



Talbot County, Maryland

2020



**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

Fiscal Year Ended June 30, 2020

2001-2019

Finance Office
www.talbotcountymd.org



TALBOT COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2020

Report Prepared By:
Talbot County, Maryland Finance Office



TALBOT COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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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 18, 2020

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, 2020 as required by both local and state statutes. These statutes require that Talbot County, Maryland annually issue financial statements presented in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America and audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants.

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

The County's financial statements have been audited by SB and Company, LLC, Independent Certified Public Accountants. SB and Company, LLC issued an unmodified opinion on the County's financial statements for the year ended June 30, 2020. 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, 2020, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

Profile of the Government

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

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

Form of Government

Both the executive and legislative functions of the County are vested in the elected, five-member County Council. Council members are elected on a countywide basis and serve four-year terms. The terms of the current members of the Council run to December 2022. The Council annually elects one Council member to serve as its President and one to serve as its Vice President.

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

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

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

Component Units

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

Budget Process

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

All County departments and agencies seeking funding, submit requests for appropriations to the County Manager in February of each year. These requests are reviewed and amended by the County Manager (except for the budget requests of the Legislative Branch and the Board of Appeals), and a preliminary budget is drafted and introduced by the County Council in April. At least two public hearings are held on the proposed budget. The County Council may increase, decrease, or delete any items in the budget except those required by the laws of the State, and any provisions for debt service on outstanding obligations or for any estimated budget deficits from prior years. The Annual Budget and Appropriation Ordinance must be passed by the County Council on or before June 1 of each year, to be effective on the first day of the subsequent fiscal year. The appropriated budget is prepared by fund, department/agency, and general classification of expenditure (personnel, operating, capital outlay, debt service, etc.). Budgetary control for all operating budgets is maintained at the general classification level and at the project level for capital projects. Transfers of appropriations between general classifications of expenditures within the same department may be authorized by the County Manager. Transfers between departments of the county government and within the same fund may be made only during the last quarter of the fiscal year and only on the recommendation of the County Manager and with the approval of the Council. Budget-to-actual comparisons are provided in this report for the individual governmental funds for which an appropriated annual budget has been adopted. The general fund 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 the COVID 19 public health emergency and the potential of reductions in state funding and/or additional costs that may be passed on to local governments. The County's largest revenue source remains property taxes. For FY 2020 actual property tax revenues totaled \$44.5 million or 42.4% of the total General Fund revenues. Employment levels, business income and income from investments directly affect income tax revenue, the second largest revenue source in the County. Potential fluctuations in business and investment income of our taxpayers can have a significant impact on Income tax revenues. In FY 2020 Income tax revenues accounted for 39.2% of the General Fund revenues. The County received \$41.1 million in Income Tax revenues in FY 2020; \$14.6 million more than budgeted and \$11.6 million more than amount received in FY 2019. A significant portion of this increase in Income Tax revenues appears to be due to one-time transactions; therefore, the County did not plan on this increase continuing in FY 2021. The County is continuing to monitor the impact of the COVID 19 public health emergency and related impact on out citizen' incomes. The County's housing market continues to be strong as noted by actual Recordation and Transfer tax revenues that were above the amount budgeted for FY 2020. For FY 2021 the County is optimistic that the housing market will remain strong. The County continues to have a healthy mix of service related businesses, agriculture, and light manufacturing. Employment is expected to remain stable in FY 2021.

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

Long Term Financial Planning.

The economic outlook for the County is favorable. The COVID 19 public health emergency has had a major impact to all of our citizens and out economy. Record unemployment and mandated business closures are expected to have an impact on future revenues. However, many years of conservative budgeting and prudent financial management have created a solid foundation for economic stability for the future of County. In addition, Talbot County has the lowest county real property tax rate and the second lowest county income tax rate in the State. These favorable tax rates along with miles of waterfront continue to attract residents and businesses to the County.

Talbot County has a policy to allot a portion of the General Fund unassigned fund balance equal to 15% of actual General Fund expenditures, before other financing uses, to be used in case of fiscal emergencies. As of June 30, 2020 Talbot County's unassigned fund balance was 42.9% of actual expenditures, before other financing uses.

The FY 2021 General Fund Budget increased by \$4.2 million or 4.57% from the FY 2020 Approved Budget. Due to uncertainties concerning the economy in FY 2021, all County departments and agencies, except for the Talbot County Public Schools, are funded at the same level as the current year. The Contingency Fund for FY 2021 is \$2.2 million an increase of 267.4 percent or \$1.6 million from the FY 2020 level. In addition, all proposed equipment purchases (Capital Outlay) of \$1.6 million are included in the County Administration department budget to allow the County the maximum oversight on all equipment purchases during FY 2021.

In FY 2021 and beyond, the focus will be on providing adequate Public Safety resources for our citizens and visitors and for various County building and maintenance projects including the infrastructure requirements associated with the construction of a new hospital facility.

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, 2019. 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 nineteen (19) 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 on a timely basis was made possible by the dedicated service of the entire staff of the Talbot County Finance Office. I would like to express my appreciation to all members of the department for their conscientiousness and professionalism throughout the fiscal year and for the contributions made in the preparation of this report.

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

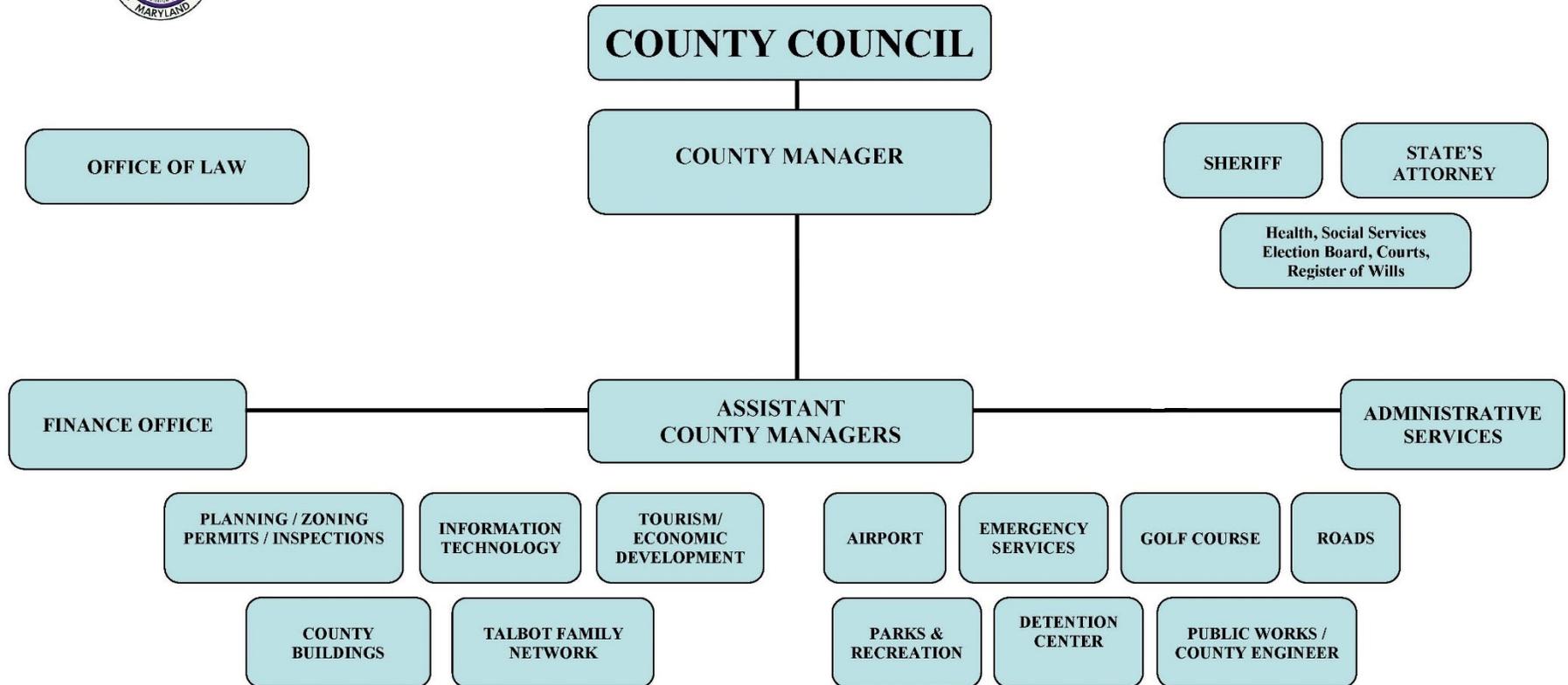
June 30, 2019

Christopher P. Morrill

Executive Director/CEO



TALBOT COUNTY GOVERNMENT ORGANIZATIONAL CHART



Talbot County, Maryland
List of Elected and Appointed Officials
June 30, 2020

Elected Officials

County Council

Corey W. Pack, President
Chuck F. Callahan
Frank Divilio
Pete Leshar
Laura E. Price

Sheriff
State's Attorney

Joseph J. Gamble
Scott G. Patterson

Appointed Officials

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

R. Andrew Hollis
Anthony P. Kupersmith
Jessica K. Morris
Kimberly C Ferullo
Micah L. Risher
Terry Kokolis
Clay B. Stamp
Brian Moore
Angela Lane
Richard A. Setter
Parker J. Durham
Preston P. Peper
Mary Kay Verdery
Raymond P. Clarke
Warren W. Edwards, Jr.
Cassandra M. Vanhooser

FINANCIAL SECTION



SB & COMPANY, LLC
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

County Council of Talbot County, Maryland
Easton, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Talbot County, Maryland (the County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2020, 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.



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Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The accompanying other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying combining and individual fund statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Owings Mills, Maryland
December 14, 2020

SB & Company, LLC

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MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the Comprehensive Annual Financial Report of Talbot County, Maryland (the County) presents a narrative overview and analysis of the financial activities of Talbot County Government for the fiscal year ended June 30, 2020. We encourage readers to use the information presented here in conjunction with the accompanying letter of transmittal, the basic financial statements and the accompanying notes to those financial statements.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets and deferred outflows of resources of the County exceeded its liabilities and deferred inflows of resources at the close of the fiscal year, ended June 30, 2020, by \$117.8 million (total net position), compared to \$120.6 million at June 30, 2019. For fiscal year ended June 2020, the unrestricted portion of net position is a deficit of \$1.5 million and is comprised of an unrestricted deficit of \$2.0 million in the governmental activities and an unrestricted net position of \$0.5 million in the business type activities. The unrestricted deficit occurs because the County issues debt to fund the construction projects for the Board of Education of Talbot County, a component unit, and Chesapeake College, a five county regional community college. The school buildings that are constructed through the County's financial support are assets of the Board of Education of Talbot County and Chesapeake College, but the related debt is recorded on the County's books. At June 30, 2020, the County included \$35.6 million of bonds payable in liabilities for school construction projects and no corresponding capital assets.
- The total net position decreased by \$2.7 million or 2.3%.

Fund Level

- The General Fund had an increase in fund balance of \$15.8 million.
- At June 30, 2020, the County's governmental funds reported combined fund balances of \$55.7 million, an increase of \$21.8 million from the prior year. Approximately 68.6% of the combined governmental fund balance (\$38.2 million), is available to meet the County's current and future needs (unassigned), 13.3% is assigned, indicating that it is not available for new spending because it has already been assigned for items such as subsequent years expenditures, 16.1% is committed or restricted for future use and 2.0% is nonspendable meaning that it is in the form of prepaid items.
- The unassigned fund balance for the General Fund of \$38.2 million is 36.4 percent of general fund revenues, before Other Financing Sources, which is more than the Government Finance Officers Association's Best Practices recommendation that, at minimum, regardless of size, all governments maintain reserves equal to about 16 percent of revenues. The County has a policy of allotting a portion of the unassigned fund balance as a "rainy day fund". The amount allotted at June 30, 2020 for the "rainy day fund" is \$13.3 million (15 percent of the actual general fund expenditures before Other Financing Uses).
- The business-type activities operating revenues fell short of operating expenses resulting in an operating loss of \$5.2 million in these funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements include not only the operations of Talbot County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education of Talbot County, Maryland and the Talbot County Free Library Association, Inc.

The financial information for these component units is reported separately from the financial information presented for the primary government.

The government-wide financial statements can be found on pages 27-28 of this report.

Fund Financial Statements

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

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

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

Talbot County, Maryland maintains three types of governmental funds: general, capital projects and special revenue. Information is presented separately in the governmental funds balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for all three types of governmental funds.

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

The basic governmental fund financial statements can be found on pages 31-34 of this report.

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

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

The basic proprietary fund financial statements can be found on pages 35-38 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 39-40 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 42-96 of this report.

Other Information

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial position. In the case of Talbot County, total net position was \$117.8 million at the close of the most recent fiscal year, as shown in the schedule of net position below. Components for Talbot County's net position is divided into three categories, Net investment in capital assets, restricted net position and unrestricted net position. The largest portion of the County's net position reflects its investment in capital assets net of depreciation (e.g., land, buildings, infrastructure, machinery and equipment) less any related outstanding debt used to acquire those assets. The County uses capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

It is important to note that although counties in the State of Maryland issue debt for the construction of schools, school buildings are owned by each County's Public School System. Ownership reverts to the County if the local board determines that a building is no longer needed. Therefore, while the County's financial statements include this outstanding debt; they do not include the capital assets funded by the debt. The unrestricted deficit in governmental activities of \$2.0 million reflects the imbalance of liabilities without corresponding assets.

Restricted net position of \$166 thousand represents 0.23 percent of total net position. Restricted net position is resources that are subject to external restrictions on how they may be used. Unrestricted net position of the total government is a deficit of \$1.5 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	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 70,365,890	\$ 50,862,708	\$ 1,200,181	\$ (3,852,989)	\$ 71,566,071	\$ 47,009,719
Capital Assets	76,368,752	80,026,653	61,976,652	64,067,475	138,345,404	144,094,128
Total Assets	<u>146,734,642</u>	<u>130,889,361</u>	<u>63,176,833</u>	<u>60,214,486</u>	<u>209,911,475</u>	<u>191,103,847</u>
Deferred Outflow of Resources	<u>5,077,501</u>	<u>3,697,467</u>	<u>17,603</u>	<u>20,537</u>	<u>5,095,104</u>	<u>3,718,004</u>
Non Current Liabilities	60,140,262	35,660,450	15,204,126	14,770,129	75,344,388	50,430,579
Other Liabilities	<u>18,497,467</u>	<u>20,563,070</u>	<u>1,867,398</u>	<u>2,203,417</u>	<u>20,364,865</u>	<u>22,766,487</u>
Total Liabilities	<u>78,637,729</u>	<u>56,223,520</u>	<u>17,071,524</u>	<u>16,973,546</u>	<u>95,709,253</u>	<u>73,197,066</u>
Deferred Inflow of Resources	<u>1,486,852</u>	<u>1,065,858</u>	<u>-</u>	<u>-</u>	<u>1,486,852</u>	<u>1,065,858</u>
Net Position:						
Net Investment in Capital Assets	73,539,157	76,175,840	45,651,129	48,243,349	119,190,286	124,419,189
Restricted	166,275	99,877	-	-	166,275	99,877
Unrestricted	<u>(2,017,870)</u>	<u>1,021,733</u>	<u>471,783</u>	<u>(4,981,872)</u>	<u>(1,546,087)</u>	<u>(3,960,139)</u>
Total Net Position	<u>\$ 71,687,562</u>	<u>\$ 77,297,450</u>	<u>\$ 46,122,912</u>	<u>\$ 43,261,477</u>	<u>\$117,810,474</u>	<u>\$ 120,558,927</u>

At the end of the current fiscal year, the County is able to report positive balances in two of three categories of net position for the government as a whole, as well as for its separate governmental activities. Business-type activities show a positive balance in two categories of net position.

