230	264,525
2018	193,495	70,820	264,315
2019	200,890	62,918	263,808
2020	207,485	55,600	263,085
2021 - 2025	952,163	153,664	1,105,827
2026 - 2030	180,000	7,875	187,875
Total Recreational Facilities	<u>\$ 2,100,028</u>	<u>\$ 512,699</u>	<u>\$ 2,612,727</u>

**Enterprise Fund - Sanitary District**

Fiscal year Ending June 30,			
2016	\$ 567,727	\$ 48,117	\$ 615,844
2017	571,306	43,301	614,607
2018	574,973	38,397	613,370
2019	583,731	33,401	617,132
2020	552,585	28,077	580,662
2021 - 2025	2,747,996	83,366	2,831,362
2026 - 2030	889,154	11,505	900,659
Total Sanitary District	<u>\$ 6,487,472</u>	<u>\$ 286,164</u>	<u>\$ 6,773,636</u>

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**Primary Government (continued)**

	Principal	Interest	Total
<b>Enterprise Fund - Easton Airport</b>			
Fiscal year Ending June 30,			
2016	\$ 127,087	\$ 43,438	\$ 170,525
2017	140,059	40,562	180,621
2018	141,935	34,707	176,642
2019	149,461	28,090	177,551
2020	101,668	21,517	123,185
2021 - 2025	192,796	56,682	249,478
2026 - 2030	39,696	38,533	78,229
2031 - 2035	49,521	28,710	78,231
2036 - 2040	60,670	17,557	78,227
2041 - 2043	50,709	3,947	54,656
Total Easton Airport	\$ 1,053,602	\$ 313,743	\$ 1,367,345

**Component Units**

**Board of Education**

Fiscal year Ending June 30,			
2016	\$ 263,506	\$ 9,050	\$ 272,556
2017	200,369	5,836	206,205
2018	163,084	2,920	166,004
2019	72,687	909	73,596
Total Board of Education	\$ 699,646	\$ 18,715	\$ 718,361

**Obligations Under State Retirement System**

**Component Unit – Board of Education**

State Retirement and Pension System of Maryland	
Payable annually through December 2035.	\$ 562,858

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>	
2016	\$ 35,651
2017	37,434
2018	39,305
2019	41,270
2020	43,334
2021 - 2025	251,421
2026 - 2030	320,883
2031 - 2035	409,537
2036	<u>94,593</u>
Sub-Total	1,273,428
Less amounts representing interest	<u>(710,570)</u>
Liability as of June 30, 2015	<u>\$ 562,858</u>

The Board of Education obligation to the State Retirement System was \$549,786 at June 30, 2014. There was an increase of \$47,025 and payments of \$33,953 during fiscal year 2015. The increase is related to an actuarial valuation that produced updated principal balances and was communicated to the Board of Education on December 17, 2014.

**Note 7. Pension Plans**

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

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

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

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

The following groups of employees participate in:

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

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

**Basis of Accounting**

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

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

General Plan Policies

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

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

Significant Plan Benefits and Policies

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

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

Teachers' and Employees' Retirement Systems

Retirement Benefits:

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

Vested Allowance:

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

Employee Contributions:

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

Teachers' and Employees' Pension System

Pension Benefits:

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

Vested Allowance:

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

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

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

Employee Contributions:

Effective July 1, 2011, members of the Teachers' and Employees' Pension Systems are required to contribute to the systems 7% of their regular salaries and wages up to the social security wage base in the year ending June 30, 2015. The contributions are deducted from each member's salary and wage payments and are remitted to the systems on a regular, periodic basis.

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

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

Employer Contributions:

For the year ended June 30, 2015 total payroll, covered payroll and State on-behalf payments were as follows:

	Total Payroll	Covered Payroll	On-Behalf By State
Talbot County	\$ 13,870,965	\$ 11,581,689	\$ -
Board of Education	33,625,017	31,854,565	3,541,347
Library	927,734	888,739	137,962

Covered payroll refers to all compensation paid to active employees covered by either the Teachers' Systems or Employees' Systems.

During fiscal year 2015, the County reported expense of \$1,095,431 and the Board of Education reported expense of \$492,475 related to the Employees' Systems in the fund financial statements.

Board of Education – Special Funding

During a special session of the Maryland General Assembly – Teacher Pension Cost – it was determined that the State and Local school boards will share the cost of teacher retirement by phasing in a requirement for school board payment of annual normal cost over a four year period in increments of 50%, 65%, 85%, and 100%. This action outlines the payment required of each school board for fiscal years 2013 through 2016 and the additional maintenance of effort payments required by each county in the same period. The additional cost for fiscal year 2015 is determined to be \$1,019,080. State on-behalf payments are recognized as both a revenue and expense.

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 2015 payment was \$33,953. The payments reflect a pattern which increases by 5% per year for the next 21 years. (See also Note 6.)

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

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

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

At June 30, 2015, the Board reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

District's proportionate share of the net pension liability (Employees' Systems)	\$ 3,978,041
State's proportionate share of the net pension liability associated with the Board (Teachers' System)	<u>30,872,861</u>
<b>Total</b>	<b><u>\$ 34,850,902</u></b>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Board's proportion of the net pension liability was calculated as follows by the System(s):

1. Net pension liability for the entire System was calculated. For purposes of funding the System, all calculations are determined on an actuarial basis and are completed through the development of rates based on two separate asset pools, one for employees of the State of Maryland and one for primary government employees.
2. Determined the total contributions to the System by the State and by the primary governments, inclusive of any underfunding of contributions.
3. Based on the number of participants at each Board of Education, calculate the difference between what each Board would have contributed if they funded at the rate of all other participating governments and what the Board actually contributed. The difference between what the Board contributed and what they would have contributed if they funded at the rate of the other participating governments, is then added to the total contribution to the System, to calculate the System's adjusted contribution.
4. Calculated for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution. At June 30, 2014, the Board's proportion was approximately .0224156%.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

At June 30, 2015, the County reported the following related to pensions:

	<u>Board</u>	<u>Total County</u>
Employer's proportion of the net pension liability	0.0224156%	0.0460127%
Employer's proportionate share of the net pension liability	\$ 3,978,041	\$ 8,165,742
Pension expense recognized by the employer (The Board includes amounts paid for Teachers' Systems)	\$ 1,623,169	\$ 1,095,431
Change in NPL factored for contributions	\$ 114,597	\$ 235,233
Deferred inflows of resources:		
Net difference between projected and actual investment earnings on pension plan investments	\$ (435,423)	\$ (893,794)
<u>Total deferred inflows of resources</u>	<u>\$ (435,423)</u>	<u>\$ (893,794)</u>
Deferred outflows of resources:		
Changes in assumptions	\$ 57,545	\$ 118,124
<u>Contributions subsequent to the measurement date</u>	<u>512,634</u>	<u>1,095,431</u>
<u>Total deferred outflows of resources</u>	<u>\$ 570,179</u>	<u>\$ 1,213,555</u>
Net pension liability at June 30, 2014	\$ 4,385,810	\$ 9,002,770
Year end June 30, 2014 contributions	(522,366)	(1,072,261)
<u>Change in NPL factored for contributions</u>	<u>114,597</u>	<u>235,233</u>
<u>Net pension liability at June 30, 2015</u>	<u>\$ 3,978,041</u>	<u>\$ 8,165,742</u>

Deferred outflows of resources resulting from contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Board</u>	<u>Total County</u>
2016	\$ (94,470)	\$ (193,918)
2017	(94,470)	(193,918)
2018	(94,470)	(193,918)
2019	(94,468)	(193,916)

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

***Actuarial Assumptions***

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.90% general, 3.40% wage
Salary increases	3.40% to 11.90%, including inflation
Discount rate	7.65%
Investment rate of return	7.65%
Mortality	RP-2000 Combined Healthy Mortality Table projected to the year 2025

***Investments***

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	35%	4.70%
Fixed Income	10%	2.00%
Credit Opportunity	10%	3.00%
Real Return	14%	2.80%
Absolute Return	10%	5.00%
Private Equity	10%	6.30%
Real Estate	10%	4.50%
Cash	1%	1.40%
Total	<u>100%</u>	

***Discount rate***

A single discount rate of 7.65% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.65%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

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

The following presents the System’s proportionate share of the net pension liability calculated using the discount rate of 7.65%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

System	1% Decrease to 6.65%	Current Discount	1% Increase to 8.65%
County	\$ 11,767,863	\$ 8,165,742	\$ 5,148,512
Board	5,732,858	3,978,041	2,508,160

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

**Plan Description and Eligibility**

The County provides post-retirement health care benefits under the Talbot County Retiree Health Plan (the “Plan”), a single-employer defined benefit healthcare plan administered by the County, to retirees who meet the Maryland State Retirement System qualifications for full retirement benefits. Current County guidelines state that if the retiree has 16 or more years of state creditable service, the County will pay 90% of the health insurance cost for an individual and 85% of the health insurance cost for family coverage. If the retiree has between 5 and 16 years of state creditable service and retired directly from County service, the County reduces the portion it subsidizes by 1/16 per year. The County has the authority to establish and amend benefit provisions of the Plan. The Plan does not issue a separate, publicly available report.

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

The Talbot County Public Schools Retiree Health Plan (the “Board of Education Plan”) is a single-employer defined benefit healthcare plan that is administered by the Board of Education and covers retired employees of the Board of Education and their dependents. The Board of Education Plan provides for the payment of a portion or all of the health insurance premiums for eligible retired employees depending on their position that was held and length of service. The Board of Education has the authority to establish and amend benefit provisions of the Board of Education Plan. The Board of Education Plan does not issue a separate, publicly available report.

The Library administers a single-employer defined benefit healthcare plan for its retirees. The plan provides healthcare insurance for eligible retirees and their spouses. Employees are eligible to participate in the plan upon retirement provided they have 10 years of service with the Library and meet the eligibility requirements of the State Retirement and Pension System of Maryland. As of July 1, 2013, the date of the actuarial valuation, 2 retirees were receiving benefits under the plan, and an estimated 13 active employees are potentially eligible to receive future benefits. Active members eligible to receive healthcare benefits are currently covered under Talbot County, Maryland’s healthcare plan.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**Funding Policy**

The County pays for the cost of post-retirement health care benefits under the Plan for eligible retirees and their dependents/family members on a pay-as-you-go basis from the general fund. Eligible retirees must pay for 10% of the cost for individual plans and 15% of the cost for family coverage. For fiscal year 2015, the County paid for coverage of 77 eligible retirees, family members, and dependents at a total cost to the County of \$571,089 and eligible retirees contributed \$137,248. The County has the authority to establish and amend the funding policy of the Plan.

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

The Library pays for 66.67% of the cost of eligible retiree healthcare premiums with the retiree paying the remaining portion of the cost. For fiscal year 2015, the Library contributed \$5,493 to the plan for 2 eligible retirees.

**Annual OPEB Cost and Net OPEB Obligation**

The valuations were done to determine the funded status of the plans as well as the annual required contribution (ARC) for the fiscal year ended June 30, 2015. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The County, Board of Education, and Library make contributions against the net OPEB obligations from the General Fund.

The Library's valuation is performed using the alternative measurement method provided for in GASB 45.

The County, Board of Education, and Library's annual OPEB cost, employer contributions, percentage of annual OPEB cost contributed to the plan, and net OPEB obligation were as follows:

<b>Fiscal Year Ended June 30,</b>	<b>Annual OPEB Cost</b>	<b>Employer Contribution</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation (Asset)</b>
<b><u>Talbot County</u></b>				
2013	\$ 724,609	\$ 441,967	60.99%	\$ (1,919,257)
2014	513,187	2,608,194	508.23%	(4,014,264)
2015	513,187	571,089	111.28%	(4,072,166)
<b><u>Board of Education</u></b>				
2013	\$ 5,274,000	\$ 1,403,000	26.60%	\$ 17,858,425
2014	5,620,000	1,490,000	26.51%	21,988,425
2015	5,731,000	1,628,000	28.41%	26,091,425
<b><u>Library</u></b>				
2013	\$ 113,919	\$ 2,287	2.01%	\$ 507,163
2014	107,925	5,301	4.91%	609,787
2015	107,925	5,493	5.09%	712,219

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

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

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

The net OPEB obligation as of June 30, 2015 was calculated as follows:

	<b>County</b>	<b>Board of Education</b>	<b>Library</b>
Annual required contribution (ARC)	\$ 502,987	\$ 5,804,000	\$ 115,205
Interest on net OPEB obligation	(134,348)	880,000	18,662
Adjustment to the ARC	<u>144,548</u>	<u>(953,000)</u>	<u>(25,942)</u>
Annual OPEB cost	513,187	5,731,000	107,925
Pay as you go	<u>(571,089)</u>	<u>(1,628,000)</u>	<u>(5,493)</u>
Net OPEB change	(57,902)	4,103,000	102,432
Net OPEB obligation (asset), beginning of year	<u>(4,014,264)</u>	<u>21,988,425</u>	<u>609,787</u>
Net OPEB obligation (asset), end of year	<u>\$ (4,072,166)</u>	<u>\$ 26,091,425</u>	<u>\$ 712,219</u>

**Funded Status and Funding Progress**

Year Ended June 30,	Date of Actuarial Valuation Data	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
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**Talbot County, Maryland**

2013	July 1, 2011	\$ 7,005,762	\$ 11,825,089	59.24%	\$ 4,819,327	\$ 10,441,819	46.2%
2014	July 1, 2013	8,971,830	12,460,315	72.00%	3,488,485	11,048,309	31.6%
2015	July 1, 2013	8,941,298	12,460,315	71.76%	3,519,017	11,048,309	31.9%

**Board of Education**

2013	July 1, 2013	\$ -	\$ 58,837,000	0.00%	\$ 58,837,000	\$ 31,804,864	185.0%
2014	July 1, 2014	-	62,681,000	0.00%	62,681,000	31,677,993	197.9%
2015	July 1, 2015	-	63,986,000	0.00%	63,986,000	31,854,565	200.9%

**Library**

2013	July 1, 2011	\$ -	\$ 1,262,817	0.00%	\$ 1,262,817	\$ 604,699	208.8%
2014	July 1, 2013	-	1,347,733	0.00%	1,347,733	583,855	230.8%
2015	July 1, 2013	-	1,347,733	0.00%	1,347,733	583,855	230.8%

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**Funded Status and Funding Progress (continued)**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the Plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the County's July 1, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 7% interest rate on investments which assumes a 3% inflation rate, and an annual healthcare cost trend rate beginning at 6.5% initially reduced by decrements to an ultimate rate of 4.5%. Assets are valued at their market values. The Plan's unfunded actuarial accrued liability is being amortized as a level dollar amount over a 30 year period using open amortization.

In the Board of Education's June 30, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, a projected salary increase of 4% per year, and an annual healthcare cost trend rate of 5.7% initially, reduced by decrements to an ultimate rate of 4.9%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five year period. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2015 was 24 years.

In determining its actuarial valuation of OPEB costs and liabilities, the Library used the projected unit credit cost method using certain assumptions and default values provided for under the alternative measurement method in GASB 45. The actuarial assumptions include a 4% investment rate of return and the projected annual healthcare cost trend rate is 7.6% initially, reduced by decrements to an ultimate rate of 5%. The UAAL is being amortized as a level dollar amount over a 30 year period.