Talbot County Government's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 4,429,008	\$ 4,203,710	\$ 7,843,585	\$ 8,201,797	\$ 12,272,593	\$ 12,405,507
Operating Grants and Contributions	3,573,513	4,451,502	7,743,927	3,680,423	11,317,440	8,131,925
Capital Grants and Contributions	809,824	836,659	-	-	809,824	836,659
General Revenues:						
Property Taxes	44,544,065	41,646,643	-	-	44,544,065	41,646,643
Local Income Tax	41,118,063	29,514,546	-	-	41,118,063	29,514,546
Other Local Taxes	12,281,446	12,107,793	-	-	12,281,446	12,107,793
Investment Income	533,739	901,297	22,758	42,322	556,497	943,619
Miscellaneous	852,690	883,578	77,790	-	930,480	883,578
Total Revenues	108,142,348	94,545,728	15,688,060	11,924,542	123,830,408	106,470,270
Expenses:						
General Government	14,183,030	14,456,714	-	-	14,183,030	14,456,714
Public Safety	20,597,331	20,182,065	-	-	20,597,331	20,182,065
Public Works	6,807,738	7,089,362	-	-	6,807,738	7,089,362
Health	2,646,248	2,524,694	-	-	2,646,248	2,524,694
Social Services	1,461,199	1,908,188	-	-	1,461,199	1,908,188
Education	66,549,527	52,481,151	-	-	66,549,527	52,481,151
Recreation	483,874	734,182	-	-	483,874	734,182
Conservation of Natural Resources	293,859	267,761	-	-	293,859	267,761
Interest Charges	221,319	43,393	-	-	221,319	43,393
Recreation Facilities	-	-	2,828,428	3,145,530	2,828,428	3,145,530
Sanitary District	-	-	5,003,390	4,855,689	5,003,390	4,855,689
Airport	-	-	5,502,918	5,704,850	5,502,918	5,704,850
Total Expenses	113,244,125	99,687,510	13,334,736	13,706,069	126,578,861	113,393,579
Increase (Decrease) in Net Position before transfers	(5,101,777)	(5,141,782)	2,353,324	(1,781,527)	(2,748,453)	(6,923,309)
Transfers In (Out)	(508,111)	(486,000)	508,111	486,000	-	-
Increase (Decrease) in Net Position	(5,609,888)	(5,627,782)	2,861,435	(1,295,527)	(2,748,453)	(6,923,309)
Net Position – Beginning	77,297,450	82,925,232	43,261,477	44,557,004	120,558,927	127,482,236
Net Position - Ending	\$ 71,687,562	\$ 77,297,450	\$ 46,122,912	\$ 43,261,477	\$117,810,474	\$ 120,558,927

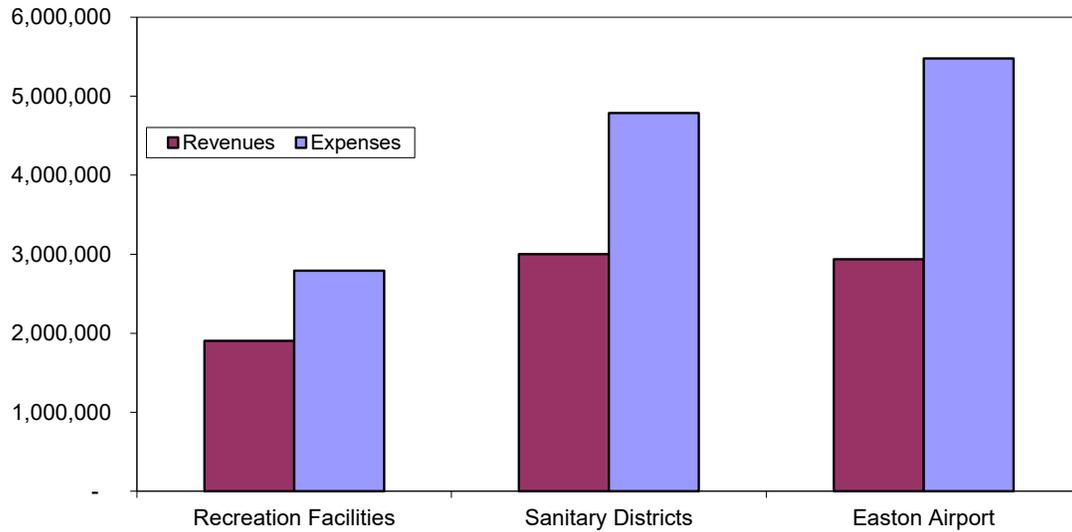
Governmental Activities. Governmental Activities decreased the County's net position after transfers by \$5.6 million. Key elements of the decrease in the net position of governmental activities are as follows:

- Income Tax revenues increased by \$11.6 million, a 39.3 percent increase from the prior year actual and were \$14.6 million more than originally budgeted for FY 2020.
- Property tax revenues increased by \$2.9 million, a 6.9 percent increase from the prior fiscal year and were \$537 thousand more than originally budgeted.
- Education expenses increased by \$14.0 million, a 26.8 percent increase from the prior year. This increase is primarily due to expenditures associated with the construction of a new Easton Elementary School.

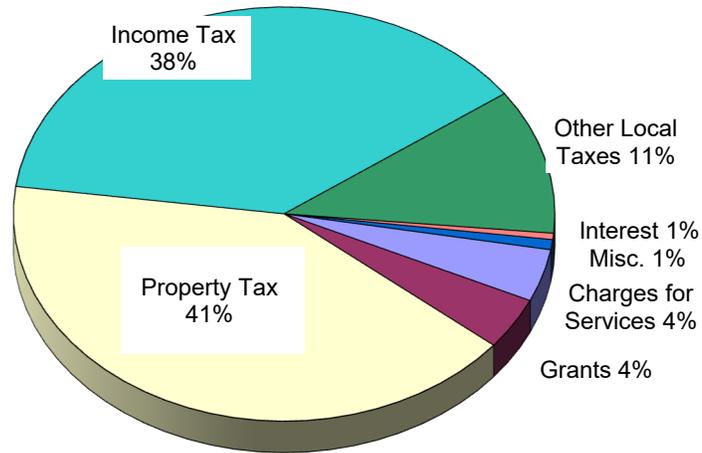
Business-type Activities. Business-type activities increased Talbot County’s net position after transfers by \$2.8 million. The increase is primarily attributable to increase revenues from grants.

Fiscal year 2020 revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

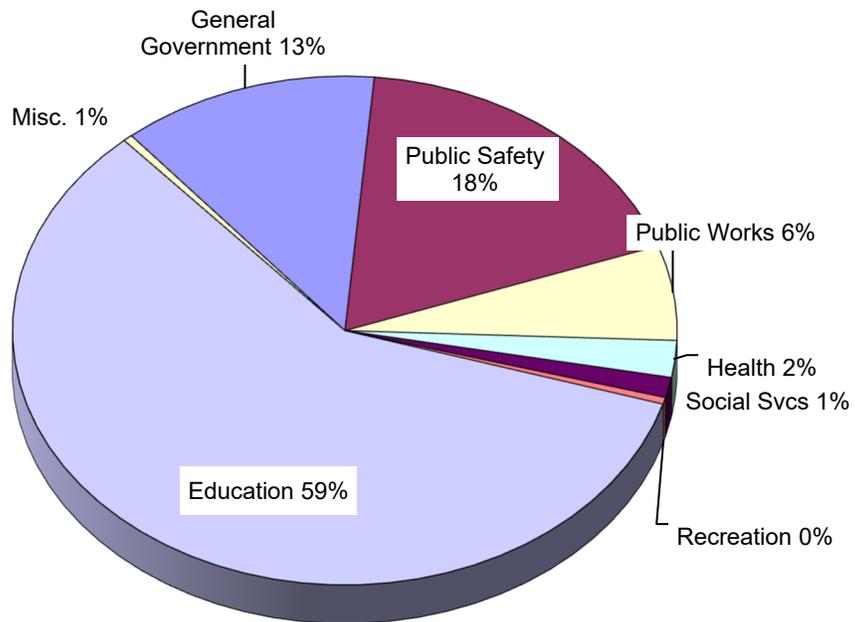
***Expenses and Program Revenues - Business-Type Activities
For the Year Ended June 30, 2020***



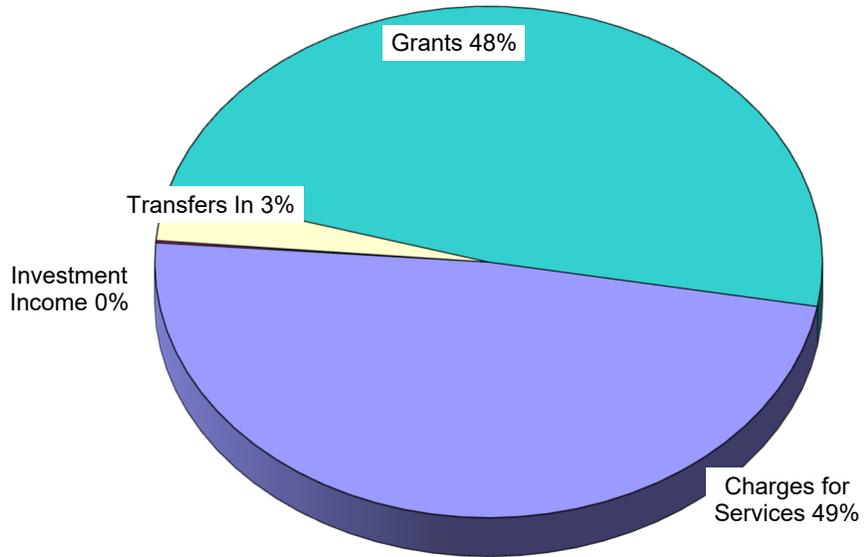
**Revenues by Source - Governmental
Activities
For the Year Ended June 30, 2020**



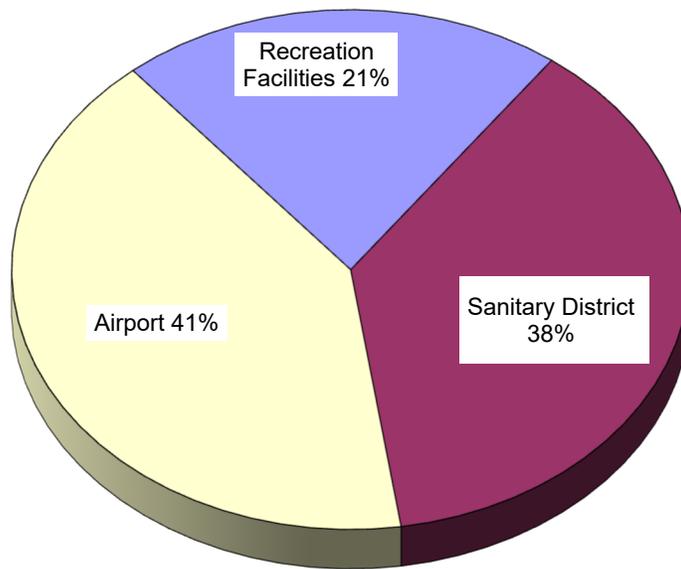
**Expenses - Governmental Activities
For the Year Ended June 30, 2020**



**Revenues by Source - Business-Type Activities
For the Year Ended June 30, 2020**



**Expenses - Business-Type Activities
For the Year Ended June 30, 2020**



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 \$55.7 million. Approximately 68.6 percent of this total (\$38.2 million) constitutes unassigned fund balance, which is available for spending at the County's discretion. The remainder of the fund balance is either non-spendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been classified to fund other purposes. Capital projects account for the majority of committed funds.

The General Fund is the primary operating fund of the Talbot County Government. At the end of the current fiscal year, the total fund balance was \$46.1 million, and the unassigned fund balance was \$38.2 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 42.9 percent of total general fund expenditures before Other Financing Uses, while total fund balance represents 51.8 percent of total general fund expenditures before Other Financing Uses.

The fund balance of Talbot County's General Fund increased by \$15.8 million during FY 2020. This increase is due primarily to an increase in Local Income Tax revenues.

The fund balance of the County's Capital Projects Fund increased by \$5.7 million in FY 2020. This increase is primarily due to long-term borrowing of bonds to finance the construction of the Easton Elementary School.

Proprietary Funds. Talbot County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail. The total net position of the proprietary funds at the end of the year totaled \$46.1 million. There is a balance of \$0.5 million in unrestricted net position.

Fiduciary Funds. Talbot County's fiduciary fund statements provide information regarding the County's Other Post- Employment Benefits (OPEB) Trust. Total assets held in trust for the OPEB plan totaled \$12.6 million at June 30, 2020.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the final budget and the final actual results for the County totaled \$15.8 million. Revenues received were \$17.3 million more than final budgeted estimates and the County did not use \$4.5 million of prior years' funds and transfers from other funds, resulting in a variance of \$12.9 million in revenues. Expenditures were \$2.9 million less than final budgeted estimates. The major variances can be summarized as follows:

- **Revenues.** Revenues before Other Financing Sources were \$17.3 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 \$16.9 million more than budgeted. This total includes \$14.6 million more in income tax revenues, \$1.9 million in recordation and transfer taxes, \$0.5 million in property tax revenues. Service charges received were \$0.2 million more than the amount budgeted and Miscellaneous revenues were \$0.3 million more than budgeted.
- The County had budgeted to use \$4.0 million of prior years' funds to balance the FY 2020 budget. The County did not need to use any prior years' funds in FY 2020.
- **Expenditures.** Expenditures were \$2.9 million less than budgeted for the year. The County departments spent less than actually budgeted in most major expenditure areas.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Talbot County's investment in capital assets for its governmental and business-type activities as of June 30, 2020 totals \$138.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure. The total decrease in the County's investment in capital assets for the current fiscal year is \$5.7 million or 4.0 percent.

Capital assets are summarized as follows:

Talbot County Government's Capital Assets (net of accumulated depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 9,735,907	\$ 9,735,907	\$ 2,956,046	\$ 2,956,046	\$ 12,691,953	\$ 12,691,953
Construction in progress	-	-	991,472	991,472	991,472	991,472
Buildings and improvements	26,530,718	29,172,423	54,705,880	56,929,146	81,236,598	86,101,569
Non-deprec. infrastructure	25,449,891	25,449,891	-	-	25,449,891	25,449,891
Infrastructure	8,428,057	9,101,246	-	-	8,428,057	9,101,246
Furniture and equipment	6,224,179	6,567,186	3,323,254	3,190,811	9,547,433	9,757,997
Total	\$ 76,368,752	\$ 80,026,653	\$ 61,976,652	\$ 64,067,475	\$138,345,404	\$ 144,094,128

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

- Purchases of new equipment costing \$1.3 million for Public Safety and Roads Departments.
- Upgrades and renovations to the St. Michaels Wastewater Collection System totaling \$2.4 million increased Buildings and Improvements of the Business Type Activities.

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

Long-term Debt. At the end of the current fiscal year, Talbot County had total long-term debt outstanding of \$59.7 million, an increase of approximately \$22.0 million. The full faith and credit and unlimited taxing power of the County are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. Of this amount, \$16.3 million is considered self-supporting bonds, funded through various charges and assessments related to the enterprise operations of the County.

Talbot County Government's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonds, Notes and Premiums	\$43,403,844	\$21,889,178	\$16,316,084	\$15,844,663	\$59,719,928	\$37,733,841

The County's most recent bond ratings from Moody's Investors Service and Fitch Ratings are Aa2 (May 2020) and AAA (May 2020), respectively.

The County issued \$21,775,000 of general obligation bonds in FY 2020 for the County's share of the Easton Elementary School construction project.

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 2021 approved budget for the General Fund is \$96,550,000 representing an increase of \$4.2 million or 4.57 percent from the FY 2020 original approved budget
- The County's real property tax rates and Income tax rate remained unchanged for FY 2021.
- Real Property tax revenue is expected to generate \$300 thousand more than the FY 2020 actual collections and is \$800 thousand more than the FY 2020 budget.
- Income tax revenue in FY 2021 is budgeted to be \$14.2 million less than the FY 2020 actual collections and is \$400 thousand more than the FY 2020 budget.
- Fund balance of \$6.7 million is used to balance the FY 2021 General Fund budget.
- The Operating Appropriation for Talbot County Public Schools increased by \$1.6 million from FY 2020.
- Due to economic uncertainties, the Contingency Fund for FY 2021 was increased by \$1.6 million or 267.4 percent from the FY 2020 level. In addition, all proposed equipment purchases (Capital Outlay) of \$1.6 million are included in the County Administration department budget to allow the County the maximum oversight on all equipment purchases during FY 2021.
- All of these factors were considered in preparing the County's budget for FY 2021. The County is cognizant of potential economic downturns and will continue to carefully monitor expenditures.

REQUESTS FOR INFORMATION

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TALBOT COUNTY, MARYLAND

Statement of Net Position As of June 30, 2020

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Board of Education	Library
ASSETS					
Cash and short-term investments	\$ 56,513,678	\$ 7,560,137	\$ 64,073,815	\$ 9,095,739	\$ 137,058
Investments	-	-	-	-	2,565,436
Receivables:					
Accounts receivable	918,633	600,604	1,519,237	-	88,640
Other	-	-	-	39,453	-
Intergovernmental:					
State	4,451,875	-	4,451,875	1,643,175	-
Federal	232,285	-	232,285	569,239	-
Local	-	-	-	1,349,311	-
Due From Trust and Agency Fund	-	-	-	-	-
Prepaid items	1,132,142	-	1,132,142	-	48,508
Internal balances	7,030,726	(7,030,726)	-	-	-
Inventories	-	156,717	156,717	-	-
Advances to (from) other funds	86,551	(86,551)	-	-	-
Nondepreciable capital assets	35,185,798	3,947,518	39,133,316	46,307,435	18,914
Depreciable capital assets, net	41,182,954	58,029,134	99,212,088	47,216,356	405,735
TOTAL ASSETS	146,734,642	63,176,833	209,911,475	106,220,708	3,264,291
DEFERRED OUTFLOWS OF RESOURCES					
Pensions	1,435,924	-	1,435,924	633,942	-
OPEB	2,988,443	-	2,988,443	17,212,379	349,127
Deferred charge on refunding	653,134	17,603	670,737	-	-
TOTAL DEFERRED OUTFLOWS	5,077,501	17,603	5,095,104	17,846,321	349,127
LIABILITIES					
Accounts payable and accrued liabilities	6,163,804	548,240	6,712,044	5,426,221	55,393
Other payables	-	-	-	33,931	-
Unearned revenue	8,582,632	87,570	8,670,202	1,517,747	26,115
Long-term liabilities, due within one year:					
Compensated absences	457,879	39,942	497,821	209,374	-
Bonds and notes payable	3,293,152	1,191,646	4,484,798	369,138	-
Obligations under state retirement system	-	-	-	45,504	-
Long-term liabilities, due in more than one year:					
Compensated absences	774,731	70,249	844,980	332,101	-
Bonds and notes payable	40,110,692	15,133,877	55,244,569	522,044	-
Obligations under state retirement system	-	-	-	506,558	-
Net pension liability	11,954,141	-	11,954,141	4,265,802	-
Net other post-employment benefit liability	7,300,698	-	7,300,698	121,131,480	1,641,649
TOTAL LIABILITIES	78,637,729	17,071,524	95,709,253	134,359,900	1,723,157
DEFERRED INFLOWS OF RESOURCES					
Pensions	445,489	-	445,489	399,150	-
OPEB	1,041,363	-	1,041,363	9,824,207	56,550
TOTAL DEFERRED INFLOWS	1,486,852	-	1,486,852	10,223,357	56,550
NET POSITION					
Net investment in capital assets	73,539,157	45,651,129	119,190,286	92,632,609	424,649
Restricted for:					
Social Services (Talbot Family Network)	166,275	-	166,275	-	-
Food services	-	-	-	681,022	-
Programs	-	-	-	-	1,455,391
Unrestricted (deficit)	(2,017,870)	471,783	(1,546,087)	(113,829,859)	(46,329)
TOTAL NET POSITION	\$ 71,687,562	\$ 46,122,912	\$ 117,810,474	\$ (20,516,228)	\$ 1,833,711

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

TALBOT COUNTY, MARYLAND

Statement of Activities
For the Year Ended June 30, 2020

Function/Program	Program Revenues				Net (Expense) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants, Contributions, and Interest	Capital Grants, Contributions, and Interest	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Board of Education	Library
General government	\$ 14,183,030	\$ 656,526	\$ 580,762	\$ -	\$ (12,945,742)	\$ -	\$ (12,945,742)	\$ -	\$ -
Public safety	20,597,331	2,778,631	654,940	350,152	(16,813,608)	-	(16,813,608)	-	-
Public works	6,807,738	615,746	1,659,306	459,672	(4,073,014)	-	(4,073,014)	-	-
Health and hospitals	2,646,248	124,446	-	-	(2,521,802)	-	(2,521,802)	-	-
Social services	1,461,199	-	678,505	-	(782,694)	-	(782,694)	-	-
Education	66,549,527	177,107	-	-	(66,372,420)	-	(66,372,420)	-	-
Recreation	483,874	28,241	-	-	(455,633)	-	(455,633)	-	-
Conservation of natural resources	293,859	48,311	-	-	(245,548)	-	(245,548)	-	-
Interest on long-term debt	221,319	-	-	-	(221,319)	-	(221,319)	-	-
Total Governmental Activities	113,244,125	4,429,008	3,573,513	809,824	(104,431,780)	-	(104,431,780)	-	-
BUSINESS-TYPE ACTIVITIES									
Recreation facilities	2,828,428	1,903,200	-	-	-	(925,228)	(925,228)	-	-
Sanitary district	5,003,390	3,003,501	1,928,363	-	-	(71,526)	(71,526)	-	-
Easton airport	5,502,918	2,936,884	5,815,564	-	-	3,249,530	3,249,530	-	-
Total Business-Type Activities	13,334,736	7,843,585	7,743,927	-	-	2,252,776	2,252,776	-	-
Total Primary Government	\$ 126,578,861	\$ 12,272,593	\$ 11,317,440	\$ 809,824	(104,431,780)	2,252,776	(102,179,004)	-	-
COMPONENT UNITS									
Board of Education	79,103,526	467,215	97,036,943	-	-	-	-	18,400,632	-
Talbot County Free Library	2,041,449	-	1,979,619	-	-	-	-	-	(61,830)
Total Component Units	\$ 81,144,975	\$ 467,215	\$ 99,016,562	\$ -	-	-	-	18,400,632	(61,830)
General Revenues									
Taxes:									
Property					44,544,065	-	44,544,065	-	-
Local income					41,118,063	-	41,118,063	-	-
Other:									
Admissions and amusements					23,298	-	23,298	-	-
Recordation					6,803,185	-	6,803,185	-	-
Transfer					4,256,166	-	4,256,166	-	-
Public accommodations					1,145,479	-	1,145,479	-	-
Mobile manufactured homes					53,318	-	53,318	-	-
Gain on sale of asset					-	77,790	77,790	-	-
Interest and issuance costs					533,739	22,758	556,497	95,511	109,827
Miscellaneous					852,690	-	852,690	182,102	-
Total general revenues					99,330,003	100,548	99,430,551	277,613	109,827
Transfers					(508,111)	508,111	-	-	-
Total general revenues and transfers					98,821,892	608,659	99,430,551	277,613	109,827
Change in net position					(5,609,888)	2,861,435	(2,748,453)	18,678,245	47,997
Net position, beginning of year					77,297,450	43,261,477	120,558,927	(39,194,473)	1,785,714
Net position, end of year					\$ 71,687,562	\$ 46,122,912	\$ 117,810,474	\$ (20,516,228)	\$ 1,833,711

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

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FUND FINANCIAL STATEMENTS

TALBOT COUNTY, MARYLAND

**Balance Sheet – Governmental Funds
June 30, 2020**

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and short -term investments	\$ 41,623,392	\$ 9,634,575	\$ 5,255,711	\$ 56,513,678
Receivables:				
Accounts receivable	852,501	51,857	14,275	918,633
Intergovernmental:				
State	4,222,506	-	229,369	4,451,875
Federal	87,295	-	144,990	232,285
Prepaid items	1,132,142	-	-	1,132,142
Due from other funds	7,030,726	-	-	7,030,726
Advances to other funds	86,551	-	-	86,551
TOTAL ASSETS	\$ 55,035,113	\$ 9,686,432	\$ 5,644,345	\$ 70,365,890
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable and accrued liabilities	\$ 4,304,316	\$ 1,444,708	\$ 315,556	\$ 6,064,580
Unearned revenue	4,651,695	-	3,930,937	8,582,632
TOTAL LIABILITIES	8,956,011	1,444,708	4,246,493	14,647,212
FUND BALANCES				
Nonspendable	1,132,142	-	-	1,132,142
Restricted for:				
Social Services	-	-	166,275	166,275
Committed for:				
Capital projects	-	8,241,724	546,577	8,788,301
Assigned for:				
Future budget	6,743,000	-	685,000	7,428,000
Unassigned	38,203,960	-	-	38,203,960
TOTAL FUND BALANCES	46,079,102	8,241,724	1,397,852	55,718,678
TOTAL LIABILITIES AND FUND BALANCES	\$ 55,035,113	\$ 9,686,432	\$ 5,644,345	\$ 70,365,890

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

TALBOT COUNTY, MARYLAND

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2020

Total Governmental Funds Balances		\$	55,718,678
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds			76,368,752
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	(43,403,844)		
Accrued interest on long-term debt	(99,224)		
Net pension liability	(11,954,141)		
Net OPEB liability	(7,300,698)		
Compensated absences	(1,232,610)		
			<u>(63,990,517)</u>
Deferred outflows - Maryland State Pension			1,435,924
Deferred inflows - Maryland State Pension			(445,489)
Deferred outflows - OPEB			2,988,443
Deferred inflows - OPEB			(1,041,363)
Deferred charge on refunding			653,134
			<u>653,134</u>
Net Position of Governmental Activities		\$	<u>71,687,562</u>

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

TALBOT COUNTY, MARYLAND

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE				
Real property taxes	\$ 44,544,065	\$ -	\$ -	\$ 44,544,065
Local income taxes	41,118,063	-	-	41,118,063
Other local taxes	12,281,446	-	-	12,281,446
Licenses and permits	750,260	-	716,034	1,466,294
Intergovernmental:				
Federal	101,668	459,673	505,442	1,066,783
State	2,048,787	-	1,253,453	3,302,240
Service charges	2,870,422	-	-	2,870,422
Fines and forfeitures	25,872	-	-	25,872
Miscellaneous	630,035	80,000	223,390	933,425
Interest	623,980	3,921	14,972	642,873
Total Revenue	<u>104,994,598</u>	<u>543,594</u>	<u>2,713,291</u>	<u>108,251,483</u>
EXPENDITURES				
Current:				
General government	8,360,138	112,809	124,257	8,597,204
Public safety	20,569,494	705,653	27,837	21,302,984
Public works	4,482,987	494,321	1,124,777	6,102,085
Health and hospitals	2,646,248	-	-	2,646,248
Social services	820,072	-	641,127	1,461,199
Education	48,059,242	18,490,285	-	66,549,527
Recreation	412,019	71,855	-	483,874
Conservation of natural resources	293,859	-	-	293,859
Employee benefits	1,161,280	-	-	1,161,280
Miscellaneous	167,164	-	-	167,164
Intergovernmental	877,568	-	-	877,568
Debt service interest	122,095	-	-	122,095
Debt service principal	917,703	-	-	917,703
Bond issuance costs	-	109,134	-	109,134
Contingencies	69,069	-	-	69,069
Total Expenditures	<u>88,958,938</u>	<u>19,984,057</u>	<u>1,917,998</u>	<u>110,860,993</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>16,035,660</u>	<u>(19,440,463)</u>	<u>795,293</u>	<u>(2,609,510)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	-	400,000
Transfers out	(473,111)	-	(435,000)	(908,111)
Proceeds from bond issuance	-	21,775,000	-	21,775,000
Proceeds from bond premiums	-	3,144,540	-	3,144,540
TOTAL OTHER FINANCING SOURCES (USES)	<u>(273,111)</u>	<u>25,119,540</u>	<u>(435,000)</u>	<u>24,411,429</u>
NET CHANGES IN FUND BALANCE	<u>15,762,549</u>	<u>5,679,077</u>	<u>360,293</u>	<u>21,801,919</u>
FUND BALANCES - BEGINNING OF YEAR	<u>30,316,553</u>	<u>2,562,647</u>	<u>1,037,559</u>	<u>33,916,759</u>
FUND BALANCES - END OF YEAR	<u>\$ 46,079,102</u>	<u>\$ 8,241,724</u>	<u>\$ 1,397,852</u>	<u>\$ 55,718,678</u>

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

TALBOT COUNTY, MARYLAND

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2020

Net change in fund balances - total Governmental Funds \$ 21,801,919

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	1,466,955	
Current year depreciation	(5,115,163)	
Disposals	(9,693)	
Total	(3,657,901)	(3,657,901)

Repayment of debt obligations is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position.

Principal payments and retirements of long-term debt	3,229,435	
Accrued interest on long-term debt	(99,224)	
Issuance of new debt	(24,919,540)	

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in unamortized bond premium	175,439	
Change in deferred debt refunding costs	(94,548)	
Change in net other post-employment benefits	(1,152,872)	
Change in net pension liability	(763,195)	
Change in compensated absences	(129,401)	
	(1,004,576)	

Change in net position of Governmental Activities \$ (5,609,888)

TALBOT COUNTY, MARYLAND

Statement of Fund Net Position – Business-Type Activities
June 30, 2020

	Major Funds			Total
	Recreation Facilities	Sanitary District	Easton Airport	
ASSETS				
Current Assets:				
Cash and short-term investments	\$ 44,187	\$ 1,338,400	\$ 468,936	\$ 1,851,523
Cash and short-term investments - capital projects	5,708,614	-	-	5,708,614
Accounts receivable:	-	-	-	-
Accounts receivable, customers	61,154	451,188	88,262	600,604
Intergovernmental:				
State	-	-	-	-
Federal	-	-	-	-
Inventories	50,673	-	106,044	156,717
Total current assets	<u>5,864,628</u>	<u>1,789,588</u>	<u>663,242</u>	<u>8,317,458</u>
Noncurrent Assets:				
Land	450,000	2,463,800	42,246	2,956,046
Construction in progress	404,540	20,693	566,239	991,472
Buildings and improvements	16,550,221	56,736,196	49,676,271	122,962,688
Furniture and equipment	2,295,448	4,332,258	1,756,126	8,383,832
Less: accumulated depreciation	<u>(13,540,566)</u>	<u>(25,552,589)</u>	<u>(34,224,231)</u>	<u>(73,317,386)</u>
Total Noncurrent Assets	<u>6,159,643</u>	<u>38,000,358</u>	<u>17,816,651</u>	<u>61,976,652</u>
TOTAL ASSETS	<u>12,024,271</u>	<u>39,789,946</u>	<u>18,479,893</u>	<u>70,294,110</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on refundings	<u>17,603</u>	<u>-</u>	<u>-</u>	<u>17,603</u>
LIABILITIES				
Current Liabilities:				
Accounts payable	119,008	333,565	95,667	548,240
Compensated absences	4,488	21,283	14,171	39,942
Due to other funds	4,463,660	2,300,120	266,946	7,030,726
Unearned revenue	40,032	21,500	26,038	87,570
Advances from other funds	-	-	86,551	86,551
Current maturities of long-term debt	222,515	882,263	86,868	1,191,646
Total current liabilities	<u>4,849,703</u>	<u>3,558,731</u>	<u>576,241</u>	<u>8,984,675</u>
Noncurrent Liabilities:				
Compensated absences	8,237	41,370	20,642	70,249
Long-term debt, less current maturities	1,266,188	13,561,265	306,424	15,133,877
Total noncurrent liabilities	<u>1,274,425</u>	<u>13,602,635</u>	<u>327,066</u>	<u>15,204,126</u>
TOTAL LIABILITIES	<u>6,124,128</u>	<u>17,161,366</u>	<u>903,307</u>	<u>24,188,801</u>
NET POSITION				
Net investment in capital assets	4,670,940	23,556,830	17,423,359	45,651,129
Unrestricted (deficit)	<u>1,246,806</u>	<u>(928,250)</u>	<u>153,227</u>	<u>471,783</u>
TOTAL NET POSITION	<u>\$ 5,917,746</u>	<u>\$ 22,628,580</u>	<u>\$ 17,576,586</u>	<u>\$ 46,122,912</u>

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

TALBOT COUNTY, MARYLAND

**Statement of Revenue, Expenses and Changes in Fund Net Position –
Business-type Activities
For the Year Ended June 30, 2020**