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

**Note 9. Deferred Compensation**

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

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

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

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

**Note 10. Unearned Revenues**

Unearned revenue consists of federal and state grants, agricultural taxes collected, and other revenues that have been received by the County, but not expended by June 30, 2015. Property taxes not received within the "available" period are also deferred. The property tax receivable amount is not material, and is netted in with liabilities within the government-wide and fund financial statements. Unearned revenue at June 30, 2015 consisted of the following:

	<b>County</b>	<b>Board of Education</b>	
Federal and state grants	\$ 7,135	\$ 916,572	
Other sources	4,188,200	35,166	
	\$ 4,195,335	\$ 951,738	

**Note 11. Commitments and Contingencies**

**Primary Government**

**Landfills Closure and Post-closure Costs**

The County has a 27.21% financial interest in Mid-Shore Regional Solid Waste Facility, which is owned and operated by Maryland Environmental Service (MES). The Landfills are located on the eastern shore and are shared by four counties. Under the Waste Disposal Service Agreement between MES and the County, in the event expenditures should exceed revenues, the County is obligated to cover the deficiency in proportion to its financial interest, however, to date additional funding from the County has not been required nor does management anticipate it.

In December 2010 the Mid-Shore I landfill located in Talbot County accepted its last trash and in January 2011 the Mid-Shore II landfill was opened for commercial business. As of June 30, 2015, total closure and post closure care costs were estimated at approximately \$22.4 million, with approximately \$6.1 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, 2015, a portion of these costs, \$9.4 million, determined by the estimated useful life of the Landfills.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**Primary Government (continued)**

Similar to the post closure costs, each of the participating Counties is contingently liable for the debt related to the new facility, Mid-Shore II. Mid-Shore II was funded with project revenue bonds. As of June 30, 2015, total debt was approximately \$22.1 million, with approximately \$6.0 million attributable to the County in the event of default.

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2014. MES expects to satisfy these requirements as of June 30, 2015 using the same criteria.

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

**Legal Actions**

The County believes it is probable that income tax refunds of approximately \$3,000,000 related to the *Maryland State Comptroller of the Treasury v. Bryan Wynne* case will have to be issued in the future. Maryland's personal income tax on State residents consists of a State income tax and a local tax. Residents who pay income tax to another state were allowed a credit against the State income tax, but not against the local tax. The U.S. Supreme Court determined that this taxing system was unconstitutional.

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

**Note 12. Risk Management**

**Primary Government**

**General Insurance**

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

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

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

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

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

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

**Health Insurance**

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

**Board of Education**

**General Insurance**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board participates in the Maryland Association of Boards of Education Group Insurance and Workers Compensation Pools (MABE), which provides casualty and property insurance, and workers compensation coverage. MABE operates as authorized by Section 482B of Article 84A of the Annotated Code of Maryland. The Board pays an annual premium to MABE for its insurance coverage. The agreement for formation of MABE provides that it will be self-sustaining through member premiums and will reinsure through commercial companies as specified in the agreement. As of June 30, 2015, MABE had total pool surplus 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**

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

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

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

**Note 13. Deficits**

At June 30, 2015, the Sanitary District Fund and the Pool Fund had deficits in unrestricted net position of \$1,807,580 and \$191,031, respectively. These deficits are expected to be eliminated through normal operations.

**Note 14. Unrestricted Net Position**

The County has issued bonds and notes payable for capital assets for the Board of Education of Talbot County and Chesapeake College. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. At June 30, 2015, the outstanding balance of these bonds and notes payables was \$27,381,035 and the effect of this non-capital debt has been reflected in the unrestricted net position of the County.

TALBOT COUNTY, MARYLAND  
NOTES TO FINANCIAL STATEMENTS

**Note 15. Prior Period Restatement**

The County has determined to restate its Statement of Net Position and Statement of Activities as of June 30, 2014. The determination was made to restate these financial statements in connection with the fiscal year 2015 implementation of the Governmental Accounting Standards Board's Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement's objective is to improve the accounting and financial reporting for pensions as well as to improve the information provided by employers about financial support for pensions that are provided by other entities (see Note 7).

The following table is a summary of the effects of these changes on net position and change in net position as of June 30, 2015.

	<u>County</u>		<u>Board of Education</u>	
	<u>Net Position</u>	<u>Change in Net Position</u>	<u>Net Position</u>	<u>Change in Net Position</u>
As previously reported	\$ 84,897,641	\$ 3,841,984	\$ 39,803,523	\$ (6,257,682)
Adjustment to deferred financing outflow for contributions	1,072,261	1,072,261	522,366	522,366
Adjustment to net pension liability	(9,002,770)	(9,002,770)	(4,385,810)	(4,385,810)
<u>As restated</u>	<u>\$ 76,967,132</u>	<u>\$ (4,088,525)</u>	<u>\$ 35,940,079</u>	<u>\$ (10,121,126)</u>

**Note 16. Subsequent Events**

**Board of Education**

On July 22, 2015, the Board approved a lease purchase of one school bus over five years. The total cost of the lease, including interest, is \$122,263, which is payable in annual installments.

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## Required Supplementary Information

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>REVENUES</b>				
<b>TAXES - LOCAL</b>				
<b>LOCAL PROPERTY TAXES</b>				
Real property	\$ 33,588,000	\$ 33,588,000	\$ 33,996,787	\$ 408,787
Railroad and public utilities	650,000	650,000	777,061	127,061
Prior Years	-	-	(3,756)	(3,756)
Penalties and interest	164,500	164,500	189,757	25,257
<b>Total property taxes</b>	<b>34,402,500</b>	<b>34,402,500</b>	<b>34,959,849</b>	<b>557,349</b>
Less: Discounts allowed on taxes	(225,000)	(225,000)	(232,998)	(7,998)
<b>Net property taxes</b>	<b>34,177,500</b>	<b>34,177,500</b>	<b>34,726,851</b>	<b>549,351</b>
<b>LOCAL INCOME TAXES</b>	<b>26,600,000</b>	<b>26,600,000</b>	<b>28,562,934</b>	<b>1,962,934</b>
<b>OTHER LOCAL TAXES</b>				
Admissions and amusements	45,000	45,000	36,065	(8,935)
Recordation	5,060,000	5,060,000	5,887,703	827,703
Transfer	2,750,000	2,750,000	3,505,646	755,646
Public accommodations	1,250,000	1,250,000	1,215,271	(34,729)
Mobile manufactured home	63,000	63,000	62,161	(839)
<b>Total other local taxes</b>	<b>9,168,000</b>	<b>9,168,000</b>	<b>10,706,846</b>	<b>1,538,846</b>
<b>Total local taxes</b>	<b>69,945,500</b>	<b>69,945,500</b>	<b>73,996,631</b>	<b>4,051,131</b>
<b>LICENSES AND PERMITS</b>				
Beer, wine and liquor licenses	167,000	167,000	178,205	11,205
Alcoholic beverages fines	500	500	-	(500)
Traders licenses	34,000	34,000	36,733	2,733
Animal tags and fines	5,000	5,000	5,159	159
Stormwater permits	8,500	8,500	16,350	7,850
Flood plain permits	400	400	1,330	930
Boat ramp permits and violations	152,500	152,500	116,455	(36,045)
Marriage licenses	3,000	3,000	7,570	4,570
Plumbing permits	9,000	9,000	13,160	4,160
Zoning fines	-	-	650	650
Gas permits and licenses	10,000	10,000	12,093	2,093
Plumbing licenses	7,500	7,500	8,415	915
HVAC inspections and registrations	9,200	9,200	12,804	3,604
Health department fees	-	-	60	60
Electrical inspections and licenses	16,000	16,000	25,699	9,699
Building permits	145,000	145,000	160,649	15,649
<b>Total licenses and permits</b>	<b>567,600</b>	<b>567,600</b>	<b>595,332</b>	<b>27,732</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

**(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>INTERGOVERNMENTAL REVENUES</b>				
<b>FROM THE FEDERAL GOVERNMENT</b>				
SAMHSA grant	\$ -	\$ -	\$ 2,200	\$ 2,200
HMEP grant	-	-	9,016	9,016
FEMA	52,600	52,600	74,362	21,762
Emergency management - DHS	25,000	25,000	100,153	75,153
Health and human services grants	-	-	1,200	1,200
Public works grants	20,000	20,000	-	(20,000)
<b>Total Federal revenues</b>	<b>97,600</b>	<b>97,600</b>	<b>186,931</b>	<b>89,331</b>
<b>FROM THE STATE OF MARYLAND</b>				
Police protection	124,079	124,079	102,672	(21,407)
Sex offender grant	16,000	16,000	14,805	(1,195)
School bus safety grant	5,000	5,000	4,500	(500)
Motor carrier - State Highway	-	-	3,791	3,791
Fire and rescue	215,000	215,000	290,184	75,184
911 grants and numbers system board	240,000	240,000	276,098	36,098
Community right to know grant	1,400	1,400	-	(1,400)
Community service	23,000	23,000	23,700	700
Health and human services grants	-	-	4,000	4,000
Circuit Court - Family Services	155,868	155,868	120,162	(35,706)
Problem solving court grant	134,768	134,768	104,718	(30,050)
Critical areas	15,000	15,000	15,000	-
Highway user revenues	318,000	318,000	415,631	97,631
Recordation	20,000	20,000	68,468	48,468
Program open space	58,500	58,500	-	(58,500)
Public landing grants	22,000	22,000	11,226	(10,774)
Tourism	40,000	40,000	55,111	15,111
DSS-Legal fees	70,000	70,000	57,417	(12,583)
Security filing fees	150	150	155	5
<b>Total state revenues</b>	<b>1,458,765</b>	<b>1,458,765</b>	<b>1,567,638</b>	<b>108,873</b>
<b>Total intergovernmental</b>	<b>1,556,365</b>	<b>1,556,365</b>	<b>1,754,569</b>	<b>198,204</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

**(Continued)**

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>SERVICE CHARGES</b>				
<b>GENERAL GOVERNMENT CHARGES</b>				
Zoning fees and certificates	\$ 15,300	\$ 15,300	\$ 66,564	\$ 51,264
Subdivision applications	20,000	20,000	23,050	3,050
Administrative variance	2,700	2,700	3,800	1,100
Board of appeals	6,000	6,000	6,400	400
Site plan reviews	3,000	3,000	1,158	(1,842)
Forest conservation fees	3,000	3,000	900	(2,100)
Critical area preservation	20,000	20,000	24,600	4,600
Bed & breakfast license/home occupation	850	850	600	(250)
Short term rental fees	13,000	13,000	13,950	950
Mobile home fees	300	300	375	75
Roadside vendors and produce stand	1,500	1,500	3,100	1,600
Weed and litter enforcement	1,000	1,000	2,039	1,039
Weed control spraying	40,000	40,000	50,899	10,899
Economic development/tourism	80,000	80,000	150,304	70,304
Election filing and voter lists	750	750	1,156	406
Sheriff's fees	30,000	30,000	26,371	(3,629)
Emergency medical services	1,400,000	1,400,000	1,404,249	4,249
MIEMSS-EMS communications	125,000	125,000	125,000	-
Hazmat fees	5,000	5,000	-	(5,000)
Other charges	500	500	2,374	1,874
<b>Total general government</b>	<b>1,767,900</b>	<b>1,767,900</b>	<b>1,906,889</b>	<b>138,989</b>
<b>PUBLIC SAFETY CHARGES</b>				
Boarding of local prisoners	5,000	5,000	16,650	11,650
Weekenders fees	2,500	2,500	2,980	480
Live-in, work-out fees	3,000	3,000	2,239	(761)
Home detention program	1,500	1,500	240	(1,260)
Commissions phone	-	-	200	200
Community service fees	2,500	2,500	4,141	1,641
<b>Total public safety charges</b>	<b>14,500</b>	<b>14,500</b>	<b>26,450</b>	<b>11,950</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

**(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>SERVICE CHARGES (continued)</b>				
<b>HEALTH</b>				
Mosquito control fees	\$ 130,000	\$ 130,000	\$ 115,961	\$ (14,039)
<b>RECREATION CHARGES</b>				
Boat slips	65,000	65,000	65,376	376
Program fees	-	-	-	-
Other recreation	15,000	15,000	10,122	(4,878)
<b>Total recreation</b>	<b>80,000</b>	<b>80,000</b>	<b>75,498</b>	<b>(4,502)</b>
<b>Total service charges</b>	<b>1,992,400</b>	<b>1,992,400</b>	<b>2,124,798</b>	<b>132,398</b>
<b>FINES AND FORFEITURES</b>	<b>-</b>	<b>-</b>	<b>2,760</b>	<b>2,760</b>
<b>MISCELLANEOUS</b>				
Rents	30,000	30,000	23,898	(6,102)
Other	483,135	483,135	294,009	(189,126)
<b>Total miscellaneous</b>	<b>513,135</b>	<b>513,135</b>	<b>317,907</b>	<b>(195,228)</b>
<b>INTEREST</b>	<b>50,000</b>	<b>50,000</b>	<b>82,007</b>	<b>32,007</b>
<b>TOTAL REVENUES</b>	<b>\$ 74,625,000</b>	<b>\$ 74,625,000</b>	<b>\$ 78,874,004</b>	<b>\$ 4,249,004</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

**(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>EXPENDITURES</u></b>				
<b>GENERAL GOVERNMENT</b>				
<b>LEGISLATIVE</b>				
County Council:				
Salaries	\$ 73,000	\$ 73,000	\$ 73,111	\$ (111)
Other operating	47,200	47,200	46,408	792
<b>Total legislative</b>	<b>120,200</b>	<b>120,200</b>	<b>119,519</b>	<b>681</b>
<b>JUDICIAL</b>				
Circuit Court:				
Salaries	150,641	151,171	140,791	10,380
Other operating	34,800	34,800	30,508	4,292
Capital outlay	10,000	20,000	20,522	(522)
Court Stenographer:				
Salaries	36,000	36,000	35,315	685
Other operating	150	150	-	150
Family Services:				
Salaries and fringe benefits	61,068	61,068	60,547	521
Other operating	94,800	94,800	59,995	34,805
Problem Solving Court:				
Salaries and fringe benefits	112,388	112,388	87,236	25,152
Other operating	22,380	22,380	17,170	5,210
Orphan's Court:				
Salaries	17,672	17,672	17,096	576
Other operating	2,225	2,225	179	2,046
State's Attorney:				
Salaries	535,824	541,924	541,831	93
Other operating	48,178	48,178	41,621	6,557
Child Support:				
Salaries and fringe benefits	-	-	4,647	(4,647)
Other operating	-	-	24	(24)
Victim Witness Program:				
Salaries	109,730	110,595	110,590	5
Other operating	5,090	5,090	2,255	2,835
<b>Total judicial</b>	<b>1,240,946</b>	<b>1,258,441</b>	<b>1,170,327</b>	<b>88,114</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>GENERAL GOVERNMENT (continued)</b>				
<b>EXECUTIVE</b>				
County Administration:				
Salaries	\$ 441,311	\$ 441,311	\$ 431,928	\$ 9,383
Other operating	54,060	54,060	58,182	(4,122)
Capital outlay	8,000	8,000	-	8,000
<b>Total executive</b>	<b>503,371</b>	<b>503,371</b>	<b>490,110</b>	<b>13,261</b>
<b>ELECTIONS</b>				
Board of Supervisors of Elections:				
Salaries and fringe benefits	195,600	195,600	175,462	20,138
Other operating	97,400	97,400	110,403	(13,003)
Registration and elections				
Salaries and fringe benefits	47,300	47,300	81,745	(34,445)
Other operating	4,000	4,000	3,600	400
<b>Total elections</b>	<b>344,300</b>	<b>344,300</b>	<b>371,210</b>	<b>(26,910)</b>
<b>FINANCIAL ADMINISTRATION</b>				
Finance Office:				
Salaries	475,064	480,464	480,077	387
Other operating	177,100	177,100	161,850	15,250
MD State Department of Assessments and Taxation				
	208,000	180,000	178,893	1,107
Liquor License Commissioners:				
Salaries	10,106	10,106	8,072	2,034
Other operating	3,600	3,600	1,354	2,246
<b>Total financial administration</b>	<b>873,870</b>	<b>851,270</b>	<b>830,246</b>	<b>21,024</b>
<b>LAW</b>				
County Attorney:				
Salaries	221,212	222,112	222,060	52
Other operating	42,190	42,190	33,186	9,004
<b>Total law</b>	<b>263,402</b>	<b>264,302</b>	<b>255,246</b>	<b>9,056</b>
<b>PLANNING AND ZONING</b>				
Planning Office:				
Salaries	400,412	395,412	384,040	11,372
Other operating	55,150	60,150	42,271	17,879
Capital outlay	-	-	-	-
Board of Appeals:				
Salaries	68,185	68,185	65,208	2,977
Other operating	15,650	15,650	11,069	4,581
<b>Total planning and zoning</b>	<b>539,397</b>	<b>539,397</b>	<b>502,588</b>	<b>36,809</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

**(Continued)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>GENERAL GOVERNMENT (continued)</b>				
<b>GENERAL SERVICES</b>				
County Buildings:				
Salaries	\$ 289,268	\$ 289,268	\$ 283,757	\$ 5,511
Other operating	325,290	325,290	343,033	(17,743)
Capital outlay	69,600	49,600	35,488	14,112
Library Maintenance	133,500	133,500	137,101	(3,601)
Information Technology:				
Salaries	193,726	194,726	194,704	22
Other operating	118,220	118,220	75,195	43,025
Capital outlay	-	300,500	300,619	(119)
Insurance	97,500	92,500	85,256	7,244
<b>Total general services</b>	<b>1,227,104</b>	<b>1,503,604</b>	<b>1,455,153</b>	<b>48,451</b>
<b>ECONOMIC DEVELOPMENT</b>				
Office of Economic Development:				
Salaries and fringe benefits	132,994	147,994	143,797	4,197
Other operating	79,000	64,000	39,376	24,624
Arts Council	12,000	12,000	12,000	-
Tourism:				
Salaries and fringe benefits	150,015	142,215	139,852	2,363
Other operating	352,550	360,350	459,230	(98,880)
Capital outlay	-	3,500	2,467	1,033
Historic Preservation Commission	6,000	6,000	5,912	88
Other	20,000	20,000	20,000	-
<b>Total economic development</b>	<b>752,559</b>	<b>756,059</b>	<b>822,634</b>	<b>(66,575)</b>
<b>Total general government</b>	<b>5,865,149</b>	<b>6,140,944</b>	<b>6,017,033</b>	<b>123,911</b>
<b>PUBLIC SAFETY</b>				
<b>SHERIFF</b>				
Salaries	1,784,212	1,709,712	1,712,701	(2,989)
Other operating	375,460	445,460	364,618	80,842
Capital outlay	217,400	217,400	229,621	(12,221)
<b>Total sheriff</b>	<b>2,377,072</b>	<b>2,372,572</b>	<b>2,306,940</b>	<b>65,632</b>
<b>MUNICIPAL INSTITUTIONS</b>				
Detention Center:				
Salaries	1,808,563	1,808,563	1,788,115	20,448
Other operating	1,087,120	1,087,120	1,065,365	21,755
Capital outlay	-	6,000	11,558	(5,558)
<b>Total municipal institutions</b>	<b>2,895,683</b>	<b>2,901,683</b>	<b>2,865,038</b>	<b>36,645</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>PUBLIC SAFETY (continued)</b>				
<b>OTHER PUBLIC SAFETY</b>				
School Crossing Guards	\$ 55,083	\$ 55,083	\$ 55,083	\$ -
Animal Control Program	386,035	386,035	386,387	(352)
Emergency Management:				
Salaries	837,484	867,484	864,713	2,771
Other operating	425,003	395,003	385,232	9,771
Capital outlay	110,000	110,000	212,322	(102,322)
Volunteer Fire Companies	1,503,499	1,614,251	1,598,790	15,461
Emergency Medical Services:				
Salaries and fringe benefits	3,009,563	3,150,990	3,130,980	20,010
Other operating	533,339	533,339	546,142	(12,803)
Capital outlay	488,000	497,800	491,195	6,605
Hazardous Materials:				
Salaries and fringe benefits	1,140	1,140	1,540	(400)
Other operating	15,150	15,150	9,061	6,089
<b>Total other public safety</b>	<b>7,364,296</b>	<b>7,626,275</b>	<b>7,681,445</b>	<b>(55,170)</b>
<b>PROTECTIVE INSPECTION</b>				
Electrical Inspection:				
Salaries	5,525	5,525	5,270	255
Other operating	2,100	2,100	1,272	828
Building and Plumbing Inspection:				
Salaries	326,403	326,403	313,040	13,363
Other operating	22,900	22,900	15,855	7,045
<b>Total protective inspection</b>	<b>356,928</b>	<b>356,928</b>	<b>335,437</b>	<b>21,491</b>
<b>Total public safety</b>	<b>12,993,979</b>	<b>13,257,458</b>	<b>13,188,860</b>	<b>68,598</b>
<b>PUBLIC WORKS</b>				
<b>PUBLIC WORKS - GENERAL</b>				
Salaries	357,520	398,520	391,449	7,071
Other operating	46,022	46,022	39,164	6,858
Capital outlay	20,000	5,000	3,526	1,474
<b>Total public works - general</b>	<b>423,542</b>	<b>449,542</b>	<b>434,139</b>	<b>15,403</b>
<b>PUBLIC LANDINGS AND WHARVES</b>				
Salaries	134,509	134,509	119,518	14,991
Other operating	48,200	48,200	38,574	9,626
Capital outlay	-	-	4,154	(4,154)
<b>Total public landings and wharves</b>	<b>182,709</b>	<b>182,709</b>	<b>162,246</b>	<b>20,463</b>
<b>SOLID WASTE DISPOSAL</b>				
Salaries and fringe benefits	82,999	82,999	82,506	493
Other operating	600,750	600,750	561,763	38,987
<b>Total solid waste disposal</b>	<b>683,749</b>	<b>683,749</b>	<b>644,269</b>	<b>39,480</b>

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>PUBLIC WORKS (continued)</b>				
<b>HIGHWAYS AND STREETS</b>				
Salaries and fringe benefits	\$ 1,247,697	\$ 1,247,697	\$ 1,239,373	\$ 8,324
Other operating	1,114,068	1,114,068	1,176,873	(62,805)
Debt service	52,100	52,100	52,213	(113)
Capital outlay	256,000	384,000	362,466	21,534
<b>Total highways and streets</b>	<b>2,669,865</b>	<b>2,797,865</b>	<b>2,830,925</b>	<b>(33,060)</b>
<b>Total public works</b>	<b>3,959,865</b>	<b>4,113,865</b>	<b>4,071,579</b>	<b>42,286</b>
<b>HEALTH AND HOSPITALS</b>				
Health department	1,533,850	1,533,850	1,536,249	(2,399)
School health	639,000	639,000	639,000	-
Addictions counseling	76,800	76,800	76,800	-
Senior services program	50,000	50,000	50,000	-
Mosquito control	136,500	121,500	120,481	1,019
<b>Total health and hospitals</b>	<b>2,436,150</b>	<b>2,421,150</b>	<b>2,422,530</b>	<b>(1,380)</b>
<b>SOCIAL SERVICES</b>				
Social services legal	91,250	91,250	57,417	33,833
Neighborhood Service Center	72,126	72,126	72,126	-
Delmarva Community Services	100,239	100,239	100,239	-
Senior Services	240,147	240,147	240,147	-
Social Services	12,912	12,912	12,912	-
St. Martin's Ministries	7,000	7,000	7,000	-
Senior Center bus passes	8,400	8,400	8,400	-
<b>Total social services</b>	<b>532,074</b>	<b>532,074</b>	<b>498,241</b>	<b>33,833</b>
<b>EDUCATION</b>				
Board of Education:				
Operating appropriation	34,546,100	34,546,100	34,546,100	-
Teacher pensions	792,752	792,752	792,752	-
Debt Service	3,371,200	3,371,200	3,363,598	7,602
Library:				
Operating appropriation	1,111,700	1,111,700	1,111,700	-
Community College:				
Operating appropriation	1,496,117	1,496,117	1,496,117	-
Capital outlay	87,516	87,516	87,516	-
Debt Service	201,690	125,690	123,139	2,551

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>EDUCATION (continued)</b>				
Chesapeake Developmental Center	\$ 45,005	\$ 45,005	\$ 45,005	\$ -
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	81,568	84,068	85,916	(1,848)
Other operating	13,070	15,070	13,162	1,908
<b>Total education</b>	41,746,718	41,675,218	41,665,005	10,213
<b>RECREATION</b>				
Parks and Recreation:				
Salaries	136,515	136,515	96,437	40,078
Other operating	145,925	145,925	131,516	14,409
Capital outlay	65,000	70,000	49,593	20,407
<b>Total recreation</b>	347,440	352,440	277,546	74,894
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Agricultural Extension Service	174,341	174,341	174,314	27
Other	7,500	7,500	2,430	5,070
Weed Control:				
Salaries and fringe benefits	61,902	61,902	56,740	5,162
Other operating	26,675	26,675	9,216	17,459
<b>Total conservation of natural resources</b>	270,418	270,418	242,700	27,718
<b>INTERGOVERNMENTAL</b>				
Payments to Municipalities:				
Fire, rescue and ambulance fund	20,000	20,000	56,184	(36,184)
Business retention	150,000	150,000	150,000	-
Bank stock	7,535	7,535	7,535	-
Public accommodations tax	820,000	820,000	855,204	(35,204)
<b>Total intergovernmental</b>	997,535	997,535	1,068,923	(71,388)
<b>EMPLOYEE BENEFITS</b>				
Retirement and pension contributions:				
Employees retirement	785,000	715,000	725,626	(10,626)
Social security tax	615,000	615,000	618,875	(3,875)
Health insurance	2,275,000	2,187,666	2,336,625	(148,959)
Health insurance waiver	64,000	64,000	57,587	6,413

**TALBOT COUNTY, MARYLAND**

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

**GENERAL FUND**

**For the Year Ended June 30, 2015**

**(Continued)**

	Original <u>Budget</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>EMPLOYEE BENEFITS (continued)</b>				
Unemployment insurance	\$ 20,000	\$ 20,000	\$ 31,138	\$ (11,138)
Group life insurance	40,000	40,000	33,250	6,750
Disability insurance	39,000	39,000	29,899	9,101
Substance abuse testing	6,000	6,000	5,806	194
Workers' compensation	145,000	145,000	187,253	(42,253)
Employee assistance program	5,800	5,800	6,539	(739)
Employee training	-	-	1,400	(1,400)
Other operating	4,000	4,000	4,966	(966)
<b>Total employee benefits</b>	<b>3,998,800</b>	<b>3,841,466</b>	<b>4,038,964</b>	<b>(197,498)</b>
<b>MISCELLANEOUS</b>	<b>115,607</b>	<b>122,367</b>	<b>101,568</b>	<b>20,799</b>
<b>DEBT SERVICE</b>				
Principal on long-term debt	66,005	66,005	50,680	15,325
Interest on long-term debt	11,710	11,710	173,141	(161,431)
<b>Total debt service</b>	<b>77,715</b>	<b>77,715</b>	<b>223,821</b>	<b>(146,106)</b>
<b>RESERVE FOR CONTINGENCIES</b>	<b>661,200</b>	<b>200,000</b>	<b>41,972</b>	<b>158,028</b>
<b>TOTAL EXPENDITURES</b>	<b>74,002,650</b>	<b>74,002,650</b>	<b>73,858,742</b>	<b>143,908</b>
<b>OTHER FINANCING USES</b>				
Transfers:				
Pool - Operating appropriation	107,950	107,950	107,950	-
Recreation - Operating appropriation	514,400	514,400	514,400	-
<b>Total other financing uses</b>	<b>622,350</b>	<b>622,350</b>	<b>622,350</b>	<b>-</b>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>74,625,000</b>	<b>74,625,000</b>	<b>74,481,092</b>	<b>143,908</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,392,912</b>	<b>\$ 4,392,912</b>

**TALBOT COUNTY, MARYLAND**

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

**June 30, 2015**

Year Ended June 30,	Date of Actuarial Valuation Data	Actuarial Value of Plan Assets	Actuarial Accrued Liability	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
<b><u>Talbot County, Maryland</u></b>							
2013	July 1, 2011	\$ 7,005,762	\$ 11,825,089	59.24%	\$ 4,819,327	\$ 10,441,819	46.2%
2014	July 1, 2013	8,971,830	12,460,315	72.00%	3,488,485	11,048,309	31.6%
2015	July 1, 2013	8,941,298	12,460,315	71.76%	3,519,017	11,048,309	31.9%
<b><u>Board of Education</u></b>							
2013	July 1, 2013	\$ -	\$ 58,837,000	0.00%	\$ 58,837,000	\$ 31,804,864	185.0%
2014	July 1, 2014	-	62,681,000	0.00%	62,681,000	31,677,993	197.9%
2015	July 1, 2015	-	63,986,000	0.00%	63,986,000	31,854,565	200.9%
<b><u>Library</u></b>							
2013	July 1, 2011	\$ -	\$ 1,262,817	0.00%	\$ 1,262,817	\$ 604,699	208.8%
2014	July 1, 2013	-	1,347,733	0.00%	1,347,733	583,855	230.8%
2015	July 1, 2013	-	1,347,733	0.00%	1,347,733	583,855	230.8%

**TALBOT COUNTY, MARYLAND**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS**

**SCHEDULE OF THE PROPORTIONATE SHARE**

**OF THE NET PENSION LIABILITY**

**Year Ended June 30, 2015**

	<b>2015</b>
County's proportion of the net pension liability	0.04601%
County's proportionate share of the net pension liability	\$ 8,165,742
County's covered-employee payroll	\$ 11,581,689
County's proportionate share of the net pension liability as a percentage of its covered-employee payroll	70.51%
System fiduciary net position (expressed in thousands)	\$ 45,339,988
Total System pension liability (expressed in thousands)	\$ 63,086,719
System fiduciary net positions as a percentage of total System pension liability	71.87%

**TALBOT COUNTY, MARYLAND**

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS**

**SCHEDULE OF CONTRIBUTIONS**

**Year Ended June 30, 2015**

	<b>2015</b>
Contractually required contribution	\$ 1,095,431
Contributions in relation to the contractually required contribution	<u>1,095,431</u>
Contribution deficiency (excess)	<u>\$ -</u>
County's covered payroll	11,581,689
Contributions as a percentage of covered-employee payroll	9.46%

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

**Note 1. Budgetary Basis**

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

**Note 2. Schedule of Funding Progress - Other Post-Employment Benefits**

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

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

**Note 3. Pensions**

**Change in Benefit Terms**

There were no significant benefit changes during the year.