	Major Funds			Total
	Recreation Facilities	Sanitary District	Easton Airport	
OPERATING REVENUE				
Airport - operations	\$ -	\$ -	\$ 748,883	\$ 748,883
Airport - fuel facility	-	-	1,586,238	1,586,238
Airport - hangars	-	-	582,427	582,427
Sewer service charges	-	2,437,886	-	2,437,886
Sewer connection charges	-	294,179	-	294,179
Residential benefit charges	-	14,908	-	14,908
Wind/solar renewable energy	-	23,113	-	23,113
Admissions	193,618	-	-	193,618
Room rents	74,856	-	-	74,856
Ice revenue	325,868	-	-	325,868
Pro shop and concessions	219,106	-	-	219,106
Cart rentals	13,001	-	-	13,001
Green fees	1,014,215	-	-	1,014,215
Other operating	62,536	233,415	19,336	315,287
TOTAL OPERATING REVENUE	1,903,200	3,003,501	2,936,884	7,843,585
OPERATING EXPENSES				
Salaries and related expenses	1,028,383	1,035,444	377,368	2,441,195
Cost of sales - fuel	-	-	1,429,457	1,429,457
Professional fees	21,950	-	-	21,950
Office	54,396	36,089	32,798	123,283
Insurance	15,325	20,317	24,952	60,594
Contracted services	-	971,884	-	971,884
Repairs and maintenance	171,388	251,163	153,867	576,418
Utilities	202,351	307,338	135,267	644,956
Supplies and equipment	202,918	165,705	4,684	373,307
Lessons and programs	99,197	-	-	99,197
Concessions	85,609	-	-	85,609
Depreciation	804,675	1,964,075	2,568,756	5,337,506
Other operating	105,991	34,796	752,509	893,296
TOTAL OPERATING EXPENSES	2,792,183	4,786,811	5,479,658	13,058,652
OPERATING LOSS	(888,983)	(1,783,310)	(2,542,774)	(5,215,067)
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenues	-	1,928,363	5,815,564	7,743,927
Gain on sale of asset	77,790	-	-	77,790
Interest income	-	22,609	149	22,758
Interest expense	(36,245)	(216,579)	(23,260)	(276,084)
TOTAL NON -OPERATING REVENUES (EXPENSES)	41,545	1,734,393	5,792,453	7,568,391
Income (loss) Before Transfers	(847,438)	(48,917)	3,249,679	2,353,324
Transfers In	508,111	-	-	508,111
Change in Net Position	(339,327)	(48,917)	3,249,679	2,861,435
NET POSITION - BEGINNING OF YEAR	6,257,073	22,677,497	14,326,907	43,261,477
NET POSITION - END OF YEAR	\$ 5,917,746	\$ 22,628,580	\$ 17,576,586	\$ 46,122,912

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, 2020

	Major Funds			Total
	Recreation Facilities	Sanitary District	Easton Airport	
Cash flows from operating activities:				
Cash received from customers	\$ 1,849,668	\$ 2,683,714	\$ 2,963,260	\$ 7,496,642
Cash payments for salaries and related expenses	(1,037,397)	(1,028,448)	(375,834)	(2,441,679)
Cash payments to suppliers	(1,023,059)	(1,044,563)	(2,554,351)	(4,621,973)
Cash payments for contracted services	-	(971,884)	-	(971,884)
Other receipts	181,140	-	(5,545,457)	(5,364,317)
Other payments	-	(229,860)	-	(229,860)
Net Cash (used) provided by operating activities	(29,648)	(591,041)	(5,512,382)	(6,133,071)
Cash flows from noncapital financing activities:				
Transfers from other funds	508,111	-	-	508,111
Repayment of advances from other funds	-	-	(70,947)	(70,947)
Intergovernmental revenues	-	2,503,807	5,817,308	8,321,115
Net cash provided by noncapital financing activities	508,111	2,503,807	5,746,361	8,758,279
Cash flows from capital and related financing activities:				
Issuance of long-term debt	361,899	1,674,000	-	2,035,899
Principal paid on long-term notes and bonds	(354,914)	(1,089,016)	(101,668)	(1,545,598)
Deferred refunding costs on sale of bonds	2,934	-	-	2,934
Interest paid on long-term notes and bonds	(36,245)	(216,579)	(23,260)	(276,084)
Proceeds from sale of capital assets	77,790	-	-	77,790
Acquisition and construction of capital assets	(489,895)	(2,656,649)	(109,578)	(3,256,122)
Net cash (used) provided by capital and related financing activities	(438,431)	(2,288,244)	(234,506)	(2,961,181)
Cash flows from investing activities:				
Interest income on investments	-	22,609	149	22,758
Net cash provided (used) by investing activities	-	22,609	149	22,758
Increase (Decrease) in Cash and Cash Equivalents	40,032	(352,869)	(378)	(313,215)
Cash and Cash Equivalents at Beginning of Year	5,712,769	1,691,269	469,314	7,873,352
Cash and Cash Equivalents at End of Year	\$ 5,752,801	\$ 1,338,400	\$ 468,936	\$ 7,560,137

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, 2020**

	Major Funds			Total
	Recreation Facilities	Sanitary District	Easton Airport	
Reconciliation of operating loss to net cash (used)				
Provided by operating activities:				
Operating loss	\$ (888,983)	\$ (1,783,310)	\$ (2,542,774)	\$ (5,215,067)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities				
Depreciation	804,675	1,964,075	2,568,756	5,337,506
Changes in assets and liabilities:				
Decrease (increase) in accounts receivable, customers	(61,154)	(322,287)	59,967	(323,474)
(Increase) decrease in inventories	(2,877)	-	47,902	45,025
Increase (decrease) in accounts payable	(61,057)	(229,155)	(68,719)	(358,931)
(Decrease) increase in compensated absences	(9,014)	6,996	1,534	(484)
(Decrease) increase in due to other funds	181,140	(229,860)	(5,545,457)	(5,594,177)
Increase (Decrease) in unearned revenue	7,622	2,500	(33,591)	(23,469)
Net cash (used) provided by operating activities	<u>\$ (29,648)</u>	<u>\$ (591,041)</u>	<u>\$ (5,512,382)</u>	<u>\$ (6,133,071)</u>

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

TALBOT COUNTY, MARYLAND

**Statement of Fiduciary Net Position – Fiduciary Fund
June 30, 2020**

	Other Post-Employment Benefits Trust Fund
ASSETS	
Cash and equivalents	\$ 698,477
Investments	11,929,825
TOTAL ASSETS	<u>12,628,302</u>
LIABILITIES	
Accrued expenses	<u>13,001</u>
NET POSITION	
Net Position Restricted for OPEB	<u>\$ 12,615,301</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, 2020**

	<u>Other Post - Employment Benefits Trust Fund</u>
ADDITIONS:	
Investment earnings	
Interest	\$ 259,193
Net depreciation in the fair value of investments	(8,111)
Less: investment expenses	7,123
Net investment income	<u>243,959</u>
Total additions	<u>243,959</u>
DEDUCTIONS:	
Administrative expenses	<u>53,177</u>
Total deductions	<u>53,177</u>
Change in net position	190,782
Net position restricted for OPEB - beginning of year	<u>12,424,519</u>
Net position restricted for OPEB - end of year	<u>\$ 12,615,301</u>

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

NOTES TO FINANCIAL STATEMENTS

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2020

1. REPORTING ENTITY

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

Board of Education of Talbot County Association, Inc. 12 Magnolia Street Easton, MD 21601	Talbot County Free Library 100 W. Dover Street Easton, MD 21601
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The *Board of Education of Talbot County (BOE)* is a separately elected body that administers the public school system in the County. The BOE is organized as a separate legal entity but does not have the power to levy taxes or issue bonds. The BOE’s budget is subject to approval by the County Council, and the BOE receives a significant portion of its operational and capital project funding from the County.

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

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

Government-Wide and Fund Financial Statements

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

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

Fund Financial Statements

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting

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

Governmental Fund Types

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

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

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

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

Proprietary Fund Types

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

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

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

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

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

Fiduciary Fund Types

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

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

D. Measurement Focus

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Basis of Accounting

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

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

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

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

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

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Budgetary Process

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

The County Manager and the Board of Education submit a proposed operating budget for their respective general and capital projects funds annually to the County Council.

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

On or before June 1, the County's budget is legally enacted through passage of an ordinance by the County Council. The budget is required to be balanced as to proposed revenues and expenditures.

The County's legal level of budgetary control is at the general classification of expenditure level (personnel, operating, capital outlay, debt service, etc.). The County Manager is authorized to make transfers between general classifications of expenditures within the same department and fund. Transfers between departments can be made only with the approval of the County Council. All unexpended and unencumbered appropriations in the general fund lapse at the end of the fiscal year. However, no appropriation for a capital project may lapse until the purpose for which the appropriation was made is accomplished or abandoned. A capital project is abandoned if three fiscal years elapse without any expenditure.

Formal budgets are employed as a management control device during the year for the general, capital projects, special revenue, and enterprise funds. Annual budgets are legally adopted and presented in the combined statement of revenues and expenditures - budget and actual for the general fund, capital projects fund and special revenue funds of the Primary Government.

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

The general fund, capital projects fund, and special revenue fund budgeted amounts reflect the originally adopted and approved budget and the revised budget by the County Council. The budgeted amounts for the Board of Education and Library are not presented in these financial statements.

There were no supplemental appropriations for the County.

G. Cash and Short-Term Investments

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Property Tax

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

I. Inventory and Prepaid Items

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

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

J. Capital Assets

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

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

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

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Compensated Absences

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

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

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

L. Accrued Liabilities and Long-Term Obligations

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

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

M. Net Position

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position (continued)

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

N. Deferred Outflows and Inflows of Resources

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

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

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

O. Fund Balance Reserves

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

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

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

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Fund Balance Reserves (continued)

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

Unassigned – Amounts in the General Fund not included in other spendable classifications. Nonspendable fund balances consist of prepaid amounts.

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

P. Operating Revenues and Expenses

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

Q. Use of Estimates

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

R. Interfund Receivables/Payables

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

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, 2020, the County Primary Government had deposits of \$39,271,315 with local banks (carrying value \$43,490,270). 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, 2020, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$17,875 as of June 30, 2020.

Board of Education

At June 30, 2020, the reported amount of the Board's bank deposits (carrying value) was \$9,908,927 and the bank balance was \$12,432,364. These balances include \$813,188 of trust and agency cash and MLGIP of \$6,455,540. The cash in the bank was covered by federal depository insurance or by collateral held by the pledging bank's trust department in the Board's name with the exception of \$121,971 in funds held by the Retiree Health Plan (OPEB) trust fund.

Library

At June 30, 2020, the Library had deposits totaling \$179,567 (carrying value \$137,058), which were fully insured by federal depository insurance issued by the Federal Depository Insurance Corporation (FDIC).

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

3. DEPOSITS AND INVESTMENTS (continued)

B. Investments

Primary Government

The County is a participant in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the State of Maryland a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 §22G of the Annotated Code of Maryland. The MLGIP is managed by PNC Capital Advisors, LLC and custodied by PNC Bank, N.A., which is under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants has been formed to review the activities of the Fund on a semi-annual basis and provide suggestions to enhance the pool. The MLGIP portfolio is managed in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. The MLGIP is rated AAAM by Standard and Poor's. The fair value of the pool is the same as the value of the pool shares. At June 30, 2019, the County had investments in MLGIP of \$20,500,000, which are recorded at cost, which approximates fair value.

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

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

At June 30, 2020, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (months)</u>
MLGIP	\$ 20,500,000	<2

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2020

3. DEPOSITS AND INVESTMENTS (continued)

B. Investments (continued)

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

Cash and cash equivalents for the MACO Trust include an investment in a money market mutual fund. At June 30, 2020, the weighted average maturity (WAM) for the Trust's money market mutual fund was 40 days. At June 30, 2020, the short-term rating of the money market mutual fund was AAAM by Standard & Poor's.

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

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

Level 1 – Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

Level 2 – Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and

Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transaction.

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

3. DEPOSITS AND INVESTMENTS (continued)

B. Investments (continued)

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

The Trust has the following recurring fair value measurements as of June 30, 2020, of which Talbot County's portion was 26% of the total:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments by fair value level:				
Debt Securities				
U.S. Treasury Obligations	\$ -	\$ 1,425,655	\$ -	\$ 1,425,655
U.S. Governmental Agencies	-	2,821,704	-	2,821,704
Corporate & Foreign Bonds	-	7,027,064	-	7,027,064
Municipal Obligations	-	595,419	-	595,419
Equity and Mutual Fund Investments				
Taxable Fixed Income Securities	-	2,201,844	-	2,201,844
Mutual Funds	21,574,812	-	-	21,574,812
Global Funds	3,012,294	-	-	3,012,294
International Funds	7,090,589	-	-	7,090,589
Total	<u>\$ 31,677,695</u>	<u>\$ 14,071,686</u>	<u>\$ -</u>	<u>\$ 45,749,381</u>

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trust's investment policy states that the duration of the portfolio should be within 6 months of the Barclays Capital Aggregate Bond Index. The Trusts' weighted average years to maturity as of June 30, 2019 was 12.3 years.

Information about the sensitivity of the fair values of the Trust's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the Trust's investments by maturity as of June 30, 2020:

	<u>Investment Maturities (in Years)</u>				<u>Total</u>
	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>	
Investments with maturities					
U.S. Treasury Obligations	\$ -	\$ 405,756	\$ 375,510	\$ 644,389	\$ 1,425,655
U.S. Governmental Agencies	-	140,590	349,562	2,331,552	2,821,704
Corporate & Foreign Bonds	424,238	2,532,320	2,722,787	1,347,719	7,027,064
Municipal Obligations	-	308,663	148,859	137,897	595,419
Total	<u>\$ 424,238</u>	<u>\$ 3,387,329</u>	<u>\$ 3,596,718</u>	<u>\$ 4,461,557</u>	<u>\$ 11,869,842</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

3. DEPOSITS AND INVESTMENTS (continued)

B. Investments (continued)

Credit Risk. The Trust is exposed to both market risk, the risk arising from changes in fair value, and credit risk, the risk of failure by another party to perform according to the terms of a contract. The Trust bears the risk of loss only to the extent of the fair value of the respective investments. At June 30, 2020, the ratings of the underlying investments of the Trust's investments were as follows:

Type	Rating					Not Rated	Total
	Aaa	Aa1/Aa2/Aa3	A1/A2/A3	Baa1/Baa2/Baa3	Ba1		
U.S. Treasury Obligations	\$1,425,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,425,655
U.S. Governmental Agencies	58,971	-	-	-	-	2,762,733	2,821,704
Corporate & Foreign Bonds	414,108	872,321	2,621,678	2,776,881	-	342,076	7,027,064
Municipal Obligations	106,283	489,136	-	-	-	-	595,419
Total	<u>\$2,005,017</u>	<u>\$ 1,361,457</u>	<u>\$2,621,678</u>	<u>\$ 2,776,881</u>	<u>\$ -</u>	<u>\$3,104,809</u>	<u>\$11,869,842</u>

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

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

The following summarizes custodial credit risk related to investments held by the custodian as of June 30, 2020, which are uninsured and unregistered:

	Fair Value June 30, 2020
U.S. Treasury Obligations	\$ 1,425,655
U.S. Governmental Agencies	2,821,704
Corporate & Foreign Bonds	7,027,064
Municipal Obligations	595,419
Taxable Fixed Income Securities	2,201,844
Mutual Funds	21,574,812
Global Funds	3,012,294
International	7,090,589
Total	<u>\$ 45,749,381</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

3. DEPOSITS AND INVESTMENTS (continued)

B. Investments (continued)

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

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

The Trust held the following investments as of June 30, 2020 that exceeded 5% of the total investment balances as of June 30, 2020:

<u>Name</u>	<u>Amount</u>
Lazard International Strategic Equity Funds	\$ 3,545,538
Transamerica TS&W International Equity Funds	3,545,051
Vanguard 500 Index Fund	7,056,805
Vanguard Mid-Cap Index Fund - Admiral Shares	3,016,555
New World Fund	3,012,295
BlackRock High Yield Bond	2,201,844
Cohen & Syeers Realty	2,494,507
Vanguard Russell 1000	6,190,044

Foreign Currency Risk is the risk that changes in the exchange rate of investments will adversely affect the fair value of an investment. The Trust was not exposed to foreign currency risk as of June 30, 2020, as the Trust did not have any investments denominated in foreign currencies.