**Changes in Assumptions**

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2014 valuation:

1. Investment return assumption changed from 7.70% to 7.65%
2. Inflation assumption changed from 2.95% to 2.90%

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

<p>Actuarial</p> <p>Amortization method</p> <p>Remaining amortization period</p> <p>Asset valuation method</p> <p>Inflation</p> <p>Salary increases</p> <p>Investment rate of return</p> <p>Retirement age</p> <p>Mortality</p>	<p>Entry age normal</p> <p>Level percentage of payroll, closed</p> <p>24 years for State system</p> <p>5-year smoothed market; 20% collar</p> <p>2.90% general, 3.40% wage</p> <p>3.40% to 11.90%, including inflation</p> <p>7.65%</p> <p>Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2012 valuation pursuant to an experience study of the period 2006 - 2010</p> <p>RP-2000 Combined Healthy Mortality Table projected to the year 2025</p>
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## 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, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - State	\$ 885,000	\$ 885,000	\$ 368,625	\$ (516,375)
Other grants	-	-	5,400	5,400
Interest	-	-	7,515	7,515
<b>Total revenues</b>	<b>885,000</b>	<b>885,000</b>	<b>381,540</b>	<b>(503,460)</b>
<b>EXPENDITURES</b>				
General government	600,000	600,000	3,112	596,888
Public safety	7,716,300	7,716,300	7,039,084	677,216
Public works	1,451,452	1,451,452	726,168	725,284
Education	1,344,250	1,344,250	393,624	950,626
Recreation	475,100	475,100	181,014	294,086
<b>Total expenditures</b>	<b>11,587,102</b>	<b>11,587,102</b>	<b>8,343,002</b>	<b>3,244,100</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Designated fund balance	3,540,232	3,540,232	-	(3,540,232)
Note issued - Motorola	6,861,870	6,861,870	6,716,277	(145,593)
Note issued - DNR	-	-	33,932	33,932
Transfer from developmental impact	300,000	300,000	300,000	-
<b>Total other financing sources (uses)</b>	<b>10,702,102</b>	<b>10,702,102</b>	<b>7,050,209</b>	<b>(3,651,893)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (911,253)</b>	<b>\$ (911,253)</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
DEVELOPMENTAL IMPACT FUND  
For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Licenses and permits:				
Impact fees:				
General government	\$ 50,000	\$ 50,000	\$ 64,445	\$ 14,445
Public works	37,000	37,000	416,507	379,507
Education				
Public schools	75,000	75,000	80,782	5,782
Library	15,000	15,000	15,153	153
Community College	4,000	4,000	3,208	(792)
Recreation	19,000	19,000	21,957	2,957
Interest	2,000	2,000	1,665	(335)
<b>Total revenues</b>	<b>202,000</b>	<b>202,000</b>	<b>603,717</b>	<b>401,717</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers:				
Capital projects	(300,000)	(300,000)	(300,000)	-
Appropriated fund balance	98,000	98,000	-	(98,000)
<b>Total other financing sources (uses)</b>	<b>(202,000)</b>	<b>(202,000)</b>	<b>(300,000)</b>	<b>(98,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 303,717</b>	<b>\$ 303,717</b>

**TALBOT COUNTY, MARYLAND**

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

**For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - Federal	\$ 1,561,061	\$ 1,561,061	\$ 2,524,931	\$ 963,870
Intergovernmental - State	1,871,575	1,871,575	883,012	(988,563)
Miscellaneous	115,000	115,000	164,316	49,316
Contribution	3,500	3,500	32,774	29,274
<b>Total revenues</b>	<b>3,551,136</b>	<b>3,551,136</b>	<b>3,605,033</b>	<b>53,897</b>
<b>EXPENDITURES</b>				
General government	147,190	147,190	330,595	(183,405)
Public safety	123,700	123,700	49,521	74,179
Public works	1,956,500	1,956,500	1,035,730	920,770
Health and hospitals	1,225,000	1,225,000	1,993,595	(768,595)
Social services	93,946	93,946	161,185	(67,239)
Education	4,800	4,800	1,611	3,189
Recreation	-	-	31,507	(31,507)
<b>Total expenditures</b>	<b>3,551,136</b>	<b>3,551,136</b>	<b>3,603,744</b>	<b>(52,608)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,289</b>	<b>\$ 1,289</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
TALBOT FAMILY NETWORK  
For the Year Ended June 30, 2015**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>REVENUES</b>				
Intergovernmental - State	\$ 270,750	\$ 270,750	\$ 276,945	\$ 6,195
Interest	-	-	157	157
<b>Total revenues</b>	<b>270,750</b>	<b>270,750</b>	<b>277,102</b>	<b>6,352</b>
<b>EXPENDITURES</b>				
Social services	270,750	270,750	276,945	(6,195)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 157</b>	<b>\$ 157</b>

**TALBOT COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**ENTERPRISE FUND - RECREATION FACILITIES**  
**For the Year Ended June 30, 2015**

	<b>Hog Neck Golf Course</b>		
	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>OPERATING REVENUES</b>			
Program fees and admissions	\$ -	\$ -	\$ -
Room rents	-	-	-
Ice revenues	-	-	-
Pro shop and concessions	280,000	230,166	(49,834)
Cart rentals	55,000	31,041	(23,959)
Green fees	880,000	681,570	(198,430)
Other operating	4,000	19,162	15,162
<b>Total operating revenues</b>	<b>1,219,000</b>	<b>961,939</b>	<b>(257,061)</b>
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	592,010	631,204	(39,194)
Professional fees	13,000	8,467	4,533
Office	25,600	25,334	266
Insurance	5,000	4,689	311
Repairs and maintenance	173,500	152,843	20,657
Utilities	61,000	54,992	6,008
Supplies and equipment	75,000	65,381	9,619
Lessons and programs	4,000	-	4,000
Pro shop and concessions	112,000	162,159	(50,159)
Other operating	34,600	22,838	11,762
<b>Total operating expenses</b>	<b>1,095,710</b>	<b>1,127,907</b>	<b>(32,197)</b>
Operating income (loss) before depreciation	123,290	(165,968)	(289,258)
Depreciation	-	157,251	(157,251)
<b>Net operating income (loss)</b>	<b>123,290</b>	<b>(323,219)</b>	<b>(446,509)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Transfers from general fund	50,000	50,000	-
Gain on disposal of capital assets	-	4,500	4,500
Contributions	-	-	-
Interest expense	(173,290)	(26,118)	147,172
<b>Net non-operating revenues (expenses)</b>	<b>(123,290)</b>	<b>28,382</b>	<b>151,672</b>
<b>Change in net position</b>	<b>\$ -</b>	<b>\$ (294,837)</b>	<b>\$ (294,837)</b>
<b>OTHER BUDGETED EXPENSES</b>			
Capital outlay	\$ -		
<b>Total other budgeted expenses</b>	<b>-</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>		

Talbot Community Center			Combined Totals		
Revised Final Budget	Actual	Variance with Final Budget	Revised Final Budget	Actual	Variance with Final Budget
\$ 178,000	\$ 132,873	\$ (45,127)	\$ 178,000	\$ 132,873	\$ (45,127)
45,000	62,241	17,241	45,000	62,241	17,241
184,000	233,563	49,563	184,000	233,563	49,563
29,000	39,608	10,608	309,000	269,774	(39,226)
-	-	-	55,000	31,041	(23,959)
-	-	-	880,000	681,570	(198,430)
4,800	14,846	10,046	8,800	34,008	25,208
440,800	483,131	42,331	1,659,800	1,445,070	(214,730)
308,850	338,565	(29,715)	900,860	969,769	(68,909)
12,500	13,492	(992)	25,500	21,959	3,541
22,500	23,758	(1,258)	48,100	49,092	(992)
12,000	11,824	176	17,000	16,513	487
69,000	74,375	(5,375)	242,500	227,218	15,282
141,200	135,673	5,527	202,200	190,665	11,535
5,000	4,947	53	80,000	70,328	9,672
90,000	85,617	4,383	94,000	85,617	8,383
25,000	24,922	78	137,000	187,081	(50,081)
11,200	14,214	(3,014)	45,800	37,052	8,748
697,250	727,387	(30,137)	1,792,960	1,855,294	(62,334)
(256,450)	(244,256)	12,194	(133,160)	(410,224)	(277,064)
-	536,598	(536,598)	-	693,849	(693,849)
(256,450)	(780,854)	(524,404)	(133,160)	(1,104,073)	(970,913)
464,400	464,400	-	514,400	514,400	-
-	-	-	-	4,500	4,500
-	101,185	101,185	-	101,185	101,185
(189,450)	(72,483)	116,967	(362,740)	(98,601)	264,139
274,950	493,102	218,152	151,660	521,484	369,824
\$ 18,500	\$ (287,752)	\$ (306,252)	\$ 18,500	\$ (582,589)	\$ (601,089)
\$ (18,500)			\$ (18,500)		
(18,500)			(18,500)		
\$ -			\$ -		

**TALBOT COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**ENTERPRISE FUND - SANITARY DISTRICT**  
**For the Year Ended June 30, 2015**

	<u>St. Michaels District</u>			<u>Royal Oak District</u>		
	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>OPERATING REVENUES</b>						
Sewer service charges	\$ 975,595	\$ 957,211	\$ (18,384)	\$ 230,000	\$ 243,604	\$ 13,604
Sewer connection charges	24,000	57,800	33,800	96,000	212,686	116,686
Residential benefit charges	-	-	-	-	-	-
Wind/solar renewable energy	-	-	-	-	-	-
Miscellaneous	47,680	1,596	(46,084)	2,500	190	(2,310)
<b>Total operating revenues</b>	<b>1,047,275</b>	<b>1,016,607</b>	<b>(30,668)</b>	<b>328,500</b>	<b>456,480</b>	<b>127,980</b>
<b>OPERATING EXPENSES</b>						
Salaries and related expenses	345,370	354,565	(9,195)	56,440	54,835	1,605
Professional fees	700	1,018	(318)	150	319	(169)
Office	4,850	4,930	(80)	1,400	1,712	(312)
Insurance	13,500	9,164	4,336	1,600	728	872
Contracted services	172,000	179,729	(7,729)	61,150	69,508	(8,358)
Repairs and maintenance	39,055	125,516	(86,461)	15,100	50,138	(35,038)
Other operating	18,500	28,873	(10,373)	2,000	5,701	(3,701)
<b>Total operating expenses</b>	<b>593,975</b>	<b>703,795</b>	<b>(109,820)</b>	<b>137,840</b>	<b>182,941</b>	<b>(45,101)</b>
Operating income (loss) before depreciation	453,300	312,812	(140,488)	190,660	273,539	82,879
Depreciation	1,500	603,345	(601,845)	87,160	140,049	(52,889)
<b>Net operating income (loss)</b>	<b>451,800</b>	<b>(290,533)</b>	<b>(742,333)</b>	<b>103,500</b>	<b>133,490</b>	<b>29,990</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental revenues	-	30,000	30,000	-	287,629	287,629
Interest income	5,000	2,304	(2,696)	1,500	1,105	(395)
Interest expense	(42,150)	(20,611)	21,539	(21,000)	(16,923)	4,077
<b>Net non-operating revenues (expenses)</b>	<b>(37,150)</b>	<b>11,693</b>	<b>48,843</b>	<b>(19,500)</b>	<b>271,811</b>	<b>291,311</b>
<b>Change in net position</b>	<b>\$ 414,650</b>	<b>\$ (278,840)</b>	<b>\$ (693,490)</b>	<b>\$ 84,000</b>	<b>\$ 405,301</b>	<b>\$ 321,301</b>
<b>OTHER BUDGETED EXPENSES</b>						
Debt service	\$ (414,650)			\$ (84,000)		
<b>Total other budgeted expenses</b>	<b>(414,650)</b>			<b>(84,000)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>			<b>\$ -</b>		

<b>Tilghman District</b>			<b>Unionville District</b>		
<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>	<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
\$ 235,000	\$ 231,012	\$ (3,988)	\$ 106,500	\$ 108,075	\$ 1,575
4,470	-	(4,470)	-	12,000	12,000
19,000	20,355	1,355	-	-	-
-	-	-	-	-	-
10,000	643	(9,357)	6,000	151	(5,849)
<u>268,470</u>	<u>252,010</u>	<u>(16,460)</u>	<u>112,500</u>	<u>120,226</u>	<u>7,726</u>
143,820	134,888	8,932	27,870	26,296	1,574
50	223	(173)	100	127	(27)
3,450	2,786	664	1,050	1,071	(21)
3,200	1,302	1,898	850	285	565
57,250	77,414	(20,164)	23,530	22,620	910
25,400	83,149	(57,749)	11,300	10,904	396
-	901	(901)	1,400	1,825	(425)
<u>233,170</u>	<u>300,663</u>	<u>(67,493)</u>	<u>66,100</u>	<u>63,128</u>	<u>2,972</u>
35,300	(48,653)	(83,953)	46,400	57,098	10,698
1,800	154,323	(152,523)	3,150	139,414	(136,264)
<u>33,500</u>	<u>(202,976)</u>	<u>(236,476)</u>	<u>43,250</u>	<u>(82,316)</u>	<u>(125,566)</u>
-	-	-	-	-	-
3,000	995	(2,005)	1,800	502	(1,298)
(6,500)	(5,908)	592	(9,050)	(7,165)	1,885
<u>(3,500)</u>	<u>(4,913)</u>	<u>(1,413)</u>	<u>(7,250)</u>	<u>(6,663)</u>	<u>587</u>
\$ 30,000	\$ (207,889)	\$ (237,889)	\$ 36,000	\$ (88,979)	\$ (124,979)
<u>\$ (30,000)</u>			<u>\$ (36,000)</u>		
<u>(30,000)</u>			<u>(36,000)</u>		
<u>\$ -</u>			<u>\$ -</u>		

**TALBOT COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES AND EXPENSES**  
**BUDGET AND ACTUAL**  
**ENTERPRISE FUND - SANITARY DISTRICT**  
**For the Year Ended June 30, 2015 (Continued)**

	<u>Bio-solids Utilization Facility</u>			<u>Onsite Sewage Disposal</u>		
	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>OPERATING REVENUES</b>						
Sewer service charges	\$ 225,000	\$ 276,554	\$ 51,554	\$ -	\$ -	\$ -
Sewer connection charges	-	-	-	-	-	-
Residential benefit charges	-	-	-	-	-	-
Wind/solar renewable energy	125,000	119,447	(5,553)	-	-	-
Miscellaneous	-	-	-	-	-	-
<b>Total operating revenues</b>	<b>350,000</b>	<b>396,001</b>	<b>46,001</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>OPERATING EXPENSES</b>						
Salaries and related expenses	137,160	137,908	(748)	46,882	41,443	5,439
Professional fees	1,100	134	966	2,118	215	1,903
Office	1,900	4,802	(2,902)	-	-	-
Insurance	5,850	6,019	(169)	-	-	-
Contracted services	58,400	95,401	(37,001)	831,000	597,126	233,874
Repairs and maintenance	8,750	18,028	(9,278)	-	-	-
Other operating	3,000	239	2,761	-	39,600	(39,600)
<b>Total operating expenses</b>	<b>216,160</b>	<b>262,531</b>	<b>(46,371)</b>	<b>880,000</b>	<b>678,384</b>	<b>201,616</b>
Operating income (loss) before depreciation	133,840	133,470	(370)	(880,000)	(678,384)	201,616
Depreciation	58,840	209,693	(150,853)	-	-	-
<b>Net operating income (loss)</b>	<b>75,000</b>	<b>(76,223)</b>	<b>(151,223)</b>	<b>(880,000)</b>	<b>(678,384)</b>	<b>201,616</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Intergovernmental revenues	-	-	-	880,000	709,049	(170,951)
Interest income	-	457	457	-	-	-
Interest expense	(75,000)	(4,335)	70,665	-	-	-
<b>Net non-operating revenues (expenses)</b>	<b>(75,000)</b>	<b>(3,878)</b>	<b>71,122</b>	<b>880,000</b>	<b>709,049</b>	<b>(170,951)</b>
<b>Change in net position</b>	<b>\$ -</b>	<b>\$ (80,101)</b>	<b>\$ (80,101)</b>	<b>\$ -</b>	<b>\$ 30,665</b>	<b>\$ 30,665</b>
<b>OTHER BUDGETED EXPENSES</b>						
Debt service	\$ -	-	-	\$ -	-	-
<b>Total other budgeted expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Budgeted net income (loss)</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>-</b>

<b>Martingham District</b>			<b>Combined Totals</b>		
<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>	<u>Revised</u> <u>Final Budget</u>	<u>Actual</u>	<u>Variance With</u> <u>Final Budget</u>
\$ 195,704	\$ 198,854	\$ 3,150	\$ 1,967,799	\$ 2,015,310	\$ 47,511
-	-	-	124,470	282,486	158,016
-	-	-	19,000	20,355	1,355
-	-	-	125,000	119,447	(5,553)
22	12	(10)	66,202	2,592	(63,610)
<u>195,726</u>	<u>198,866</u>	<u>3,140</u>	<u>2,302,471</u>	<u>2,440,190</u>	<u>137,719</u>
110,180	101,075	9,105	867,722	851,010	16,712
400	163	237	4,618	2,199	2,419
1,350	1,654	(304)	14,000	16,955	(2,955)
150	166	(16)	25,150	17,664	7,486
34,850	56,050	(21,200)	1,238,180	1,097,848	140,332
18,225	31,908	(13,683)	117,830	319,643	(201,813)
2,150	2,477	(327)	27,050	79,616	(52,566)
<u>167,305</u>	<u>193,493</u>	<u>(26,188)</u>	<u>2,294,550</u>	<u>2,384,935</u>	<u>(90,385)</u>
28,421	5,373	(23,048)	7,921	55,255	47,334
4,495	5,519	(1,024)	156,945	1,252,343	(1,095,398)
<u>23,926</u>	<u>(146)</u>	<u>(24,072)</u>	<u>(149,024)</u>	<u>(1,197,088)</u>	<u>(1,048,064)</u>
-	-	-	880,000	1,026,678	146,678
74	15	(59)	11,374	5,378	(5,996)
(24,000)	(18,641)	5,359	(177,700)	(73,583)	104,117
<u>(23,926)</u>	<u>(18,626)</u>	<u>5,300</u>	<u>713,674</u>	<u>958,473</u>	<u>244,799</u>
\$ -	\$ (18,772)	\$ (18,772)	\$ 564,650	\$ (238,615)	\$ (803,265)
<u>\$ -</u>			<u>\$ (564,650)</u>		
<u>-</u>			<u>(564,650)</u>		
<u>\$ -</u>			<u>\$ -</u>		

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND - EASTON AIRPORT  
For the Year Ended June 30, 2015**

	Revised <u>Final Budget</u>	<u>Actual</u>	Variance With <u>Final Budget</u>
<b>OPERATING REVENUES</b>			
Charges - operations	\$ 357,503	\$ 321,641	\$ (35,862)
Charges - fuel facility	2,468,175	2,078,863	(389,312)
Charges - hangars	562,925	575,058	12,133
Other operating	20,000	17,096	(2,904)
<b>Total operating revenues</b>	<b>3,408,603</b>	<b>2,992,658</b>	<b>(415,945)</b>
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	338,979	342,014	(3,035)
Cost of sales - fuel	2,272,213	1,957,123	315,090
Professional fees	72,000	38,705	33,295
Office	20,900	21,674	(774)
Insurance	13,000	15,386	(2,386)
Repairs and maintenance	102,250	109,647	(7,397)
Utilities	52,900	53,306	(406)
Supplies and equipment	400	208	192
Other operating	8,475	13,528	(5,053)
<b>Total operating expenses</b>	<b>2,881,117</b>	<b>2,551,591</b>	<b>329,526</b>
Operating income (loss) before depreciation	527,486	441,067	(86,419)
Depreciation	226,681	1,861,511	(1,634,830)
<b>Net operating income (loss)</b>	<b>300,805</b>	<b>(1,420,444)</b>	<b>(1,721,249)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Intergovernmental revenues	79,568	1,970,786	1,891,218
Interest income	750	817	67
Interest expense	(54,780)	(51,048)	3,732
<b>Net non-operating revenues (expenses)</b>	<b>25,538</b>	<b>1,920,555</b>	<b>1,895,017</b>
<b>Change in net position</b>	<b>\$ 326,343</b>	<b>\$ 500,111</b>	<b>\$ 173,768</b>
<b>OTHER BUDGETED EXPENSES</b>			
Debt service	\$ (195,252)		
Capital outlay	(131,091)		
<b>Total other budgeted expenses</b>	<b>(326,343)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>		

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENSES  
BUDGET AND ACTUAL  
ENTERPRISE FUND - POOL  
For the Year Ended June 30, 2015**

	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>OPERATING REVENUES</b>			
Admissions	\$ 48,000	\$ 44,873	\$ (3,127)
Other operating	47,050	63,633	16,583
<b>Total operating revenues</b>	<b>95,050</b>	<b>108,506</b>	<b>13,456</b>
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	133,690	101,358	32,332
Professional fees	2,550	1,985	565
Office	1,620	276	1,344
Insurance	1,600	1,519	81
Repairs and maintenance	19,400	24,196	(4,796)
Utilities	14,565	10,373	4,192
Supplies and equipment	10,375	24,003	(13,628)
Other operating	4,400	7,347	(2,947)
<b>Total operating expenses</b>	<b>188,200</b>	<b>171,057</b>	<b>17,143</b>
Operating income (loss) before depreciation	(93,150)	(62,551)	30,599
Depreciation	-	78,373	(78,373)
<b>Net operating income (loss)</b>	<b>(93,150)</b>	<b>(140,924)</b>	<b>(47,774)</b>
<b>NON-OPERATING REVENUES</b>			
Transfer from general fund	107,950	107,950	-
<b>Total non-operating revenues</b>	<b>107,950</b>	<b>107,950</b>	<b>-</b>
Change in net position	\$ 14,800	\$ (32,974)	\$ (47,774)
<b>OTHER BUDGETED EXPENSES</b>			
Capital outlay	\$ (14,800)		
<b>Total other budgeted expenses</b>	<b>(14,800)</b>		
<b>Budgeted net income (loss)</b>	<b>\$ -</b>		

**TALBOT COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**OTHER GOVERNMENTAL FUNDS**  
**June 30, 2015**

	Special Revenue Funds			
	Developmental <u>Impact</u>	<u>Grants</u>	Talbot Family <u>Network</u>	Total Other Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 1,114,667	\$ 20	\$ 11,779	\$ 1,126,466
Cash and short-term investments - earned reinvestment	-	-	94,396	94,396
Receivables:				
Accounts receivable	-	962	451	1,413
Intergovernmental:				
Federal	-	948,669	-	948,669
State	-	384,461	-	384,461
<b>Total Assets</b>	<b>\$ 1,114,667</b>	<b>\$ 1,334,112</b>	<b>\$ 106,626</b>	<b>\$ 2,555,405</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ -	\$ 583,716	\$ 5,095	\$ 588,811
Due to other funds	-	549,402	-	549,402
Unearned revenue	-	200,994	7,135	208,129
<b>Total Liabilities</b>	<b>-</b>	<b>1,334,112</b>	<b>12,230</b>	<b>1,346,342</b>
<b>FUND BALANCES</b>				
Restricted for: Social Services	-	-	94,396	94,396
Committed for: Capital Projects	676,717	-	-	676,717
Assigned for: Future Budget	437,950	-	-	437,950
<b>Total Fund Balances</b>	<b>1,114,667</b>	<b>-</b>	<b>94,396</b>	<b>1,209,063</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,114,667</b>	<b>\$ 1,334,112</b>	<b>\$ 106,626</b>	<b>\$ 2,555,405</b>

**TALBOT COUNTY, MARYLAND**

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES  
OTHER GOVERNMENTAL FUNDS  
Year Ended June 30, 2015**

	Special Revenue Funds			
	Developmental <u>Impact</u>	<u>Grants</u>	Talbot Family <u>Network</u>	Total Other Governmental <u>Funds</u>
<b>REVENUES</b>				
Intergovernmental				
Federal	\$ -	\$ 2,524,931	\$ -	\$ 2,524,931
State	-	883,012	276,945	1,159,957
Licenses and permits	602,052	-	-	602,052
Miscellaneous	-	197,090	-	197,090
Interest	1,665	-	157	1,822
<b>Total revenues</b>	<b>603,717</b>	<b>3,605,033</b>	<b>277,102</b>	<b>4,485,852</b>
<b>EXPENDITURES</b>				
General government	-	330,595	-	330,595
Public safety	-	49,521	-	49,521
Public works	-	1,035,730	-	1,035,730
Health and hospitals	-	1,993,595	-	1,993,595
Social services	-	161,185	276,945	438,130
Education	-	1,611	-	1,611
Recreation	-	31,507	-	31,507
<b>Total Expenditures</b>	<b>-</b>	<b>3,603,744</b>	<b>276,945</b>	<b>3,880,689</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>603,717</b>	<b>1,289</b>	<b>157</b>	<b>605,163</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out) to other funds:				
Capital projects fund	(300,000)	-	-	(300,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(300,000)</b>	<b>-</b>	<b>-</b>	<b>(300,000)</b>
<b>Net change in fund balances</b>	<b>303,717</b>	<b>1,289</b>	<b>157</b>	<b>305,163</b>
<b>Fund balances (deficit) at beginning of year</b>	<b>810,950</b>	<b>(1,289)</b>	<b>94,239</b>	<b>903,900</b>
<b>Fund balances at end of year</b>	<b>\$ 1,114,667</b>	<b>\$ -</b>	<b>\$ 94,396</b>	<b>\$ 1,209,063</b>

**TALBOT COUNTY, MARYLAND**

**SCHEDULE OF REVENUES AND EXPENDITURES -  
AS REQUIRED BY THE GOC FOR LMB OFFICES  
ON BEHALF OF THE CHILDREN'S CABINET  
Year Ended June 30, 2015**

**REVENUES**

Intergovernmental:		
Community partnership	\$	276,945
Interest		157
<b>Total revenues</b>		<b>277,102</b>

**EXPENDITURES**

Social services		
Community partnership programs:		
After school program		59,319
Healthy families		82,424
Voluntary family services		43,991
Kids on the block		10,000
Substance abuse		10,000
<b>Total Community partnership programs</b>		<b>205,734</b>
Non-community partnership programs:		
Administration		61,654
School climate		9,557
<b>Total non-community partnership programs</b>		<b>71,211</b>
<b>Total Expenditures</b>		<b>276,945</b>
<b>Net change in fund balances</b>	<b>\$</b>	<b>157</b>

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

**Note 1. Budgetary Basis**

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

Budgetary Comparison Schedules:

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

Combining Balance Sheet - Other Governmental Funds

Combining Schedule of Revenues and Expenditures - Other Governmental Funds

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

Offices on Behalf of the Children's Cabinet

## STATISTICAL SECTION

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

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

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

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

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

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

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

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

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014*</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 38,317,480	\$ 43,541,925	\$ 50,706,906	\$ 60,070,294	\$ 75,347,678	\$ 77,628,434	\$ 78,931,013	\$ 80,387,586	\$ 80,625,199	\$ 80,132,665
Restricted						547,778	287,350	144,869	94,239	94,396
Unrestricted	<u>43,576,637</u>	<u>53,678,457</u>	<u>48,711,869</u>	<u>40,028,210</u>	<u>14,736,372</u>	<u>1,031,005</u>	<u>(2,611,189)</u>	<u>523,202</u>	<u>(3,752,306)</u>	<u>2,973,933</u>
Total governmental activities net position	\$ 81,894,117	\$ 97,220,382	\$ 99,418,775	\$ 100,098,504	\$ 90,084,050	\$ 79,207,217	\$ 76,607,174	\$ 81,055,657	\$ 76,967,132	\$ 83,200,994
Business-type activities										
Net investment in capital assets	\$ 36,450,814	\$ 40,239,226	\$ 51,317,665	\$ 53,100,037	\$ 54,672,754	\$ 57,872,067	\$ 55,881,195	\$ 54,021,693	\$ 51,985,231	\$ 52,050,922
Unrestricted	<u>408,598</u>	<u>1,819,349</u>	<u>940,871</u>	<u>(2,028,817)</u>	<u>(399,540)</u>	<u>(310,795)</u>	<u>152,157</u>	<u>(140,916)</u>	<u>(101,952)</u>	<u>(521,710)</u>
Total business-type activities net position	\$ 36,859,412	\$ 42,058,575	\$ 52,258,536	\$ 51,071,220	\$ 54,273,214	\$ 57,561,272	\$ 56,033,352	\$ 53,880,777	\$ 51,883,279	\$ 51,529,212
Primary government										
Net investment in capital assets	\$ 74,768,294	\$ 83,781,151	\$ 102,024,571	\$ 113,170,331	\$ 130,020,432	\$ 135,500,501	\$ 134,812,208	\$ 134,409,279	\$ 132,610,430	\$ 132,183,587
Restricted						547,778	287,350	144,869	94,239	94,396
Unrestricted	<u>43,985,235</u>	<u>55,497,806</u>	<u>49,652,740</u>	<u>37,999,393</u>	<u>14,336,832</u>	<u>720,210</u>	<u>(2,459,032)</u>	<u>382,286</u>	<u>(3,854,258)</u>	<u>2,452,223</u>
Total primary government net position	<u>\$ 118,753,529</u>	<u>\$ 139,278,957</u>	<u>\$ 151,677,311</u>	<u>\$ 151,169,724</u>	<u>\$ 144,357,264</u>	<u>\$ 136,768,489</u>	<u>\$ 132,640,526</u>	<u>\$ 134,936,434</u>	<u>\$ 128,850,411</u>	<u>\$ 134,730,206</u>