Capital Accounts

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

Board of Education

The Board is also authorized to invest in the MLGIP, where deposits are recorded at cost. Due to the nature of the MLGIP investment it is considered a cash equivalent. MLGIP is not covered by FDIC, but it is collateralized by United States Treasury instruments. The Maryland State Treasurer oversees the MLGIP. At June 30, 2020, the Board had investments in MLGIP of \$6,455,540.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

3. DEPOSITS AND INVESTMENTS (continued)

B. Investments (continued)

Library

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

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

As of June 30, 2020, the Foundation's investments consisted of the following:

Investment Type	Fair Value	% of Total	Investment Maturities (in Years)			
			Less than 1	1-5	6-10	Total
Cash and bank sweep	\$ 201,937	8%	\$ 201,937	\$ -	\$ -	\$ 201,937
Fixed income:						
U.S. Treasury	139,900	5%	139,900	-	-	139,900
Corporate bonds	635,437	25%	98,289	173,128	364,020	635,437
Equities:	1,041,029	41%	1,041,029	-	-	1,041,029
Exchange traded funds	492,310	19%	492,310	-	-	492,310
Other Assets	54,823	2%	54,823	-	-	54,823
Total	<u>\$2,565,436</u>	<u>100%</u>	<u>\$2,028,288</u>	<u>\$173,128</u>	<u>\$364,020</u>	<u>\$2,565,436</u>

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

Level 1 – Investments reflect prices quoted in active markets.

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

Level 3 – Investments reflect prices based upon unobservable sources.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

3. DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (continued)

Library (continued)

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

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

4. INTERFUND RECEIVABLES AND PAYABLES

As a result of its operations, the County affects a variety of transactions between funds to finance operations, service debt, etc. Accordingly, to the extent that certain interfund transactions have not been paid or received as of June 30, 2020, appropriate due from/to other funds have been established.

Interfund transactions are classified as follows:

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

Loans and advances are netted as part of the reconciliation of the Government-wide financial statements.

During 2020, to support operations, the general fund transferred \$508,111 to the recreation fund. In addition, to support operations, the developmental impact fund transferred \$200,000, \$200,000 and \$35,000 to the general fund, capital projects fund and recreation fund, respectively.

Due from/to other funds balances as of June 30, 2020 were as follows:

<u>Primary Government</u>	<u>Purpose</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	Transfers	\$ 7,030,726	\$ -
Enterprise Fund - Recreation Facilities	Transfers	-	4,463,660
Enterprise Fund - Sanitary District	Transfers	-	2,300,120
Enterprise Fund - Airport	Transfers	-	266,946
		<u>\$ 7,030,726</u>	<u>\$ 7,030,726</u>

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

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

4. INTERFUND RECEIVABLES AND PAYABLES (continued)

Advances to/from other funds balances as of June 30, 2020, were as follows:

<u>Primary Government</u>	<u>Purpose</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	Construction projects	\$ 86,551	\$ -
Enterprise Fund - Airport	Construction projects	-	86,551
		<u>\$ 86,551</u>	<u>\$ 86,551</u>

During fiscal year 2007, the County transferred approximately \$2.5 million to the Airport from the General Fund for construction of an airport control tower. The outstanding balance at June 30, 2020 was \$86,551.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

5. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Transfers and Reductions	Balance June 30, 2020
<u>Primary Government:</u>				
Governmental Activities				
Nondepreciable Capital Assets:				
Land	\$ 9,735,907	\$ -	\$ -	\$ 9,735,907
Infrastructure - road base	25,449,891	-	-	25,449,891
Total Nondepreciable Capital Assets	<u>35,185,798</u>	<u>-</u>	<u>-</u>	<u>35,185,798</u>
Depreciable Capital Assets:				
Buildings and improvements	54,659,026	72,966	-	54,731,992
Infrastructure	18,812,975	-	-	18,812,975
Furniture and equipment	29,621,495	1,393,989	(745,449)	30,270,035
Total capital assets being depreciated	<u>103,093,496</u>	<u>1,466,955</u>	<u>(745,449)</u>	<u>103,815,002</u>
Less accumulated depreciation for:				
Buildings and improvements	25,486,603	2,714,671	-	28,201,274
Infrastructure	9,711,729	673,189	-	10,384,918
Furniture and equipment	23,054,309	1,727,303	(735,756)	24,045,856
Total accumulated depreciation	<u>58,252,641</u>	<u>5,115,163</u>	<u>(735,756)</u>	<u>62,632,048</u>
Total depreciable Capital Assets, Net	<u>44,840,855</u>	<u>(3,648,208)</u>	<u>(9,693)</u>	<u>41,182,954</u>
Total Governmental Activities, Net	<u>\$ 80,026,653</u>	<u>\$ (3,648,208)</u>	<u>\$ (9,693)</u>	<u>\$ 76,368,752</u>
	Balance June 30, 2019	Additions	Transfers and Reductions	Balance June 30, 2020
Business-Type Activities				
Nondepreciable Capital Assets:				
Land	\$ 2,956,046	\$ -	\$ -	\$ 2,956,046
Construction in progress	991,472	-	-	991,472
Total Nondepreciable Capital Assets	<u>3,947,518</u>	<u>-</u>	<u>-</u>	<u>3,947,518</u>
Depreciable Capital Assets:				
Buildings and improvements	120,279,733	2,682,954	-	122,962,687
Furniture and equipment	8,040,547	595,221	(251,935)	8,383,833
Total capital assets being depreciated	<u>128,320,280</u>	<u>3,278,175</u>	<u>(251,935)</u>	<u>131,346,520</u>
Less accumulated depreciation for:				
Buildings and improvements	63,350,587	4,906,220	-	68,256,807
Furniture and equipment	4,849,736	431,286	(220,443)	5,060,579
Total accumulated depreciation	<u>68,200,323</u>	<u>5,337,506</u>	<u>(220,443)</u>	<u>73,317,386</u>
Total depreciable Capital Assets, Net	<u>60,119,957</u>	<u>(2,059,331)</u>	<u>(31,492)</u>	<u>58,029,134</u>
Total Business-Type Activities, Net	<u>\$ 64,067,475</u>	<u>\$ (2,059,331)</u>	<u>\$ (31,492)</u>	<u>\$ 61,976,652</u>

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

5. CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 1,025,783
Public Safety	2,423,469
Public Works	1,481,524
Recreation	184,387
Total Depreciation Expense - Governmental Activities	<u>\$ 5,115,163</u>

A summary of changes in capital assets for the component units at June 30, 2020 is as follows:

<u>Component Units</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Transfers and Reductions</u>	<u>Balance June 30, 2020</u>
Board of Education				
Nondepreciable Capital Assets:				
Land	\$ 624,446	\$ -	\$ -	\$ 624,446
Buses Not in Service	381,594	-	(381,594)	-
Construction in progress	18,158,194	27,524,795	-	45,682,989
Total Nondepreciable Capital Assets	<u>19,164,234</u>	<u>27,524,795</u>	<u>(381,594)</u>	<u>46,307,435</u>
Depreciable Capital Assets:				
Buildings and improvements	95,389,131	-	(10,230,459)	85,158,672
Furniture and equipment	27,201,729	975,668	(1,185,632)	26,991,765
Total capital assets being depreciated	<u>122,590,860</u>	<u>975,668</u>	<u>(11,416,091)</u>	<u>112,150,437</u>
Less accumulated depreciation for:				
Buildings and improvements	(47,636,059)	(2,170,782)	7,932,311	(41,874,530)
Furniture and equipment	(23,232,978)	(1,132,144)	1,305,571	(23,059,551)
Total accumulated depreciation	<u>(70,869,037)</u>	<u>(3,302,926)</u>	<u>9,237,882</u>	<u>(64,934,081)</u>
Total depreciable Capital Assets, Net	<u>\$ 51,721,823</u>	<u>\$ (2,327,258)</u>	<u>\$ (2,178,209)</u>	<u>\$ 47,216,356</u>
	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Transfers and Reductions</u>	<u>Balance June 30, 2020</u>
Library				
Nondepreciable Capital Assets:				
Construction in progress	\$ 18,914	\$ -	\$ -	\$ 18,914
Total Nondepreciable Capital Assets	<u>18,914</u>	<u>-</u>	<u>-</u>	<u>18,914</u>
Depreciable Capital Assets:				
Buildings and improvements	465,898	-	-	465,898
Furniture and equipment	1,401,042	89,074	(297,846)	1,192,270
Total capital assets being depreciated	<u>1,866,940</u>	<u>89,074</u>	<u>(297,846)</u>	<u>1,658,168</u>
Less accumulated depreciation for:				
	1,407,577	142,702	(297,846)	1,252,433
Total depreciable Capital Assets, Net	<u>\$ 459,363</u>	<u>\$ (53,628)</u>	<u>\$ -</u>	<u>\$ 405,735</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

6. LONG-TERM DEBT

The following is a summary of long-term debt at June 30, 2020:

	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>	<u>Amount Due in One Year</u>
Primary Government					
Governmental Activities:					
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.	\$ 63,700	\$ -	\$ 9,100	\$ 54,600	\$ 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%.	49,964	-	11,581	38,383	12,176
Chesapeake College Bond of 2000; original issue \$620,000, a contractual liability payable to Queen Anne's County, the registered owner, payable in annual principal installments from \$20,000 to \$50,000; interest payable annually at rates from 5.10% to 5.75%.	47,611	-	47,611	-	-
Public Improvement and Refunding Bonds of 2010; original issue \$12,157,711, payable annually in principal payments ranging from \$587,000 to \$1,318,000 through May 2022; interest payable semi-annually at rates from 2% to 5%.	2,313,581	-	744,755	1,568,826	771,191
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.	60,333	-	8,619	51,714	8,619
Chesapeake College Bonds of 2014; original issue \$1,760,000, a contractual liability payable to Queen Anne's County, the registered owner; payable in annual principal installments from \$61,313 to \$124,198 through April 1, 2034; interest payable semi-annually.	1,437,713	-	71,925	1,365,788	74,676
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.	3,574,125	-	850,844	2,723,281	878,690
Public Facilities Bonds of 2020; original issue \$21,775,000, payable annually in principal payments ranging from \$690,000 to \$1,440,000 through July 1, 2040; interest payable semiannually at rates from 2.0% to 5.00%.	-	21,775,000	-	21,775,000	-

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

6. LONG-TERM DEBT (continued)

	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>	<u>Amount Due in One Year</u>
Primary Government (continued)					
Governmental Activities (continued):					
Public Improvement Refunding Bonds of 2015; original issue \$15,206,400, payable annually in principal payments ranging from \$150,000 to \$1,645,000 through December 15, 2027; interest payable semi-annually at rates from 2% to 5%.	\$ 13,313,700	\$ -	\$ 1,485,000	\$ 11,828,700	\$ 1,538,700
	20,860,727	21,775,000	3,229,435	39,406,292	3,293,152
Unamortized bond premium	1,028,451	3,144,540	175,439	3,997,552	-
Compensated absences	1,103,209	904,541	775,140	1,232,610	457,879
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 22,992,387</u>	<u>\$ 25,824,081</u>	<u>\$ 4,180,014</u>	<u>\$ 44,636,454</u>	<u>\$ 3,751,031</u>

	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>	<u>Amount Due in One Year</u>
Business-type Activities:					
Recreation Facilities					
Golf Course Equipment lease of 2019; original issue \$5,387 payable in monthly payments of \$128, which include principal and interest at a rate of 6.05% payable through May 30, 2023.	\$ 5,369	\$ -	\$ 1,252	\$ 4,117	\$ 1,330
Golf Course equipment capital lease; original issue of \$251,935, payable in monthly payments of \$3,555 which include principal and interest at a rate of 3.5% with one final payment of \$107,500 through August 1, 2020.	-	361,899	-	361,899	-
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%.	209,648	-	67,485	142,163	69,885
Public Improvement Refunding Bonds of 2015; original issue \$1,441,300, payable annually in principal payments ranging from \$90,000 to \$180,000 through December 15, 2025; interest payable semi-annually at rates from 2% to 5%.	1,051,300	-	140,000	911,300	151,300
Golf Course equipment capital lease; original issue of \$251,935, payable in monthly payments of \$3,555 which include principal and interest at a rate of 3.5% with one final payment of \$107,500 through August 1, 2020.	144,079	-	144,079	-	-
Unamortized bond premium	80,762	-	11,538	69,224	-
Total Recreation Facilities	<u>\$ 1,491,158</u>	<u>\$ 361,899</u>	<u>\$ 364,354</u>	<u>\$ 1,488,703</u>	<u>\$ 222,515</u>

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

6. LONG-TERM DEBT (continued)

	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>	<u>Amount Due in One Year</u>
Business-type Activities (continued):					
Sanitary District					
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%.	\$ 3,945,642	\$ -	\$ 515,634	\$ 3,430,008	\$ 517,697
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%.	144,545	-	32,708	111,837	31,479
Farmers Home Administration Bond; Unionville/Tunis Mills/Copperville Wastewater System Bond of 2001; original issue \$186,000, payable quarterly in payments of \$2,833 through May 2030, including interest at 4.5%.	97,836	-	7,043	90,793	7,365
St. Michaels Wastewater System Consolidated Public Improvement Bond of 2019; original issue \$1,452,000, payable quarterly in principal payments ranging from \$8,631 to \$16,329 through July 25, 2049; interest payable quarterly at 2.125%.	-	1,452,000	26,115	1,425,885	35,613
Martingham Pump Station and Force Main Consolidated Public Improvement Bonds of 2016; original issue \$2,575,000, payable quarterly in payments of \$26,240 through December 15, 2046, including interest at 1.375%.	2,398,351	-	72,265	2,326,086	73,353
Bio-Solids Facility Consolidated Public Improvement Bonds of 2016; original issue \$5,975,000, payable quarterly in payments of \$60,886 through December 15, 2046, including interest at 1.375%.	5,553,169	-	167,679	5,385,490	170,203
Bio-Solids Facility Consolidated Public Improvement Bonds of 2018; original issue \$1,786,000, payable quarterly in payments of \$80,598 through November 16, 2047, including interest at 1.375% to 2.215%.	1,719,001	-	45,572	1,673,429	46,553
St. Michaels Wastewater System Consolidated Public Improvement Bond of 2020; original issue \$222,000 payable quarterly in principal payments ranging from \$1,499 to \$2,256 through April 23, 2050; interest payable quarterly at 1.375%.	-	222,000	222,000	-	-
Total Sanitary District	<u>\$13,858,544</u>	<u>\$1,674,000</u>	<u>\$1,089,016</u>	<u>\$14,443,528</u>	<u>\$ 882,263</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

6. LONG-TERM DEBT (continued)

	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>	<u>Amount Due in One Year</u>
Business-type Activities (continued):					
Easton Airport					
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%.	\$ 125,001	\$ -	\$ 40,000	\$ 85,001	\$ 40,000
Public Improvement and Refunding Bonds of 2010; original issue \$306,284, payable annually in principal payments ranging from \$13,000 to \$35,000 through May 2022; interest payable semi-annually at rates from 2% to 5%.	101,771	-	32,760	69,011	33,924
Department of Natural Resources Hangar; original issue \$300,000, payable monthly in principal and interest payments of \$2,030 through October 10, 2020; interest is payable of 5.3% per annum.	30,319	-	23,264	7,055	7,055
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.	237,870	-	5,645	232,225	5,889
Total Easton Airport	<u>494,961</u>	<u>-</u>	<u>101,669</u>	<u>393,292</u>	<u>86,868</u>
Compensated absences	110,675	91,880	92,364	110,191	39,942
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 15,955,338</u>	<u>\$ 2,127,779</u>	<u>\$ 1,647,403</u>	<u>\$ 16,435,714</u>	<u>\$ 1,231,588</u>

The bonds outstanding at June 30, 2020 for the primary government's governmental activities and business-type activities are general obligation bonds.

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2020

6. LONG-TERM DEBT (continued)

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

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

The assets acquired through capital leases are as follows:

Business-Type Activities

Equipment	\$	367,259
Less: accumulated depreciation		(62,996)
Total	\$	<u>304,263</u>

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

Business-Type Activities

Year Ending June 30

2020	\$	68,669
2021		68,669
2022		68,541
2023		178,444
Less: amounts representing interest		(27,894)
Present value of future minimum lease payments	\$	<u>356,429</u>

Funds Used For Debt Service and Liquidation of Compensated Absences

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

Other Obligations

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

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, 2020 is \$137,114.