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

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

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 5,615,463	\$ 5,447,411	\$ 8,476,977	\$ 10,151,451	\$ 9,518,269	\$ 10,183,649	\$ 9,523,067	\$ 9,358,236	\$ 9,551,119	\$ 10,360,176
Public safety	10,921,003	11,161,287	12,911,154	13,731,318	13,185,294	13,657,735	12,854,721	14,018,219	16,071,849	14,798,173
Public works	4,981,242	4,637,883	4,085,559	4,831,967	4,249,569	4,334,793	4,601,524	4,509,239	3,788,820	5,919,975
Health and hospitals	1,531,391	1,880,034	1,964,816	2,338,752	2,410,440	3,120,074	3,576,751	3,829,281	4,099,374	4,394,559
Social services	1,814,939	1,402,948	1,404,799	1,484,690	1,499,755	1,224,920	1,147,850	838,625	857,752	936,371
Education	31,966,292	39,858,261	45,950,955	46,271,163	39,811,132	39,715,193	37,597,612	38,491,514	41,640,092	39,518,549
Recreation	1,275,345	2,577,757	894,668	885,695	864,772	748,414	738,616	642,770	632,538	541,540
Conservation of natural resources	244,923	295,659	274,430	302,516	269,891	255,489	226,264	218,361	252,375	242,700
Miscellaneous	-	-	-	-	-	-	-	-	-	-
Interest on long-term debt	113,108	100,461	86,132	71,418	55,936	23,388	15,904	14,456	13,439	173,141
Total governmental activities expenses	<u>58,463,706</u>	<u>67,361,701</u>	<u>76,049,490</u>	<u>80,068,970</u>	<u>71,865,058</u>	<u>73,263,655</u>	<u>70,282,309</u>	<u>71,920,701</u>	<u>76,907,358</u>	<u>76,885,184</u>
Business-type activities:										
Recreation facilities	2,494,818	3,217,842	3,825,521	3,258,076	2,958,425	3,162,507	2,582,398	2,624,390	2,652,143	2,647,744
Sanitary district	1,485,046	1,649,537	2,910,842	3,396,151	2,759,881	2,952,404	3,353,238	3,354,872	3,430,264	3,710,861
Airport	3,438,045	3,468,909	4,089,080	4,280,559	3,855,297	4,712,248	4,655,128	4,903,460	4,837,671	4,464,150
Pool	350,962	343,182	397,365	397,202	329,445	267,306	233,239	257,766	215,301	249,430
Total business-type activities expenses	<u>7,768,871</u>	<u>8,679,470</u>	<u>11,222,808</u>	<u>11,331,988</u>	<u>9,903,048</u>	<u>11,094,465</u>	<u>10,824,003</u>	<u>11,140,488</u>	<u>11,135,379</u>	<u>11,072,185</u>
Total primary government expenses	<u>\$ 66,232,577</u>	<u>\$ 76,041,171</u>	<u>\$ 87,272,298</u>	<u>\$ 91,400,958</u>	<u>\$ 81,768,106</u>	<u>\$ 84,358,120</u>	<u>\$ 81,106,312</u>	<u>\$ 83,061,189</u>	<u>\$ 88,042,737</u>	<u>\$ 87,957,369</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services										
General government	\$ 2,252,476	\$ 2,294,954	\$ 2,298,674	\$ 2,239,048	\$ 2,083,519	\$ 2,133,251	\$ 2,392,795	\$ 2,400,453	\$ 2,384,760	\$ 2,569,426
Public safety	586,274	568,421	565,415	487,375	318,213	465,453	213,574	111,437	17,709	26,450
Public works	408,874	1,089,966	321,330	233,621	152,197	30,693	162,353	30,938	228,548	416,507
Health and hospitals	57,058	63,159	75,854	89,123	89,939	70,199	118,979	130,705	133,248	115,961
Education	631,900	532,531	292,956	189,303	267,153	112,872	115,776	80,295	151,045	99,143
Recreation	150,279	135,440	124,690	133,934	144,521	75,602	101,816	102,867	99,968	97,455
Operating/Capital grants and contributions	<u>8,397,525</u>	<u>10,045,423</u>	<u>10,108,796</u>	<u>9,192,985</u>	<u>3,134,627</u>	<u>5,877,037</u>	<u>6,067,814</u>	<u>8,217,559</u>	<u>5,640,620</u>	<u>5,813,482</u>
Total governmental activities program revenues	<u>12,484,386</u>	<u>14,729,894</u>	<u>13,787,715</u>	<u>12,565,389</u>	<u>6,190,169</u>	<u>8,765,107</u>	<u>9,173,107</u>	<u>11,074,254</u>	<u>8,655,898</u>	<u>9,138,424</u>

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Program Revenues (continued)</b>										
Business-type activities:										
Charges for services										
Recreation facilities	1,247,469	1,698,087	1,726,905	1,475,498	1,446,815	1,473,218	1,637,646	1,490,032	1,417,840	1,445,070
Sanitary district	1,061,865	1,151,340	1,803,762	2,100,885	2,045,673	2,103,019	2,318,164	2,166,256	2,328,288	2,440,190
Easton airport	2,904,517	2,824,353	3,075,162	2,898,388	2,519,061	3,015,851	3,397,868	3,216,518	3,351,214	2,992,658
Pool	93,161	87,769	79,302	77,082	87,317	113,324	133,023	116,353	109,084	108,506
Operating/Capital grants and contributions	4,895,190	6,416,909	7,269,502	2,297,603	5,282,059	6,431,135	1,219,494	1,453,759	1,315,605	3,098,649
Total business-type activities program revenues	<u>10,202,202</u>	<u>12,178,458</u>	<u>13,954,633</u>	<u>8,849,456</u>	<u>11,380,925</u>	<u>13,136,547</u>	<u>8,706,195</u>	<u>8,442,918</u>	<u>8,522,031</u>	<u>10,085,073</u>
Total primary government program revenues	<u>\$ 22,686,588</u>	<u>\$ 26,908,352</u>	<u>\$ 27,742,348</u>	<u>\$ 21,414,845</u>	<u>\$ 17,571,094</u>	<u>\$ 21,901,654</u>	<u>\$ 17,879,302</u>	<u>\$ 19,517,172</u>	<u>\$ 17,177,929</u>	<u>\$ 19,223,497</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (45,979,320)	\$ (52,631,807)	\$ (62,261,775)	\$ (67,503,581)	\$ (65,674,889)	\$ (64,498,548)	\$ (61,109,202)	\$ (60,846,447)	\$ (68,251,460)	\$ (67,746,760)
Business-type activities	<u>2,433,331</u>	<u>3,498,988</u>	<u>2,731,825</u>	<u>(2,482,532)</u>	<u>1,477,877</u>	<u>2,042,082</u>	<u>(2,117,808)</u>	<u>(2,697,570)</u>	<u>(2,613,348)</u>	<u>(987,112)</u>
Total primary government net expense	<u>\$ (43,545,989)</u>	<u>\$ (49,132,819)</u>	<u>\$ (59,529,950)</u>	<u>\$ (69,986,113)</u>	<u>\$ (64,197,012)</u>	<u>\$ (62,456,466)</u>	<u>\$ (63,227,010)</u>	<u>\$ (63,544,017)</u>	<u>\$ (70,864,808)</u>	<u>\$ (68,733,872)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Property taxes	\$ 23,824,569	\$ 25,051,218	\$ 26,371,828	\$ 27,436,368	\$ 28,324,937	\$ 29,154,652	\$ 30,002,020	\$ 32,741,855	\$ 33,660,872	\$ 34,726,851
Local income tax	23,825,934	28,794,974	31,626,307	31,635,555	19,260,503	18,551,894	20,269,343	23,140,754	27,108,102	28,562,934
Other local taxes	13,647,096	12,002,501	9,949,967	7,097,837	6,831,278	6,792,369	8,449,480	9,727,044	9,522,629	10,706,846
Interest	1,870,166	3,049,507	3,405,782	2,470,720	980,562	221,952	166,317	105,007	94,004	91,344
Miscellaneous	324,881	622,980	456,406	739,625	1,927,226	136,104	197,427	115,471	2,306,687	514,997
Transfers in (out)	<u>(2,951,227)</u>	<u>(1,563,108)</u>	<u>(7,350,122)</u>	<u>(1,196,795)</u>	<u>(1,664,071)</u>	<u>(1,235,256)</u>	<u>(575,428)</u>	<u>(535,201)</u>	<u>(598,850)</u>	<u>(622,350)</u>
Total governmental activities	<u>60,541,419</u>	<u>67,958,072</u>	<u>64,460,168</u>	<u>68,183,310</u>	<u>55,660,435</u>	<u>53,621,715</u>	<u>58,509,159</u>	<u>65,294,930</u>	<u>72,093,444</u>	<u>73,980,622</u>
Business-type activities:										
Interest	145,109	139,807	115,854	98,421	60,046	10,720	14,460	7,333	6,500	6,195
Miscellaneous	12,008	(2,740)	2,160	-	-	-	-	2,461	10,500	4,500
Transfers in (out)	<u>2,951,227</u>	<u>1,563,108</u>	<u>7,350,122</u>	<u>1,196,795</u>	<u>1,664,071</u>	<u>1,235,256</u>	<u>575,428</u>	<u>535,201</u>	<u>598,850</u>	<u>622,350</u>
Total business-type activities	<u>3,108,344</u>	<u>1,700,175</u>	<u>7,468,136</u>	<u>1,295,216</u>	<u>1,724,117</u>	<u>1,245,976</u>	<u>589,888</u>	<u>544,995</u>	<u>615,850</u>	<u>633,045</u>
Total primary government	<u>\$ 63,649,763</u>	<u>\$ 69,658,247</u>	<u>\$ 71,928,304</u>	<u>\$ 69,478,526</u>	<u>\$ 57,384,552</u>	<u>\$ 54,867,691</u>	<u>\$ 59,099,047</u>	<u>\$ 65,839,925</u>	<u>\$ 72,709,294</u>	<u>\$ 74,613,667</u>
Prior Period Restatement*	<u>\$ -</u>	<u>\$ (7,930,509)</u>	<u>\$ -</u>							
<b>Change in Net Position</b>										
Governmental activities	\$ 14,562,099	\$ 15,326,265	\$ 2,198,393	\$ 679,729	\$ (10,014,454)	\$ (10,876,833)	\$ (2,600,043)	\$ 4,448,483	\$ (4,088,525)	\$ 6,233,862
Business-type activities	<u>5,541,675</u>	<u>5,199,163</u>	<u>10,199,961</u>	<u>(1,187,316)</u>	<u>3,201,994</u>	<u>3,288,058</u>	<u>(1,527,920)</u>	<u>(2,152,575)</u>	<u>(1,997,498)</u>	<u>(354,067)</u>
Total primary government	<u>\$ 20,103,774</u>	<u>\$ 20,525,428</u>	<u>\$ 12,398,354</u>	<u>\$ (507,587)</u>	<u>\$ (6,812,460)</u>	<u>\$ (7,588,775)</u>	<u>\$ (4,127,963)</u>	<u>\$ 2,295,908</u>	<u>\$ (6,086,023)</u>	<u>\$ 5,879,795</u>

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

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

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011*</u>	<u>2012*</u>	<u>2013*</u>	<u>2014*</u>	<u>2015*</u>
General Fund										
Reserved	\$ 42,293	\$ 2,509,615	\$ 913,869	\$ 966,200	\$ 105,269	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	7,285,867	15,812,496	15,353,614	17,643,743	15,947,750	-	-	-	-	-
Undesignated	25,387,252	23,095,026	25,439,870	22,625,265	16,992,681	-	-	-	-	-
Non spendable										
Prepaid	-	-	-	-	-	56,271	94,005	143,711	74,482	205,551
Committed	-	-	-	-	-	7,000,000	-	-	-	-
Assigned	-	-	-	-	-	1,350,000	1,487,600	761,814	-	1,290,000
Unassigned	-	-	-	-	-	15,517,033	15,305,808	18,617,745	20,772,381	23,744,224
<b>Total General Fund</b>	<b>\$ 32,715,412</b>	<b>\$ 41,417,137</b>	<b>\$ 41,707,353</b>	<b>\$ 41,235,208</b>	<b>\$ 33,045,700</b>	<b>\$ 23,923,304</b>	<b>\$ 16,887,413</b>	<b>\$ 19,523,270</b>	<b>\$ 20,846,863</b>	<b>\$ 25,239,775</b>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	8,428,417	7,613,828	32,119,063	22,890,931	20,893,889	-	-	-	-	-
Designated - Special Revenue Funds	2,859,426	4,839,284	24,295	2,391,733	2,805,745	-	-	-	-	-
Undesignated - Special Revenue Funds	63,711	337,033	801,305	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	547,778	287,350	144,869	94,239	94,396
Committed	-	-	-	-	-	16,971,966	10,501,167	10,118,592	10,628,689	9,883,203
Assigned	-	-	-	-	-	1,000,000	1,997,000	910,000	300,000	437,950
Unassigned	-	-	-	-	-	-	(1,289)	(1,289)	(1,289)	-
<b>Total all other governmental funds</b>	<b>\$ 11,351,554</b>	<b>\$ 12,790,145</b>	<b>\$ 32,944,663</b>	<b>\$ 25,282,664</b>	<b>\$ 23,699,634</b>	<b>\$ 18,519,744</b>	<b>\$ 12,784,228</b>	<b>\$ 11,172,172</b>	<b>\$ 11,021,639</b>	<b>\$ 10,415,549</b>
<b>Total Governmental Funds</b>	<b>\$ 44,066,966</b>	<b>\$ 54,207,282</b>	<b>\$ 74,652,016</b>	<b>\$ 66,517,872</b>	<b>\$ 56,745,334</b>	<b>\$ 42,443,048</b>	<b>\$ 29,671,641</b>	<b>\$ 30,695,442</b>	<b>\$ 31,868,502</b>	<b>\$ 35,655,324</b>

\*Prior year amounts have not been restated for the implementation of GASB 54 in FY 2011.