<u>Component Units</u>	<u>Balance at June 30, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2020</u>
<u>Board of Education</u>				
Note payable to Signature Bank; principal and interest payments of \$2,207 are payable monthly through August 26, 2021; interest is payable at 2.09% per annum; collateralized by a school bus.	\$ 56,053	\$ -	\$ 25,556	\$ 30,497
Note payable to SunTrust Equipment Finance & Leasing Corp; principal and interest payments of \$8,638 are payable monthly through September 1, 2018; interest is payable at 1.597% per annum; collateralized by school buses.	-	-	-	-
Note payable to Branch Banking & Trust Co. (BB&T); principal and interest payments of \$2,042 are payable monthly through June 11, 2020; interest is payable at 1.98% per annum; collateralized by school buses.	30,230	-	24,124	6,106
Note payable to American Capital Financial Services, Inc.; principal and interest payments of \$51,594 are payable annually through September 1, 2021; interest is payable at 3.18% per annum; collateralized by servers.	145,431	-	46,967	98,464
Note payable to City National Capital Finance; principal and interest payments of \$104,353 are payable annually through September 1, 2021; interest is payable at 1.8% per annum; collateralized by school buses.	303,576	-	100,500	203,076
Note payable to City National Capital Finance; principal and interest payments of \$12,838 are payable annually through September 1, 2021; interest is payable at 1.9% per annum; collateralized by school buses.	24,963	-	12,364	12,599
Note payable to City National Capital Finance; principal and interest payments of \$110,108 are payable annually through July 31, 2022; interest is payable at 2.98% per annum; collateralized by school buses	409,480	-	97,906	311,574
Note payable to City National Capital Finance; principal and interest payments of \$80,073 are payable annually through April 26, 2023; interest is payable at 2.46% per annum; collateralized by school buses	301,521	-	72,655	228,866
TOTAL BOARD OF EDUCATION	<u>\$ 1,271,254</u>	<u>\$ -</u>	<u>\$ 380,072</u>	<u>\$ 891,182</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements
June 30, 2020

6. LONG-TERM DEBT (continued)

Other Obligations (continued)

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

Primary Government	Bonds			Notes from Direct Borrowing and Direct Placement		
	Principal	Interest	Total	Principal	Interest	Total
Governmental Activities						
Fiscal year Ending June 30,						
2021	\$ 2,396,743	\$ 854,060	\$ 3,250,803	\$ 896,409	\$ 89,126	\$ 985,535
2022	3,153,227	1,138,541	4,291,768	925,166	60,368	985,534
2023	2,429,400	1,043,139	3,472,539	954,864	30,670	985,534
2024	2,514,109	950,822	3,464,931	17,719	-	17,719
2025	2,457,253	842,473	3,299,726	17,719	-	17,719
2026-2030	9,055,784	2,907,166	11,962,950	8,618	-	8,619
2031-2035	6,349,281	1,456,265	7,805,546	-	-	-
2036-2040	6,790,000	504,700	7,294,700	-	-	-
Thereafter	1,440,000	15,300	1,455,300	-	-	-
Total Governmental Activities	\$ 36,585,797	\$ 9,712,466	\$ 46,298,263	\$ 2,820,495	\$ 180,164	\$ 3,000,660
Enterprise Fund - Recreation Facilities (excluding capital leases)						
Fiscal year Ending June 30,						
2021	\$ 221,185	\$ 25,262	\$ 246,447	\$ -	\$ -	\$ -
2022	227,278	19,866	247,144	-	-	-
2023	155,000	14,300	169,300	-	-	-
2024	160,000	11,375	171,375	-	-	-
2025	145,000	7,250	152,250	-	-	-
2026-2030	145,000	7,250	152,250	-	-	-
Total Recreation Facilities	\$ 1,053,463	\$ 85,303	\$ 1,138,766	\$ -	\$ -	\$ -
Enterprise Fund - Sanitary District						
Fiscal year Ending June 30,						
2021	\$ -	\$ -	\$ -	\$ 880,107	\$ 190,421	\$ 1,070,528
2022	-	-	-	889,207	181,717	1,070,924
2023	-	-	-	896,759	175,129	1,071,888
2024	-	-	-	895,749	174,885	1,070,634
2025	-	-	-	861,099	154,928	1,016,027
2026-2030	-	-	-	2,690,957	662,641	3,353,598
2031-2035	-	-	-	1,959,366	505,554	2,464,920
2036-2040	-	-	-	2,116,976	347,944	2,464,920
2041 - 2045	-	-	-	2,288,207	176,713	2,464,920
2046- 2050	-	-	-	965,101	24,012	989,113
Total Sanitary District	\$ -	\$ -	\$ -	\$ 14,443,528	\$ 2,593,944	\$ 17,037,472

TALBOT COUNTY, MARYLAND

Notes to Financial Statements
June 30, 2020

6. LONG-TERM DEBT (continued)

Other Obligations (continued)

<u>Primary Government (continued)</u>	<u>Bonds</u>			<u>Notes from Direct Borrowing and Direct Placement</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Enterprise Fund - Easton Airport						
Fiscal year Ending June 30,						
2021	\$ 79,112	\$ 16,622	\$ 95,734	\$ 7,756	\$ 89	\$ 7,845
2022	86,231	13,109	99,340	-	-	-
2023	6,411	9,235	15,646	-	-	-
2024	6,685	8,958	15,643	-	-	-
2025	6,977	8,668	15,645	-	-	-
2026-2030	39,696	38,533	78,229	-	-	-
2031-2035	49,073	29,153	78,226	-	-	-
2036-2040	60,670	17,557	78,227	-	-	-
2041-2044	50,681	3,947	54,628	-	-	-
Total Easton Airport	<u>\$ 385,536</u>	<u>\$ 145,782</u>	<u>\$ 531,318</u>	<u>\$ 7,756</u>	<u>\$ 89</u>	<u>\$ 7,845</u>

Component Units

Board of Education

Fiscal year Ending June 30,	
2021	\$ 391,575
2022	350,541
2023	190,181
	<u>932,297</u>
Less amounts representing interest	<u>(41,115)</u>
Total Board of Education	<u>\$ 891,182</u>

Obligations Under State Retirement System

Component Unit - Board of Education

State Retirement and Pension System of Maryland	
Payable annually through December 2035.	<u>\$ 552,062</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

6. LONG-TERM DEBT (continued)

Other Obligations (continued)

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

<u>Fiscal Year Ending June 30,</u>	
2021	\$ 45,504
2022	47,779
2023	50,168
2024	52,677
2025	55,310
2026-2030	320,906
2031-2035	409,567
2036	94,600
Total principal and interest	1,076,511
Less amounts representing interest	(524,449)
Liability as of June 30, 2020	<u>\$ 552,062</u>

The Board of Education obligation to the State Retirement System was \$552,062 at June 30, 2020. There were payments of \$43,337 during fiscal year 2020.

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.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

7. PENSION PLANS (continued)

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

The following groups of employees participate in:

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

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

Basis of Accounting

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

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

General Plan Policies:

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

7. PENSION PLANS (continued)

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

General Plan Policies: (continued)

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

Significant Plan Benefits and Policies:

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

Teachers' and Employees' Retirement Systems

Retirement Benefits:

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

Vested Allowance:

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

7. PENSION PLANS (continued)

Teachers' and Employees' Retirement Systems (continued)

Vested Allowance: (continued)

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

Pension Benefits:

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

Employee Contributions:

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

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

7. PENSION PLANS (continued)

Teachers' and Employees' Retirement Systems (continued)

Employer Contributions:

For the year ended June 30, 2020, total payroll, covered payroll and State on-behalf payments were as follows:

	Total Payroll	Covered Payroll	On-Behalf By State
Talbot County	\$ 14,239,334	\$ 17,429,516	\$ -
Board of Education	38,807,762	36,552,281	3,418,321
Library	1,090,879	1,011,711	162,477

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

During fiscal year 2020, the County reported expense of \$1,523,465 and the Board of Education reported expense of \$1,743,692 related to the Employees' Systems in the fund financial statements.

Board of Education – Special Funding

As a result of a first-time actuarial study of the State Retirement and Pension System of Maryland, the Talbot County Board of Education was identified as one of 23 municipal corporations not having enough assets available to fund the present value of accrued benefits for participants in the retirement system. Under the rules of House Bill 1338, the original deficit amount was determined to be \$925,482 as of June 30, 1996, to be repaid over a period of 40 years. The Board was granted relief of \$210,003 (as of June 30, 1996) by HB1348 enacted in 1997 and further relief of \$210,003 (as of June 30, 1996) by HB430 which was enacted in 1998. The fiscal year 2020 payment was \$43,337. The payments reflect a pattern which increases by 5% per year for the next 17 years. (See also Note 6.)

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2020

7. PENSION PLANS (continued)

Board of Education – Special Funding (continued)

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

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

At June 30, 2020, the Board reported a liability for its proportionate share of the net pension liability. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

Board's proportionate share of the net pension liability (Employees' Systems)	\$ 4,265,802
State's proportionate share of the net pension liability associated with the Board (Teachers' System)	<u>33,703,981</u>
Total	<u>\$ 37,969,783</u>

The net pension liability was measured as of June 30, 2020, 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, 2020, the Board's proportion was approximately .0206821%.

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

7. PENSION PLANS (continued)

Board of Education – Special Funding (continued)

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

At June 30, 2020, the County reported the following related to pensions:

	<u>Board</u>	<u>Total County</u>
Employer's proportion of the net pension liability	0.0206821%	0.0579577%
Employer's proportionate share of the net pension liability	\$ 4,265,802	\$ 11,954,141
Deferred inflows of resources:		
Change in assumptions	116,095	325,337
Net difference between projected and actual investment earnings on pension plan investments	-	-
Differences between expected and actual results	283,055	120,152
Total deferred inflows of resources	<u>\$ 399,150</u>	<u>\$ 445,489</u>
Deferred outflows of resources:		
Change in assumptions	\$ 76,772	\$ -
Net difference between projected and actual investment earnings on pension plan investments	105,164	245,762
Contributions subsequent to the measurement date	452,006	1,190,162
Total deferred outflows of resources	<u>\$ 633,942</u>	<u>\$ 1,435,924</u>
	<u>Board</u>	<u>Total County</u>
<u>Fiscal Year Ending June 30,</u>		
2021	\$ 27,055	\$ (150,889)
2022	(127,194)	29,981
2023	(68,922)	(46,575)
2024	(24,996)	(29,551)
2025	(23,157)	(2,693)

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

7. PENSION PLANS (continued)

Board of Education – Special Funding (continued)

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

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.65% general, 3.15% wage
Salary increases	3.10% to 11.60%, including inflation
Discount rate	7.40%
Investment rate of return	7.40%
Mortality	Public Sector 2010 Mortality Tables calibrated to MSRPS experience with generational projections using MP-2018 (2-dimensional) mortality improvement scale.

Investments:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equity	37%	6.30%
Private Equity	13%	7.50%
Rate Sensitive	19%	1.30%
Credit Opportunity	9%	3.90%
Real Assets	14%	4.50%
Absolute Return	8%	3.00%
Total	<u>100%</u>	

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2020

7. PENSION PLANS (continued)

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

Discount rate:

A single discount rate of 7.4% 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 7.4%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.4%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

<u>System</u>	<u>1% Decrease to 6.4%</u>	<u>Current Discount</u>	<u>1% Increase to 8.4%</u>
County	\$ 17,333,504	\$ 11,954,141	\$ 7,531,109
Board	6,174,322	4,265,802	2,676,246

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

8. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

Plan Description and Eligibility

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

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

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

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

The Library administers a single-employer defined benefit healthcare plan for its retirees. The plan provides healthcare insurance for eligible retirees and their spouses. Employees are eligible to participate in the plan upon retirement provided they have 10 years of service with the Library and meet the eligibility requirements of the State Retirement and Pension System of Maryland. As of July 1, 2019, the date of the actuarial valuation, 5 retirees were receiving benefits under the plan, and an estimated 18 active employees are eligible or potentially eligible to receive future benefits. Active members eligible to receive healthcare benefits are currently covered under Talbot County, Maryland’s healthcare plan.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2020

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 2020, the County paid for coverage of 75 eligible retirees and 53 dependents of retirees at a total cost to the County of \$1,005,859 and eligible retirees contributed \$133,897. 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 the cost of the Plan on a pay-as-you-go basis from the general fund. For fiscal year 2020, the Library contributed \$21,164 to the plan for 5 eligible retirees.

Net OPEB Liability of the County

The components of the net OPEB liability of the County at June 30, 2020, were as follows:

Total OPEB liability	\$ 19,915,999
Plan fiduciary net position	12,615,301
County's net OPEB liability	<u>\$ 7,300,698</u>

Plan fiduciary net position as a percentage of the total OPEB liability	63.34%
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Annual OPEB Costs

During fiscal year ending June 30, 2020, contributions were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation as of June 30, 2019. The County recognized OPEB expense of \$2,039,974 for the year ended June 30, 2020.

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

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

Actuarial Assumptions

Long-Term Expected Rate of Return

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

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

Rate of Return

For the year ended June 30, 2020, the annual money-weighted rate of return on OPEB plan investments, net of expense was 7%.

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

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

	<u>1% Decrease 6%</u>	<u>Current Discount Rate 7%</u>	<u>1% Increase 8%</u>
County's net OPEB liability	\$ 5,046,491	\$ 7,300,698	\$ 9,989,065

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

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

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

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

	<u>1% Decrease 5.5%</u>	<u>Trend Rate 6.5%</u>	<u>1% Increase 7.5%</u>
County's net OPEB liability	\$ 10,428,142	\$ 7,300,698	\$ 4,744,288

Changes in the Net OPEB Liability

	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance as of June 30, 2019	\$ 17,086,588	\$ 12,424,519	\$ 4,662,069
Changes for the year			-
Service cost	502,715	-	502,715
Interest	1,171,214	-	1,171,214
Difference Between Expected & Actual	1,091,207	(624,893)	1,716,100
Changes of Assumptions and Other Inputs	174,943	-	174,943
Net investment income	-	243,959	(243,959)
Benefit payments	(709,922)	-	(709,922)
Administrative expenses	-	(53,177)	53,177
Other changes	599,254	624,893	(25,639)
Net changes	<u>2,829,411</u>	<u>190,782</u>	<u>2,638,629</u>
Balance as of June 30, 2020	<u>\$ 19,915,999</u>	<u>\$ 12,615,301</u>	<u>\$ 7,300,698</u>

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

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 942,582	\$ -
Change in assumptions	1,494,979	1,041,363
Difference between projected and actual earnings	550,882	-
	<u>\$ 2,988,443</u>	<u>\$ 1,041,363</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

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

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

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

<u>Years Ending</u>		
2021	\$	366,045
2022		366,045
2023		370,450
2024		350,524
2025		225,545
Thereafter		268,471

Component Units – Board of Education

General Information about the OPEB Plan

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

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

Plan members receiving benefits contribute a percentage of the monthly insurance premium. The Talbot County Public Schools Retiree Health Plan pays 66% of the individual premium for each insured retiree who has at least 8 years of service. Retirees with less than 8 years of service are allowed access but must pay 100% of the published rates.

Employees covered by benefit terms – At July 1, 2020, the following employees were covered by the benefit terms:

Active plan members	263
Inactive employees or beneficiaries currently receiving benefit payments	65
Active plan members	<u>531</u>
Total	<u><u>859</u></u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2020

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

Component Units – Board of Education (continued)

Contributions – Premiums and other contributions for the Boards share of the net cost of the group programs may be paid, as determined by the Board, from the assets of the Board. Premium payments for some programs may require contributions by the participant as well as the Board. The frequency and amount of such contributions shall be established from time to time by the County.

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions – The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.2%
Salary Increases	3%
Investment Rate of Return	1.60%
Healthcare Cost Trend Rates	Long Term Medical Cost Trend Model

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2020

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

Component Units – Board of Education (continued)

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

	Target Allocation	Long Term Expected Rate of Return
Public Equity	37%	6.3%
Private Equity	13%	7.5%
Rate Sensitive	19%	1.3%
Credit Opportunity	9%	3.9%
Real Assets	14%	4.5%
Absolute Return	8%	3.0%
	<u>100%</u>	

Discount rate - The discount rate used to measure the total OPEB liability was 7%. The projection of cash flows used to determine the discount rate assumed that Board contributions will be to fund current contribution levels. Based on those assumptions, the unfunded rate was used. The unfunded rate is determined by using the 20 - year U.S Treasury bond. Any increase in the discount rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

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

Component Units – Board of Education (continued)

Changes in the Net OPEB Liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of June 30, 2018 for FYE 2019	\$ 121,251,642	\$ 120,162	\$ 121,131,480
Changes for the Year:			
Service Cost	5,546,279	-	5,546,279
Interest	3,759,649	-	3,759,649
Experience Losses/(Gains)	(20,624,895)	-	(20,624,895)
Employer Trust Contribution	-	1,935,922	(1,935,922)
Net Investment Income	-	1,809	(1,809)
Changes in Assumptions	9,324,078	-	9,324,078
Benefit Payments	(1,935,922)	(1,935,922)	-
Net Changes	<u>(3,930,811)</u>	<u>1,809</u>	<u>(3,932,620)</u>
Balance as of June 30, 2019 for FYE 2020	<u>\$ 117,320,831</u>	<u>\$ 121,971</u>	<u>\$ 117,198,860</u>

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates - The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.45%) or 1% higher (3.45%) than the current discount rate:

	1% Decrease 1.45%	Discount Rate 2.45%	1% Increase 3.45%
Discount Rate			
Net OPEB Liability (Asset)	\$ 142,802,440	\$ 117,198,860	\$ 97,264,588

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates – The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (3.0%) or 1% higher (5%) than the current healthcare cost trend rates:

	1% Decrease 3.00%	Healthcare Cost Trend Rate 4.00%	1% Increase 5.00%
Ultimate Trend			
Net OPEB Liability (Asset)	\$ 93,673,234	\$ 117,198,860	\$ 149,306,070

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

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

Component Units – Board of Education (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - For the year ended June 30, 2020, the Board recognized OPEB expense of \$9,249,190. At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 9,390,747	\$ 9,824,207
Net difference between projected and actual earnings	1,747	-
Differences between expected and actual experience	7,819,885	-
Total	<u>\$17,212,379</u>	<u>\$ 9,824,207</u>

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

<u>Year ended June 30:</u>	
2021	\$ 885,731
2022	885,731
2023	885,749
2024	885,612
2025	885,269
Thereafter	2,960,080

Component Units – Library

The Library’s Post-Employment Benefits Plan (the “Plan”) is a single-employee defined benefit healthcare plan administered by the Library. The Library has the authority to establish and amend the funding of the Plan. No assets are accumulated in a trust that meet the criteria as defined in GASB No. 75 paragraph 4. The Library pays for the cost of the Plan on a pay-as-you-go basis from general fund. For June 30, 2020, the Library paid \$21,164 to the plan.

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

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

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

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

Component Units – Library (continued)

The number of covered employees are as follows:

Participants	
Active Employees	18
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	5
TOTAL	23

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

Health Care Trend Rates

Initial Health Care Cost Trend Rate	6.50%
Ultimate Health Care Cost Trend Rate	4.50%
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2035

Additional Information

Valuation date	July 1, 2019
Measurement date	June 30, 2020
Actuarial cost method	Entry Age Normal
Discount rate	2.66%
Inflation rate	3.00%
Salary rate increase	4.00%

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

Mortality PubG.H-2010 Mortality Table - General

The discount rate used is the S&P Municipal Bond 20 Year High-Grade Rate Index as of June 30, 2020.

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2020**

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

Component Units – Library (continued)

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

	Discount Rate		
	1% Increase to 3.66%	Discount Rate 2.66%	1% Decrease to 1.66%
Net OPEB liability	\$ 1,444,511	\$ 1,641,649	\$ 1,883,589

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

	Healthcare Trend		
	1% Increase to 7.50%	Discount Rate 6.00%	1% Decrease to 5.00%
Net OPEB liability	\$ 1,892,961	\$ 1,641,649	\$ 1,436,210

Changes in the net OPEB liability are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of June 30, 2019	\$ 1,344,709	\$ -	\$ 1,344,709
Changes for the year:			
Service cost	71,767	-	71,767
Interest on total OPEB liability	36,594	-	36,594
Changes of benefit terms	(139,329)	-	(139,329)
Differences between expected and actual experience	286,303	-	286,303
Changes of assumptions and other inputs	100,536	-	100,536
Benefits payments	(66,158)	-	(66,158)
Other changes	7,227	-	7,227
Net changes	296,940	-	296,940
Balances as of June 30, 2020	\$ 1,641,649	\$ -	\$ 1,641,649

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2020

9. COMPENSATION

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

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

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

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

10. UNEARNED REVENUES

Unearned revenue consists of federal and state grants, agricultural taxes collected, and other revenues that have been received by the County, but not earned by June 30, 2020. Unearned revenue at June 30, 2020 consisted of the following:

	<u>County</u>	<u>Board of Education</u>
Federal and state grants	\$ 3,248,981	\$ 1,517,747
Other sources	5,421,221	-
	<u>\$ 8,670,202</u>	<u>\$ 1,517,747</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

11. COMMITMENTS AND CONTINGENCIES

Primary Government

Landfills Closure and Post-closure Costs

The County has a 26.63% financial interest in Mid-Shore Regional Solid Waste Facility, which is owned and operated by Maryland Environmental Service (MES). The Landfills are located on the Eastern Shore of Maryland and are shared by four counties. Under the Waste Disposal Service Agreement between MES and the County, in the event expenditures should exceed revenues, the County is obligated to cover the deficiency in proportion to its financial interest, however, to date additional funding from the County has not been required nor does management anticipate it.

In December 2010, the Mid-Shore I landfill located in Talbot County accepted its last trash and in January 2011, the Mid-Shore II landfill was opened for commercial business. As of June 30, 2020, total closure and post closure care costs were estimated at approximately \$18.4 million, with approximately \$4.9 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, 2020, a portion of these costs, \$6.2 million, determined by the estimated useful life of the Landfills.

Similar to the post closure costs, each of the participating Counties is contingently liable for the debt related to the new facility, Mid-Shore II. Mid-Shore II was funded with project revenue bonds. As of June 30, 2020, total debt was approximately \$25.0 million, with approximately \$6.7 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, 2019. MES expects to satisfy these requirements as of June 30, 2020 using the same criteria.

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

11. COMMITMENTS AND CONTINGENCIES (continued)

Primary Government (continued)

Legal Actions

The County believes it is probable that income tax refund claims of approximately \$3,000,000 related to the *Maryland State Comptroller of the Treasury v. Bryan Wynne* case will have to be issued in the future. Maryland's personal income tax on State residents consists of a State income tax and a local tax. Residents who pay income tax to another state were allowed a credit against the State income tax, but not against the local tax. The U.S. Supreme Court determined that this taxing system was unconstitutional. Claims processed through the end of March 2019 totaled approximately \$1.8 million. Deductions from income tax revenues will begin in February 2021.

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

Construction Commitments

The County had entered into contracts for the design, construction, and renovation of facilities at June 30, 2020, which are as follows:

	<u>Amounts Expended To Date</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Sanitary District - St. Michaels	\$ 3,212,952	\$ 1,296,514	June 2021
Sanitary District - BioSolids	93,133	3,189	September 2020
Airport - RJO Services	-	358,786	April 2021

12. RISK MANAGEMENT

Primary Government

General Insurance

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

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

12. RISK MANAGEMENT (continued)

Primary Government (continued)

General Insurance (continued)

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

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

Health Insurance

The County self-insures health insurance coverage for its active employees with Cigna Health and Life Insurance Company providing third party administrative services.

Board of Education

General Insurance

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

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2020

12. RISK MANAGEMENT (continued)

Board of Education (continued)

Health Insurance

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

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

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

13. DEFICITS

At June 30, 2020, the Sanitary District Fund had a deficit in unrestricted net position of \$928,250. This deficit is expected to be eliminated through normal operations.

14. UNRESTRICTED NET POSITION

The County has issued bonds and notes payable for capital assets for the Board of Education of Talbot County and Chesapeake College. Therefore, while the County's financial statements include this outstanding debt, they do not include the capital assets funded by the debt. At June 30, 2020, the outstanding balance of these bonds and notes payables was \$36,576,697, and the effect of this non-capital debt has been reflected in the unrestricted net position of the County.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2020

15. NEW ACCOUNTING PRONOUNCEMENTS

As of the year ended June 30, 2020, GASB has issued Statement No. 84 *Fiduciary Activities*; Statement No. 87, *Leases*; Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96, *Subscription-Based Information Technology Arrangements*, and Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. During the year ended June 30, 2020, GASB has also issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which provides temporary relief to governments in light of the COVID-19 pandemic, by postponing the effective dates of certain pronouncements. These statements may or will have a material effect on the County's financial statements once implemented. The County has not yet completed the process of evaluating the impact of these pronouncements on its financial statements and plans to adopt them, as applicable, by their effective date.

REQUIRED SUPPLEMENTARY INFORMATION

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
TAXES - LOCAL				
LOCAL PROPERTY TAXES				
Real property	\$ 41,499,000	\$ 41,499,000	\$ 41,831,066	\$ 332,066
Real property education supplement	1,719,250	1,719,250	1,702,379	(16,871)
Railroad and public utilities	900,000	900,000	1,109,492	209,492
Prior Years	-	-	(4,233)	(4,233)
Penalties and interest	160,000	160,000	203,263	43,263
Semi annual service charges	3,500	3,500	6,785	3,285
Total property taxes	44,281,750	44,281,750	44,848,752	567,002
Less: Discount allowed on taxes	(275,000)	(275,000)	(304,687)	(29,687)
Net property taxes	44,006,750	44,006,750	44,544,065	537,315
LOCAL INCOME TAXES	26,500,000	26,500,000	41,118,063	14,618,063
OTHER LOCAL TAXES				
Admissions and amusements	15,000	15,000	23,298	8,298
Recordation	5,500,000	5,500,000	6,803,185	1,303,185
Transfer	3,600,000	3,600,000	4,256,166	656,166
Public accommodations	1,375,000	1,375,000	1,145,479	(229,521)
Mobile manufactured home	55,000	55,000	53,318	(1,682)
Total other local taxes	10,545,000	10,545,000	12,281,446	1,736,446
Total local taxes	81,051,750	81,051,750	97,943,574	16,891,824
LICENSES AND PERMITS				
Beer, wine and liquor licenses	175,000	175,000	174,444	(556)
Traders licenses	30,000	30,000	26,543	(3,457)
Animal tags and fines	7,400	7,400	2,961	(4,439)
Stormwater permits	10,000	10,000	18,550	8,550
Flood plain permits	1,000	1,000	2,450	1,450
Road construction permit	15,000	15,000	27,940	12,940
Boat ramp permits and violations	139,000	139,000	98,046	(40,954)
Marriage licenses	2,000	2,000	2,195	195
Plumbing permits	9,000	9,000	9,140	140
Gas permits and licenses	9,500	9,500	10,920	1,420
Plumbing licenses	5,000	5,000	6,355	1,355
PZ fines	-	-	54,325	54,325
HVAC inspections and registrations	14,000	14,000	18,725	4,725
Health department fees	-	-	670	670
Electrical inspections and licenses	27,000	27,000	24,644	(2,356)
Building permits	220,000	220,000	272,352	52,352
Total licenses and permits	663,900	663,900	750,260	86,360
INTERGOVERNMENTAL REVENUES				
FROM THE FEDERAL GOVERNMENT				
FEMA	75,000	75,000	68,160	(6,840)
Emergency management - DHS	75,000	75,000	33,508	(41,492)
Total Federal revenues	\$ 150,000	\$ 150,000	\$ 101,668	\$ (48,332)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
FROM THE STATE OF MARYLAND				
Police protection	\$ 100,000	\$ 100,000	\$ 119,361	\$ 19,361
Sex offender grant	12,000	12,000	14,739	2,739
School bus safety grant	3,000	3,000	3,193	193
Sheriff grants other	30,000	30,000	49,135	19,135
Motor carrier - State Highway	3,434	3,434	4,166	732
Fire and rescue	290,000	290,000	316,644	26,644
911 grants and numbers system board	287,450	287,450	378,305	90,855
Circuit Court - Family Services	364,747	364,747	205,408	(159,339)
Drug court	144,119	144,119	150,000	5,881
Critical areas	10,000	10,000	9,998	(2)
Program open space	108,000	108,000	-	(108,000)
Highway user revenues	708,340	708,340	648,180	(60,160)
Recordation	25,000	25,000	74,627	49,627
Public landing grants	40,000	40,000	10,549	(29,451)
DSS-Legal fees	75,000	75,000	30,472	(44,528)
Office of tourism	-	-	33,725	33,725
MIEMSS grants	-	-	285	285
Total state revenues	2,201,090	2,201,090	2,048,787	(152,303)
Total intergovernmental	2,351,090	2,351,090	2,150,455	(200,635)
SERVICES CHARGES				
GENERAL GOVERNMENT CHARGES				
Zoning fees and certificates	30,000	30,000	34,068	4,068
Rezoning applications	-	-	2,000	2,000
Zoning violations	-	-	5,950	5,950
Zoning ordinances/maps	-	-	1,275	1,275
Subdivision applications	12,000	12,000	12,488	488
Administrative variance	1,000	1,000	2,400	1,400
Non-conforming structure	-	-	300	300
Board of appeals	5,000	5,000	4,000	(1,000)
Landscape planning	-	-	2,922	2,922
Site plan reviews	5,000	5,000	6,750	1,750
Forest conservation fees	1,000	1,000	(1,047)	(2,047)
Critical area preservation	10,000	10,000	29,270	19,270
Bed & breakfast license/home occupation	900	900	750	(150)
Short term rental fees	25,000	25,000	20,895	(4,105)
Mobile home fees	300	300	-	(300)
Roadside vendors and produce stand	1,500	1,500	3,725	2,225
Weed and litter enforcement	2,000	2,000	2,150	150
Weed control spraying	50,000	50,000	48,311	(1,689)
Gis data	-	-	20	20
Economic development/tourism	125,000	125,000	122,928	(2,072)
Election filing and voter lists	500	500	420	(80)
Sheriff's fees	25,000	25,000	23,290	(1,710)
Emergency medical services	1,500,000	1,500,000	1,564,197	64,197
911 center	400,000	400,000	400,000	-
MIEMSS-EMS communications	125,000	125,000	125,000	-
Total general government	2,319,200	2,319,200	2,412,062	92,862
PUBLIC SAFETY CHARGES				
Boarding of local prisoners	10,000	10,000	11,745	1,745
Weekenders fees/other revenues	1,000	1,000	460	(540)
Live-in, work-out fees	1,100	1,100	3,990	2,890
Home detention program	750	750	290	(460)
Federal prisoner program	146,000	146,000	204,960	58,960
Community service fees	5,000	5,000	7,541	2,541
Inmate sick call services	-	-	217	217
Rents	16,100	16,100	16,100	-
Other grants	10,000	10,000	-	(10,000)
Total public safety charges	\$ 189,950	\$ 189,950	\$ 245,303	\$ 55,353

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
SERVICES CHARGES (continued)				
HEALTH				
Mosquito control fees	\$ 100,000	\$ 100,000	\$ 124,446	\$ 24,446
RECREATION CHARGES				
Boat slips	68,600	68,600	84,611	16,011
Other recreation	-	-	4,000	4,000
Total recreation	68,600	68,600	88,611	20,011
Total service charges	2,677,750	2,677,750	2,870,422	192,672
FINES AND FORFEITURES				
	18,750	18,750	25,872	7,122
MISCELLANEOUS				
Rents	75,000	75,000	215,101	140,101
Bay Restoration Fund	2,500	2,500	2,711	211
PIA/FOIA	-	-	(222)	(222)
Other	274,000	274,000	412,445	138,445
Total miscellaneous	351,500	351,500	630,035	278,535
INTEREST				
	550,000	550,000	623,980	73,980
TOTAL REVENUES				
	87,664,740	87,664,740	104,994,598	17,329,858
OTHER FINANCING SOURCES				
Transfer from fiduciary fund	-	-	-	-
Transfer from special revenue fund	700,000	700,000	200,000	(500,000)
Reserved and unexpended funds	-	-	-	-
Total other financing sources	700,000	700,000	200,000	(500,000)
Appropriated Fund Balance	3,963,460	3,963,460	-	(3,963,460)
TOTAL REVENUES AND OTHER FINANCING SOURCES				
	\$ 92,328,200	\$ 92,328,200	\$ 105,194,598	\$ 12,866,398