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

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>										
Property tax	\$ 23,824,569	\$ 25,051,218	\$ 26,371,828	\$ 27,436,368	\$ 28,324,937	\$ 29,154,652	\$ 30,002,020	\$ 32,741,855	\$ 33,660,872	\$ 34,726,851
Income tax	23,825,934	28,794,974	31,626,307	31,635,555	19,260,503	18,551,894	20,269,343	23,140,754	27,108,102	28,562,934
Other local taxes	13,647,096	12,002,501	9,949,967	7,097,837	6,831,278	6,792,369	8,449,480	9,727,044	9,522,629	10,706,846
Licenses and permits	2,163,301	2,634,811	1,451,225	1,031,899	1,079,221	754,521	921,714	709,104	1,064,650	1,197,384
Intergovernmental:										
Federal	897,727	1,166,795	986,313	1,440,141	862,601	3,204,079	3,255,988	2,458,706	2,611,375	2,711,862
State	7,499,800	8,878,628	9,122,483	7,752,844	2,272,026	2,672,958	2,811,826	2,618,853	2,980,645	3,096,220
Contributions/Cost Sharing								1,500,000	-	-
Other Grants								6,268	48,600	5,400
Service charges	1,918,108	2,035,151	2,220,939	2,336,814	1,967,453	2,129,649	2,178,232	2,135,969	1,939,522	2,124,798
Fines and forfeitures	5,452	14,509	6,755	3,691	8,868	3,900	5,347	5,354	11,106	2,760
Miscellaneous	324,881	622,980	456,406	739,625	1,927,226	136,104	197,427	115,471	2,306,687	514,997
Interest Income	1,870,166	3,049,507	3,405,782	2,470,720	980,562	221,952	166,317	105,007	94,004	91,344
Total revenues	<u>75,977,034</u>	<u>84,251,074</u>	<u>85,598,005</u>	<u>81,945,494</u>	<u>63,514,675</u>	<u>63,622,078</u>	<u>68,257,694</u>	<u>75,264,385</u>	<u>81,348,192</u>	<u>83,741,396</u>
<b>Expenditures</b>										
General Government	5,584,396	5,191,173	5,958,766	12,998,191	5,704,039	8,000,023	8,964,591	5,846,871	6,070,668	6,350,740
Public Safety	9,157,464	9,994,797	11,246,960	11,633,072	11,048,315	11,736,551	10,525,791	12,240,008	13,799,168	20,277,465
Public Works	6,126,343	5,528,800	6,371,000	6,148,333	3,563,248	4,592,005	4,554,963	5,059,652	5,182,051	5,781,264
Debt service interest - Public Works									4,375	4,555
Debt service principal - Public Works									43,339	47,658
Health and hospitals	1,526,270	1,872,922	3,963,933	2,331,749	2,404,180	3,113,814	3,570,491	3,823,021	4,093,114	4,416,125
Social services	1,778,837	1,401,182	1,390,590	1,468,953	1,484,019	1,209,401	1,033,099	838,625	857,752	936,371
Education	31,029,594	38,998,222	44,676,973	44,485,803	38,135,444	38,808,462	36,421,420	37,384,195	40,601,847	38,573,503
Debt service interest - Educ	901,243	891,193	1,273,144	1,751,927	1,701,468	1,393,224	1,253,516	1,184,643	1,115,569	1,022,369
Debt service principal - Educ	988,345	1,124,548	1,162,079	2,027,389	2,138,863	2,278,475	2,143,416	2,233,937	2,298,447	2,464,368
Recreation	1,104,324	2,992,661	2,497,017	1,279,319	491,376	329,191	286,009	550,994	389,354	490,067
Conservation of natural resources	244,923	295,659	274,430	313,771	269,891	255,489	226,264	218,361	252,375	242,700
Employee Benefits	2,579,628	2,748,331	2,644,213	2,926,325	3,116,961	3,460,899	10,461,176	3,247,384	5,695,880	4,038,964
Miscellaneous	209,365	94,132	233,696	122,362	130,043	216,666	77,239	95,150	79,206	101,568
Intergovernmental	701,132	860,102	860,442	750,180	722,861	761,613	820,446	822,434	874,438	1,068,923
Debt service interest	113,108	100,461	86,132	71,418	55,936	23,388	15,904	14,456	13,439	173,141
Debt service principal	306,022	318,022	333,097	345,390	363,245	381,392	59,651	48,355	48,645	50,680
Contingencies	66,850	135,445	157,807	228,661	306,253	440,569	39,697	97,297	214,355	41,972
Total expenditures	<u>62,417,844</u>	<u>72,547,650</u>	<u>83,130,279</u>	<u>88,882,843</u>	<u>71,636,142</u>	<u>77,001,162</u>	<u>80,453,673</u>	<u>73,705,383</u>	<u>81,634,022</u>	<u>86,082,433</u>
Excess of revenues over (under) expenditures	<u>13,559,190</u>	<u>11,703,424</u>	<u>2,467,726</u>	<u>(6,937,349)</u>	<u>(8,121,467)</u>	<u>(13,379,084)</u>	<u>(12,195,979)</u>	<u>1,559,002</u>	<u>(285,830)</u>	<u>(2,341,037)</u>
<b>Other Financing Sources (Uses)</b>										
Proceeds from long-term debt	2,325,000	-	25,020,000	-	13,000	12,281,271	-	-	2,057,740	6,750,209
Payment to refunded debt escrow agent	(2,361,732)	-	-	-	-	(12,650,858)	-	-	-	-
Bond premium	-	-	307,130	-	-	681,641	-	-	-	-
Transfers in (out)										
Pools	(119,526)	(148,960)	(152,776)	(144,014)	(79,561)	(164,281)	(100,216)	(142,231)	(113,850)	(107,950)
Recreation	(2,831,701)	(1,414,148)	(7,197,346)	(1,052,781)	(1,584,510)	(1,070,975)	(475,212)	(392,970)	(485,000)	(514,400)
Total other financing sources (uses)	<u>(2,987,959)</u>	<u>(1,563,108)</u>	<u>17,977,008</u>	<u>(1,196,795)</u>	<u>(1,651,071)</u>	<u>(923,202)</u>	<u>(575,428)</u>	<u>(535,201)</u>	<u>1,458,890</u>	<u>6,127,859</u>
Net change in fund balances	\$ 10,571,231	\$ 10,140,316	\$ 20,444,734	\$ (8,134,144)	\$ (9,772,538)	\$ (14,302,286)	\$ (12,771,407)	\$ 1,023,801	\$ 1,173,060	\$ 3,786,822

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

	<b>Fiscal Year</b>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total expenditures	62,417,844	72,547,650	83,130,279	88,882,843	71,636,142	77,001,162	80,453,673	73,705,383	81,634,022	86,082,433
Less Capital Outlay Expenditures	<u>4,381,951</u>	<u>6,447,135</u>	<u>8,684,330</u>	<u>11,186,721</u>	<u>2,281,158</u>	<u>5,990,743</u>	<u>4,978,811</u>	<u>3,716,763</u>	<u>3,862,623</u>	<u>10,214,790</u>
Non-Capital Expenditures	58,035,893	66,100,515	74,445,949	77,696,122	69,354,984	71,010,419	75,474,862	69,988,620	77,771,399	75,867,643
Debt Service Expenditures*										
Principal	1,294,367	1,442,570	1,495,176	2,372,779	2,502,108	2,659,867	2,203,067	2,282,292	2,390,431	2,562,706
Interest	<u>1,014,351</u>	<u>991,654</u>	<u>1,359,276</u>	<u>1,823,345</u>	<u>1,757,404</u>	<u>1,416,612</u>	<u>1,269,420</u>	<u>1,199,099</u>	<u>1,133,383</u>	<u>1,200,065</u>
Total Debt Service Expenditures	2,308,718	2,434,224	2,854,452	4,196,124	4,259,512	4,076,479	3,472,487	3,481,391	3,523,814	3,762,771
Debt service as a percentage of Non-capital expenditures	3.98%	3.68%	3.83%	5.40%	6.14%	5.74%	4.60%	4.97%	4.53%	4.96%

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

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

Fiscal Year	Real Property <sup>a</sup>				Public Utility Personal Property <sup>b</sup>			Total Estimated Market Value
	Assessed Value	Estimated Market Value	Tax Rate <sup>c</sup>	Weighted Average Tax Rate <sup>d</sup>	Assessed Value	Estimated Market Value	Tax Rate <sup>c</sup>	
2015	\$ 8,494,000,738	\$ 8,494,000,738	\$ 0.527	\$ 0.481	\$ 62,229,920	\$ 62,229,920	\$ 1.318	\$ 8,556,230,658
2014	8,812,185,090	8,812,185,090	0.512	0.466	56,604,950	56,604,950	1.280	8,868,790,040
2013	9,278,557,414	9,278,557,414	0.491	0.447	59,473,730	59,473,730	1.228	9,338,031,144
2012	9,710,928,300	9,710,928,300	0.448	0.405	59,151,090	59,151,090	1.120	9,770,079,390
2011	10,093,360,351	10,093,360,351	0.432	0.389	58,123,220	58,123,220	1.080	10,151,483,571
2010	10,076,574,525	10,076,574,525	0.432	0.389	56,285,760	56,285,760	1.080	10,132,860,285
2009	9,079,721,565	9,079,721,565	0.449	0.407	54,920,220	54,920,220	1.123	9,134,641,785
2008	7,849,685,172	7,849,685,172	0.475	0.434	54,664,610	54,664,610	1.188	7,904,349,782
2007	6,664,737,183	6,664,737,183	0.500	0.464	55,889,230	55,889,230	1.250	6,720,626,413
2006	5,802,305,273	5,802,305,273	0.520	0.488	50,485,530	50,485,530	1.300	5,852,790,803

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

**Notes:**

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

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

<sup>c</sup> Per \$100 of value. Direct tax rate for properties located in the unincorporated areas of the County

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

Schedule 7  
**Talbot County, Maryland**  
**Direct and Overlapping Property Tax Rates,**  
**Last Ten Years**  
*(rate per \$100 of assessed value)*

Fiscal Year Ending June 30	-----Talbot County Direct Real Property Tax Rate-----							-----Overlapping Real Property Tax Rates-----					-----Total-----					
	Unincorporated Area of County	Easton	Oxford	Queen Anne	St. Michaels	Trappe	Weighted Average Tax Rate	Easton	Oxford	Queen Anne	St. Michaels	Trappe	Unincorporated Area of County	Easton	Oxford	Queen Anne	St. Michaels	Trappe
2015	\$ 0.527	0.395	0.410	0.466	0.400	0.430	0.481	0.520	0.2783	0.180	0.450	0.290	\$ 0.527	0.915	0.6883	0.646	0.850	0.720
2014	\$ 0.512	0.380	0.396	0.452	0.386	0.425	0.466	0.520	0.2438	0.180	0.450	0.290	\$ 0.512	0.900	0.6398	0.632	0.836	0.715
2013	\$ 0.491	0.361	0.377	0.433	0.367	0.406	0.447	0.520	0.2438	0.180	0.520	0.290	\$ 0.491	0.881	0.6208	0.613	0.887	0.696
2012	\$ 0.448	0.319	0.335	0.391	0.325	0.364	0.405	0.520	0.220	0.180	0.580	0.290	\$ 0.448	0.839	0.5550	0.571	0.905	0.654
2011	\$ 0.432	0.302	0.318	0.374	0.308	0.347	0.389	0.520	0.2306	0.180	0.640	0.290	\$ 0.432	0.822	0.5486	0.554	0.948	0.637
2010	\$ 0.432	0.303	0.319	0.375	0.309	0.348	0.389	0.520	0.2438	0.180	0.640	0.300	\$ 0.432	0.823	0.5628	0.555	0.949	0.648
2009	\$ 0.449	0.321	0.337	0.393	0.327	0.368	0.407	0.520	0.256	0.180	0.640	0.300	\$ 0.449	0.841	0.5930	0.573	0.967	0.668
2008	\$ 0.475	0.349	0.365	0.420	0.355	0.395	0.434	0.520	0.280	0.180	0.640	0.300	\$ 0.475	0.869	0.6450	0.600	0.995	0.695
2007	\$ 0.500	0.385	0.400	0.450	0.390	0.430	0.464	0.480	0.290	0.180	0.640	0.300	\$ 0.500	0.865	0.6900	0.630	1.030	0.730
2006	\$ 0.520	0.415	0.450	0.480	0.440	0.480	0.488	0.430	0.300	0.180	0.640	0.300	\$ 0.520	0.845	0.7500	0.660	1.080	0.780

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

**Notes:**

Real property is assessed at full cash value.

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

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

<b>Taxpayer</b>	<b>Fiscal Year 2015</b>			<b>Fiscal Year 2006</b>		
	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>	<b>Assessed Value</b>	<b>Rank</b>	<b>Percentage of Total Taxable Assessed Value</b>
William Hill Manor, Inc.	\$ 15,175,400	1	0.18%	\$ 16,098,736	1	0.28%
RDC Inn at Perry Cabin LLC	14,767,700	2	0.17%	15,075,866	2	0.26%
Easton Shoppes Business Trust	13,733,267	3	0.16%	12,955,166	3	0.22%
Lowe's Home Centers, Inc.	11,923,900	4	0.14%			
Individual	10,649,000	5	0.13%	7,686,522	6	0.13%
Remco Properties, LLC	10,213,867	6	0.12%			
Target Corporation	10,108,500	7	0.12%			
Wal Mart Real Estate Business Trust	9,407,900	8	0.11%	7,550,200	8	0.13%
Tred Avon LLC	8,666,800	9	0.10%			
Individual	8,517,300	10	0.10%			
Eastern Shore Retirement Assoc.				11,338,166	4	0.20%
Hampden Investment Properties LLC				8,619,800	5	0.15%
Cal-Mar Associates				7,682,933	7	0.13%
T. I. Properties, LLC				7,498,800	9	0.13%
Easton Marketplace LLC				7,045,432	10	0.12%
<b>Total</b>	<b>\$ 113,163,634</b>		<b>1.33%</b>	<b>\$ 101,551,621</b>		<b>1.75%</b>

Source: Talbot County Finance Office

**Schedule 9**  
**Talbot County, Maryland**  
**Property Tax Levies and Collections,**  
**Last Ten Fiscal Years**

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections/(Refunds/ Adjustments) in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2015	\$ 34,024,027	\$ 33,996,787	99.92%	\$ -	\$ 33,996,787	99.92%
2014	33,071,077	33,026,089	99.86%	(3,756)	33,022,333	99.85%
2013	32,194,472	32,120,054	99.77%	(10,659)	32,109,395	99.74%
2012	29,426,822	29,384,626	99.86%	(8,652)	29,375,974	99.83%
2011	28,628,850	28,599,021	99.90%	17,892	28,616,913	99.96%
2010	27,801,093	27,801,093	100.00%	(17,417)	27,783,676	99.94%
2009	26,909,600	26,898,002	99.96%	(31,611)	26,866,391	99.84%
2008	25,789,640	25,775,727	99.95%	2,593	25,778,320	99.96%
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%

**Source:** Talbot County Finance Office

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

Schedule 10  
Talbot County, Maryland  
Income Tax Rates  
Last Ten Tax Years

State Income Tax Rates*									
Tax Year	\$1 to \$1,000 Net Taxable Income	\$1,001 to \$2,000 Net Taxable Income	\$2,001 to \$3,000 Net Taxable Income	In excess of \$3,000 Net Taxable Income	\$3,001 to \$100,000 Net Taxable Income	\$100,001 to \$125,000 Net Taxable Income	\$125,001 to \$150,000 Net Taxable Income	\$150,001 to \$250,000 Net Taxable Income	In excess of \$250,000 Net Taxable Income
2014	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2013	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2012	N/A	N/A	N/A	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2011	2.00%	3.00%	4.00%	N/A					
2010	2.00%	3.00%	4.00%	N/A					
2009	2.00%	3.00%	4.00%	N/A					
2008	2.00%	3.00%	4.00%	N/A					
2007	2.00%	3.00%	4.00%	4.75%					
2006	2.00%	3.00%	4.00%	4.75%					
2005	2.00%	3.00%	4.00%	4.75%					

State Income Tax Rates*							Talbot County Income Tax Direct Rate
Tax Year	\$3,001 to \$150,000 Net Taxable Income	\$150,001 to \$300,000 Net Taxable Income	\$300,001 to \$500,000 Net Taxable Income	\$500,001 to \$1,000,000 Net Taxable Income	In excess of \$1,000,000 Net Taxable Income		
2014	N/A	N/A	N/A	N/A	N/A	2.40%	
2013	N/A	N/A	N/A	N/A	N/A	2.40%	
2012	N/A	N/A	N/A	N/A	N/A	2.25%	
2011	4.75%	5.00%	5.25%	5.50%	5.50%	2.25%	
2010	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%	
2009	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%	
2008	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%	
2007						2.25%	
2006						2.25%	
2005						2.25%	

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

Notes:  
\*Individual Filing Status

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

**Schedule 11**  
**Talbot County, Maryland**  
**Income Tax Filers Summary Information**  
**Last Ten Tax Years**

<b>Tax Year</b>	<b>Number of Taxable Returns</b>	<b>Maryland Adjusted Gross Income</b>	<b>Net Taxable Income</b>	<b>Net State Income Tax</b>	<b>Local Income Tax</b>	<b>Total Tax Liability</b>	<b>Talbot County Income Tax Direct Rate</b>
2013	14,331	\$ 1,386,024,598	\$ 1,111,304,912	\$ 50,085,415	\$ 26,353,729	\$ 76,439,144	2.40%
2012	14,370	1,394,066,465	1,124,865,958	51,652,571	25,013,073	76,665,644	2.25%
2011	14,068	1,285,429,925	1,014,019,704	45,374,930	22,534,206	67,909,136	2.25%
2010	13,970	1,231,712,157	966,801,287	43,848,608	21,476,332	65,324,940	2.25%
2009	13,615	1,152,941,209	892,490,578	41,524,166	19,813,516	61,337,682	2.25%
2008	14,129	1,275,092,494	997,801,625	45,438,942	22,225,752	67,664,694	2.25%
2007	15,098	1,637,948,218	1,327,023,177	55,858,849	29,601,486	85,460,335	2.25%
2006	14,912	1,479,509,503	1,198,242,460	50,575,137	26,704,974	77,280,111	2.25%
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%

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

**Notes:**

See Schedule 12 for detailed breakout of adjusted gross income.

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

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

Tax Year 2013						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
<b>Adjusted Gross Income Level</b>						
\$500,000 and higher	232	1.6%	\$ 354,114,837	31.9%	\$ 8,498,756	32.2%
\$250,000 - 499,999	496	3.5%	149,434,826	13.4%	3,586,434	13.6%
\$100,000 - 249,999	2,373	16.6%	286,453,365	25.8%	6,874,880	26.1%
\$50,000 - 99,999	3,666	25.6%	191,863,848	17.3%	4,604,722	17.5%
\$25,000 - 49,999	4,107	28.7%	97,984,506	8.8%	2,178,816	8.3%
\$5,000 - 24,999	3,385	23.6%	31,344,344	2.8%	607,578	2.3%
Under \$5,000	72	0.5%	109,186	0.0%	2,539	0.0%
Totals	14,331	100.0%	\$ 1,111,304,912	100.0%	\$ 26,353,725	100.0%

Tax Year 2004						
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
<b>Adjusted Gross Income Level</b>						
\$200,000 and higher	725	5.2%	\$ 356,640,520	43.8%	\$ 8,024,409	44.3%
\$100,000 - 199,999	1,333	9.6%	144,528,302	17.7%	3,251,889	18.0%
\$50,000 - 99,999	3,351	24.2%	176,712,519	21.7%	3,976,035	22.0%
\$25,000 - 49,999	3,949	28.5%	95,799,980	11.8%	2,104,013	11.6%
\$5,000 - 24,999	4,344	31.4%	40,732,840	5.0%	736,604	4.1%
Under \$5,000	136	1.0%	233,601	0.0%	4,847	0.0%
Totals	13,838	100%	\$ 814,647,762	100%	\$ 18,097,797	100%

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

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

Fiscal Year	Governmental Activities	Business Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	General Obligation Bonds	Capital Leases			
2015	35,367,806	9,641,102	193,364	45,202,272	1.90%	1,200.81
2014	31,257,626	10,503,339	48,875	41,809,840	1.76%	1,110.69
2013	31,667,641	11,114,740	95,555	42,877,936	1.85%	1,130.42
2012	34,027,257	11,969,066	159,691	46,156,014	2.01%	1,213.35
2011	36,307,648	12,809,338	210,316	49,327,302	2.33%	1,297.23
2010	39,141,954	13,596,277	70,269	52,808,500	2.55%	1,397.72
2009	41,656,842	13,582,399	129,153	55,368,394	2.70%	1,526.90
2008	44,076,728	14,074,978	180,211	58,331,917	2.76%	1,615.31
2007	20,283,936	13,541,483	273,950	34,099,369	1.67%	945.18
2006	21,757,660	8,262,807	281,747	30,302,214	1.55%	840.26

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

**Notes:**

2015 percentages calculated using 2014 personal income data, which is the most recent available.

2015 debt per capita is calculated using 2014 population estimate, which is the most recent available.

See Schedule 17 for population and personal income data.

**Schedule 14**  
**Talbot County, Maryland**  
**Ratios of General Bonded Debt Outstanding,**  
**Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>General Obligation Bonds<sup>a</sup></b>	<b>Total Taxable Assessable Base<sup>b</sup></b>	<b>Percentage of Total Taxable Assessable Base</b>	<b>Population<sup>c</sup></b>	<b>General Obligation Debt Per Capita</b>
2015	45,008,908	8,556,230,658	0.53%	*	1,195.68
2014	41,760,965	8,868,790,040	0.47%	37,643	1,109.40
2013	42,782,381	9,338,031,144	0.46%	37,931	1,127.90
2012	45,996,323	9,770,079,390	0.47%	38,040	1,209.16
2011	49,116,986	10,151,483,571	0.48%	38,025	1,291.70
2010	52,738,231	10,132,860,285	0.52%	37,782	1,395.86
2009	55,239,241	9,134,641,785	0.60%	36,262	1,523.34
2008	58,151,706	7,904,349,782	0.74%	36,112	1,610.32
2007	33,825,419	6,720,626,413	0.50%	36,077	937.59
2006	30,020,467	5,852,790,803	0.51%	36,063	832.45

**Sources:**

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

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

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

\* Information not yet available; 2015 debt per capita is calculated using 2014 population estimate data.

Schedule 15  
Talbot County, Maryland  
Direct and Overlapping Governmental Activities Debt  
As of June 30, 2015

<u>Governmental Unit</u>	<u>Total Assessed Valuation of Real Property<sup>a</sup></u>	<u>% of Assessed Valuation to County Total</u>	<u>Pro Rata Share of County General Obligation Bonded Debt</u>	<u>Municipal Debt Outstanding<sup>b</sup></u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Easton	2,040,359,754	24.02%	8,495,767	\$ 6,955,000	\$ 15,450,767
Oxford	360,309,900	4.24%	1,500,279	-	1,500,279
Queen Anne	7,909,667	0.09%	32,935	-	32,935
St. Michaels	284,205,611	3.35%	1,183,392	-	1,183,392
Trappe	85,781,500	1.01%	357,182	277,856	635,038
Unincorporated	<u>5,715,434,306</u>	<u>67.29%</u>	<u>23,798,252</u>	<u>-</u>	<u>23,798,252</u>
<b>Total</b>	<u><u>8,494,000,738</u></u>	<u><u>100%</u></u>	<u><u>35,367,806</u></u>	<u><u>\$ 7,232,856</u></u>	<u><u>\$ 42,600,662</u></u>

Sources:

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

<sup>b</sup> Municipal Town Clerks

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

	<b>Fiscal Year</b>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Taxable Assessable Base *	\$ 5,500,025	\$ 6,353,469	\$ 7,508,763	\$ 8,695,733	\$ 9,633,030	\$ 10,093,360	\$ 9,710,928	\$ 9,278,557	\$ 8,812,185	\$ 8,494,001
Debt Limit, 15% of Assessable Base	825,004	953,020	1,126,314	1,304,360	1,444,955	1,514,004	1,456,639	1,391,784	1,321,828	1,274,100
Amount of Debt Applicable to Limit										
General Obligation Bonds	30,020	20,284	43,777	41,373	38,873	35,404	33,201	31,668	31,258	35,368
Legal Debt Margin	<u>\$ 794,984</u>	<u>\$ 932,736</u>	<u>\$ 1,082,537</u>	<u>\$ 1,262,987</u>	<u>\$ 1,406,082</u>	<u>\$ 1,478,600</u>	<u>\$ 1,423,438</u>	<u>\$ 1,360,116</u>	<u>\$ 1,290,570</u>	<u>\$ 1,238,732</u>
Total net debt applicable to the limit as a percentage of debt limit	3.64%	2.13%	3.89%	3.17%	2.69%	2.34%	2.28%	2.28%	2.36%	2.78%

**Source:**

\* State of Maryland, Department of Assessments and Taxation

**Note:**

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

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

<b>Year</b>	<b>Population<sup>a</sup></b>	<b>Personal Income<sup>b</sup></b> <i>(thousands of dollars)</i>	<b>Per Capita Personal Income<sup>b</sup></b>	<b>Public School Enrollment<sup>c</sup></b>	<b>Unemployment Rate<sup>d</sup></b>
2015	*	*	*	4,630	5.2%
2014	37,643	2,375,672	63,111	4,537	6.1%
2013	37,931	2,318,765	61,131	4,570	7.6%
2012	38,040	2,297,444	60,395	4,547	7.3%
2011	38,025	2,118,791	55,721	4,504	7.2%
2010	37,782	2,072,002	54,701	4,495	7.8%
2009	36,262	2,049,065	56,507	4,419	7.4%
2008	36,112	2,110,997	58,457	4,396	4.4%
2007	36,077	2,041,855	56,597	4,398	3.5%
2006	36,063	1,961,009	54,377	4,482	3.5%

**Sources:**

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

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

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

<sup>d</sup> Maryland Department of Labor, Licensing and Regulation.

\* Information not yet available.

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

<u>Employer</u>	<u>CY 2014</u>			<u>CY 2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Univ. of MD/Shore Medical Systems	1,641	1	9.50%	1,700	1	9.80%
Easton Memorial Hospital				1,200	2	6.92%
Harim USA	408	2	2.36%			
Genesis Healthcare/The Pines	250	3	1.45%	186	10	1.07%
William Hill Manor	220	4	1.27%	200	7	1.15%
Wal-Mart	205	5	1.19%	320	4	1.84%
Quality Health Strategies	180	6	1.04%			
Shore Bancshares	177	7	1.02%			
Chesapeake Building Components	156	8	0.90%	200	8	1.15%
Target	150	9	0.87%			
Wildlife International	150	10	0.87%			
Allen Family Foods				700	3	4.04%
Cadmus Prof. Communications				265	5	1.53%
Chesapeake Publishing				200	9	1.15%
Lowe's				215	6	1.24%
	<u>3,537</u>		<u>20.47%</u>	<u>5,186</u>		<u>29.90%</u>

**Source:** Maryland Department of Business and Economic Development

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

<u>Function/Program</u>	<b>Full-time Equivalent Employees as of June 30,</b>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government	60.9	65.8	66.7	68.4	66.0	63.0	60.3	61.1	63.8	65.8
Public Safety	123.3	128.7	139.6	151.1	151.3	152.0	146.7	151.2	156.3	161.7
Public Works	36.5	39.9	44.7	48.3	50.5	46.0	42.5	41.2	40.8	41.9
Social Services	5.0	4.0	4.8	4.0	3.4	3.0	0.8	-	-	-
Recreation	47.8	51.1	52.4	51.8	46.0	34.0	32.8	33.0	35.1	35.9
Airport	<u>5.1</u>	<u>5.0</u>	<u>5.0</u>	<u>4.9</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.1</u>	<u>5.1</u>	<u>5.0</u>
Total	<u>278.6</u>	<u>294.5</u>	<u>313.3</u>	<u>328.5</u>	<u>322.2</u>	<u>303.0</u>	<u>288.1</u>	<u>291.6</u>	<u>301.1</u>	<u>310.3</u>

**Sources:** Talbot County Finance Office.

**Notes:**

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

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

<u>Function/Program</u>	<u>Fiscal Year</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>General Government</b>										
Building Permits issued	1,034	626	529	388	316	308	267	261	245	239
Value of new construction (000's)	62,002	76,505	58,812	36,505	31,116	36,974	27,067	28,540	24,379	28,289
<b>Public Safety</b>										
Detention Center										
Avg. daily population	101	106	106	90	92	104	85	81	72	63
Bookings	850	764	989	821	807	771	1,020	954	880	804
9-1-1 Calls Answered										
Fire	1,409	1,462	1,557	1,427	1,724	1,705	1,975	2,034	1,917	2,112
Emergency Medical Services	4,525	4,767	4,330	4,334	4,408	4,330	4,458	4,551	4,358	4,774
Sheriff	15,053	10,939	12,592	14,891	15,191	13,627	13,923	12,165	13,139	13,397
Other Police	6,682	6,578	7,289	7,755	7,399	7,383	8,367	11,533	12,040	11,184
<b>Education</b>										
Students	4,482	4,398	4,396	4,419	4,495	4,504	4,547	4,570	4,537	4,630
Teachers Instructional	295	300	301	308	304	316	312	321	321	321
<b>Recreation Facilities</b>										
Boat ramp permits	4,482	3,635	6,673	6,288	6,848	6,724	6,689	6,443	6,185	6,034
Golf rounds	40,080	43,110	30,140	33,670	22,781	27,969	31,467	28,439	29,057	26,889
<b>Public Works</b>										
Centerline miles of road maintained	370	372	372	372	372	372	374	374	374	374
Wastewater treated (mgd)	0.490	0.561	0.450	0.415	0.558	0.481	0.477	0.483	0.460	0.363
<b>Airport</b>										
Based aircraft	158	170	185	147	143	146	146	176	220	216
Gallons of fuel sold	817,497	809,242	690,904	679,857	614,612	646,268	633,071	581,342	642,726	648,140

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

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

<b>Function/Program</b>	<b>Fiscal Year</b>									
	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b><u>2014</u></b>	<b><u>2015</u></b>
<b>Public Safety</b>										
Detention center capacity	140	140	140	140	140	140	145	145	145	145
Fire stations	7	7	7	7	7	7	7	7	7	7
Emergency Medical Services Stations	5	5	5	5	5	5	5	5	5	5
<b>Education</b>										
Elementary Schools	6	6	6	6	6	6	6	6	6	6
Middle Schools	2	2	2	2	2	2	2	2	2	2
High Schools	2	2	2	2	2	2	2	2	2	2
Public Libraries	3	3	3	3	3	3	3	2	2	2
<b>Recreation Facilities</b>										
Community Center/Ice Rink	1	1	1	1	1	1	1	1	1	1
Golf Course (27 holes)	1	1	1	1	1	1	1	1	1	1
County Parks	11	13	13	13	17	17	17	19	19	19
Park acreage	190	632	632	672	672	672	672	693	693	693
Public Landings & Wharves	29	29	29	29	29	30	30	30	30	30
Boat Slips	113	113	113	113	117	117	136	136	136	136
Public Pools	2	2	2	2	2	2	2	2	2	2
<b>Public Works</b>										
Centerline miles of county roads	370	372	372	372	372	372	374	374	374	374
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	2	2	3	3	3	3	3	3	3	3
Miles of mains	33	33	38	38	38	38	38	38	40	40
Pump stations	12	12	12	12	12	12	12	12	12	12
<b>Airport</b>										
Number of Runways	2	2	2	2	2	2	2	2	2	2

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