TALBOT COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020

	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
EXPENDITURES				
GENERAL GOVERNMENT				
LEGISLATIVE				
County Council:				
Salaries and fringe benefits	\$ 140,727	\$ 140,727	\$ 140,699	\$ 28
Other operating	61,600	61,600	61,480	120
Total legislative	202,327	202,327	202,179	148
JUDICIAL				
Circuit Court:				
Salaries and fringe benefits	193,407	193,407	171,584	21,823
Other operating	34,721	34,721	35,729	(1,008)
Capital outlay	3,600	4,600	860	3,740
Court Stenographer:				
Salaries and fringe benefits	47,261	47,261	35,624	11,637
Other operating	150	150	-	150
Family Services:				
Salaries and fringe benefits	157,247	157,247	92,956	64,291
Other operating	207,500	207,500	112,474	95,026
Problem Solving Court:				
Salaries and fringe benefits	109,619	109,619	119,905	(10,286)
Other operating	34,500	34,500	24,385	10,115
Covid-19 expense	-	-	1,787	(1,787)
Capital outlay	-	-	4,016	(4,016)
Orphan's Court:				
Salaries and fringe benefits	50,851	60,851	56,697	4,154
Other operating	2,225	2,225	1,277	948
State's Attorney:				
Salaries and fringe benefits	969,237	989,237	984,399	4,838
Other operating	74,185	74,185	48,734	25,451
Victim Witness Program:				
Salaries and fringe benefits	172,979	177,779	176,426	1,353
Other operating	6,710	6,710	6,668	42
Bar Library:				
Other operating	15,750	15,750	22,727	(6,977)
Total judicial	2,079,942	2,115,742	1,896,248	219,494
EXECUTIVE				
County Administration:				
Salaries and fringe benefits	756,324	772,324	759,947	12,377
Other operating	92,910	92,910	52,751	40,159
Capital outlay	8,000	8,000	1,664	6,336
Total executive	857,234	873,234	814,362	58,872
ELECTIONS				
Board of Supervisors of Elections:				
Salaries and fringe benefits	293,217	293,217	281,054	12,163
Other operating	228,975	228,975	187,180	41,795
Registration and elections:				
Salaries and fringe benefits	56,900	56,900	16,352	40,548
Other operating	3,400	3,400	-	3,400
Total elections	582,492	582,492	484,586	97,906
FINANCIAL ADMINISTRATION				
Finance Office:				
Salaries and fringe benefits	765,384	777,504	771,587	5,917
Other operating	279,300	279,300	245,856	33,444
MD State Department of Assessments and Taxation:				
	200,000	200,000	190,928	9,072
Liquor License Commissioners:				
Salaries and fringe benefits	14,354	14,354	11,525	2,829
Other operating	3,275	3,275	2,148	1,127
Total financial administration	\$ 1,262,313	\$ 1,274,433	\$ 1,222,044	\$ 52,389

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
GENERAL GOVERNMENT (continued)				
LAW				
County Attorney:				
Salaries and fringe benefits	\$ 328,419	\$ 344,419	\$ 336,599	\$ 7,820
Other operating	64,850	64,850	45,094	19,756
Total law	393,269	409,269	381,693	27,576
PLANNING AND ZONING				
Planning Office:				
Salaries and fringe benefits	796,474	796,474	751,034	45,440
Other operating	99,150	99,150	66,708	32,442
Board of Appeals:			-	
Salaries and fringe benefits	95,157	96,957	96,851	106
Other operating	21,075	21,075	10,997	10,078
Total planning and zoning	1,011,856	1,013,656	925,590	88,066
GENERAL SERVICES				
County Buildings:				
Salaries and fringe benefits	466,132	466,132	378,359	87,773
Other operating	659,041	659,041	395,364	263,677
Capital outlay	44,000	75,000	58,822	16,178
Library Maintenance	146,000	146,000	152,369	(6,369)
Information Technology:				
Salaries and fringe benefits	305,140	325,990	319,446	6,544
Other operating	114,024	114,024	74,075	39,949
Capital outlay	35,000	46,400	38,836	7,564
Insurance	204,425	204,425	191,327	13,098
Total general services	1,973,762	2,037,012	1,608,598	428,414
ECONOMIC DEVELOPMENT				
Office of Economic Development:				
Salaries and fringe benefits	148,055	148,055	84,719	63,336
Other operating	114,450	114,450	71,964	42,486
Arts Council	12,000	12,000	12,000	-
Tourism:			-	
Salaries and fringe benefits	178,564	182,464	181,020	1,444
Other operating	430,735	430,735	463,287	(32,552)
Capital outlay	-	5,000	1,834	3,166
Housing:				
Salaries and fringe benefits	23,838	23,838	5,606	18,232
Other operating	4,700	4,700	408	4,292
Historic Preservation Commission	5,400	5,400	4,000	1,400
Total economic development	917,742	926,642	824,838	101,804
Total general government	9,280,937	9,434,807	8,360,138	1,074,669
PUBLIC SAFETY				
SHERIFF				
Salaries and fringe benefits	3,744,082	3,754,082	3,681,623	72,459
Other operating	773,200	773,200	723,442	49,758
Capital outlay	28,400	106,200	99,306	6,894
Total sheriff	4,545,682	4,633,482	4,504,371	129,111
MUNICIPAL INSTITUTIONS				
Detention Center:				
Salaries and fringe benefits	3,363,913	3,363,913	3,209,581	154,332
Other operating	1,272,141	1,272,141	1,162,052	110,089
Capital outlay	0	118,000	37,328	80,672
Total municipal institutions	\$ 4,636,054	\$ 4,754,054	\$ 4,408,961	\$ 345,093

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
PUBLIC SAFETY (continued)				
OTHER PUBLIC SAFETY				
School Crossing Guards	\$ 64,700	\$ 64,700	\$ 64,700	\$ -
Animal Control Program	422,557	422,557	422,677	(120)
Emergency Management:				
Salaries and fringe benefits	1,860,234	1,860,234	2,046,592	(186,358)
Other operating	781,925	781,925	953,410	(171,485)
Capital outlay	35,371	307,271	396,292	(89,021)
Covid-19 expense	-	-	379,474	(379,474)
Volunteer Fire Companies	1,909,915	1,909,915	1,928,803	(18,888)
Emergency Medical Services:				
Salaries and fringe benefits	3,965,398	3,965,398	4,006,809	(41,411)
Other operating	621,541	621,541	673,576	(52,035)
Capital outlay	300,000	400,500	378,052	22,448
Hazardous Materials:				
Salaries and fringe benefits	1,140	1,140	0	1,140
Other operating	14,800	14,800	1,707	13,093
Total other public safety	9,977,581	10,349,981	11,252,092	(902,111)
PROTECTIVE INSPECTION				
Electrical Inspection:				
Salaries and fringe benefits	6,495	6,495	3,746	2,749
Other operating	1,690	1,690	643	1,047
Building and Plumbing Inspection:				
Salaries and fringe benefits	378,769	384,319	379,819	4,500
Other operating	30,700	30,700	19,862	10,838
Total protective inspection	417,654	423,204	404,070	19,134
Total public safety	19,576,971	20,160,721	20,569,494	(408,773)
PUBLIC WORKS				
PUBLIC WORKS - GENERAL				
Salaries and fringe benefits	615,635	615,635	458,728	156,907
Other operating	39,350	39,350	33,062	6,288
Total public works - general	654,985	654,985	491,790	163,195
PUBLIC LANDINGS AND WHARVES				
Salaries and fringe benefits	196,111	196,111	163,563	32,548
Other operating	64,900	64,900	37,145	27,755
Capital outlay	-	15,000	-	15,000
Total public landings and wharves	261,011	276,011	200,708	75,303
SOLID WASTE DISPOSAL				
Salaries and fringe benefits	88,355	88,355	61,604	26,751
Other operating	634,950	634,950	610,129	24,821
Total solid waste disposal	723,305	723,305	671,733	51,572
HIGHWAYS AND STREETS				
Salaries and fringe benefits	1,528,338	1,531,838	1,505,121	26,717
Other operating	1,363,925	1,363,925	1,180,920	183,005
Capital outlay	435,000	444,000	432,715	11,285
Total highways and streets	3,327,263	3,339,763	3,118,756	221,007
Total public works	\$ 4,966,564	\$ 4,994,064	\$ 4,482,987	\$ 511,077

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
HEALTH AND HOSPITALS				
Health department	\$ 2,508,300	\$ 2,508,300	\$ 2,508,300	\$ -
Mosquito control	115,000	138,000	137,948	52
Total health and hospitals	2,623,300	2,646,300	2,646,248	52
SOCIAL SERVICES				
Senior services program	420,803	420,803	420,803	-
Social services legal	85,000	85,000	34,886	50,114
Social Services - operating	16,000	16,000	16,000	-
Neighborhood service center	124,912	124,912	124,912	-
Delmarva community services	134,080	134,080	134,080	-
Development unit	45,005	45,005	45,005	-
Healthy Talbot	2,500	2,500	2,500	-
Homelessness prevention	20,000	20,000	16,986	3,014
St. Martin's Ministries	8,000	8,000	8,000	-
Senior Center bus passes	14,500	14,500	14,500	-
Commission on aging	2,400	2,400	2,400	-
Total social services	873,200	873,200	820,072	53,128
EDUCATION				
Board of Education:				
Operating appropriation	42,055,725	42,055,725	42,055,725	-
Supplemental appropriation	409,170	409,170	6,500	402,670
Debt Service	3,723,819	3,147,699	2,633,119	514,580
Library:				
Operating appropriation	1,408,774	1,408,774	1,408,774	-
Capital outlay	12,191	29,991	27,317	2,674
Community College:				
Operating appropriation	1,578,261	1,578,261	1,578,261	-
Debt Service	190,176	190,176	190,176	-
Capital outlay	96,108	96,108	96,108	-
Chesapeake Developmental Center				-
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	52,935	52,935	53,387	(452)
Other operating	13,620	13,620	9,875	3,745
Total education	49,540,779	48,982,459	48,059,242	923,217
RECREATION				
Parks and Recreation:				
Salaries and fringe benefits	231,616	231,616	204,624	26,992
Other operating	171,169	171,169	168,373	2,796
Capital outlay	0	10,000	9,196	804
Pools:				
Salaries and fringe benefits	64,167	64,167	348	63,819
Other operating	36,932	36,932	24,099	12,833
Capital outlay	14,000	14,000	5,379	8,621
Total recreation	\$ 517,884	\$ 527,884	\$ 412,019	\$ 115,865

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
CONSERVATION OF NATURAL RESOURCES				
Agricultural Extension Service	\$ 190,959	\$ 190,959	\$ 190,374	\$ 585
Other	5,000	5,000	2,700	2,300
Weed Control:				
Salaries and fringe benefits	70,777	71,977	71,154	823
Other operating	25,265	25,265	10,724	14,541
Capital outlay	-	19,000	18,907	93
Total conservation of natural resources	292,001	312,201	293,859	18,342
INTERGOVERNMENTAL				
Payments to Municipalities:				
Fire, rescue and ambulance fund	40,000	40,000	16,644	23,356
Bank stock	7,535	7,535	7,535	-
Public accommodations tax	1,025,000	1,025,000	853,389	171,611
Total intergovernmental	1,072,535	1,072,535	877,568	194,967
EMPLOYEE BENEFITS				
Health insurance, retirees	800,000	1,000,000	942,680	57,320
Other operating	242,500	242,500	218,600	23,900
Total employee benefits	1,042,500	1,242,500	1,161,280	81,220
MISCELLANEOUS				
	408,620	408,620	167,164	241,456
DEBT SERVICE				
Principal on long-term debt	917,703	917,703	917,703	-
Interest on long-term debt	122,095	122,095	122,095	-
Total debt service	1,039,798	1,039,798	1,039,798	-
RESERVE				
Reserve for contingencies	600,000	140,000	57,010	82,990
Small business housing reserve	20,000	20,000	12,059	7,941
Total reserve	620,000	160,000	69,069	90,931
TOTAL EXPENDITURES	91,855,089	91,855,089	88,958,938	2,896,151
OTHER FINANCING USES				
Transfers:				
Capital projects - Operating appropriation				-
Recreation - Operating appropriation	473,111	473,111	473,111	-
Total other financing uses	473,111	473,111	473,111	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	92,328,200	92,328,200	89,432,049	2,896,151
Net change in fund balances	\$ -	\$ -	\$ 15,762,549	\$ 15,762,549

TALBOT COUNTY, MARYLAND

**SCHEDULE OF CHANGES
IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service Cost	\$ 502,715	\$ 558,117	\$ 506,402
Interest	1,171,214	1,086,220	1,086,825
Difference between expected and actual experience	1,091,207	-	-
Benefit payments	(709,922)	(614,622)	(597,317)
Other changes	787,799	218,536	226,021
Net changes in total OPEB liability	<u>2,843,013</u>	<u>1,248,251</u>	<u>1,221,931</u>
Total OPEB liability - beginning	17,072,986	15,824,735	14,602,804
Total OPEB liability - ending (a)	<u>\$ 19,915,999</u>	<u>\$ 17,072,986</u>	<u>\$ 15,824,735</u>
Plan fiduciary net position			
Contributions - employer	\$ -	\$ -	\$ -
Difference between expected and actual experience	(624,893)	-	-
Net investment income	252,448	724,755	790,394
Benefit payments	-	-	-
Administrative expense	(61,805)	(60,695)	(55,961)
Other changes	625,032	-	-
Net changes in plan fiduciary net position	<u>190,782</u>	<u>664,060</u>	<u>734,433</u>
Plan fiduciary net position - beginning	12,424,519	11,760,459	11,026,026
Plan fiduciary net position - ending (b)	<u>\$ 12,615,301</u>	<u>\$ 12,424,519</u>	<u>\$ 11,760,459</u>
County's net OPEB liability - ending (a) - (b)	\$ 7,300,698	\$ 4,648,467	\$ 4,064,276
Plan fiduciary net position as a percentage of total pension liability	63.34%	72.77%	74.32%
Covered payroll	\$ 14,561,185	\$ 13,058,200	\$ 13,058,200
Net liability as a percentage of covered payroll	50.14%	35.60%	31.12%
Annual money-weighted rate of return, net of investment expense	7.00%	7.70%	6.60%

Notes to schedule:

This information is not available for FY17 and prior.

TALBOT COUNTY, MARYLAND

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
SCHEDULE OF THE PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Year Ended June 30, 2020**

Fiscal Year	Measurement Date	County's Proportion of the NPL (Percentage) A	County's Proportionate Share of the NPL B	County's Covered Payroll C	Proportionate Share as a Percentage of Covered Payroll (B/C)	Plan's Total Fiduciary Net Position D	Plan's Total Pension Liability E	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D/E)
2015	June 30, 2014	0.04601%	\$ 8,165,742	\$ 11,581,689	70.51%	\$45,339,988,000	\$63,086,719,000	71.87%
2016	June 30, 2015	0.05197%	10,800,677	11,581,689	93.26%	45,789,840,000	66,571,552,000	68.78%
2017	June 30, 2016	0.05245%	12,374,154	11,975,128	103.33%	45,365,927,000	68,959,954,000	65.79%
2018	June 30, 2017	0.04929%	10,657,934	12,090,510	88.15%	48,987,184,000	70,610,885,000	69.38%
2019	June 30, 2018	0.05546%	11,636,717	13,376,509	86.99%	51,827,233,000	72,808,833,000	71.18%
2020	June 30, 2019	0.05796%	11,954,141	13,771,675	86.80%	53,943,420,000	74,569,030,000	72.34%

This schedule is presented to illustrate the requirements to show information for 10 years.

However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

TALBOT COUNTY, MARYLAND

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
SCHEDULE OF CONTRIBUTIONS
Year Ended June 30, 2020**

Fiscal Year	Measurement Date	Actually Determined Contribution A	Actual Contribution B	Contribution Deficiency (Excess) (A-B)	Employer's Covered Payroll C	Actual Contribution as a Percentage of Covered Payroll (B/C)
2015	June 30, 2014	\$ 1,095,431	\$ 1,095,431	\$ -	\$ 11,581,689	9.46%
2016	June 30, 2015	1,021,694	1,021,694	-	11,975,128	8.53%
2017	June 30, 2016	1,003,183	1,003,183	-	12,090,510	8.30%
2018	June 30, 2017	1,105,945	1,105,945	-	13,376,509	8.27%
2019	June 30, 2018	1,190,162	1,190,162	-	13,771,675	8.64%
2020	June 30, 2019	1,346,030	1,346,030	-	14,239,334	9.45%

This schedule is presented to illustrate the requirements to show information for 10 years.

However, until a full 10-year trend is compiled, pension plans should present information for those years for which information is available.

TALBOT COUNTY, MARYLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Year Ended June 30, 2020

Note 1. Budgetary Basis

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

Note 2. Required Fund Disclosures

The General Fund had an excess of budgeted expenditures over actual expenditures of \$2,895,551 for the year ended June 30, 2020. There was an excess of budgeted revenues over actual revenues of \$17,239,858 for the year ended June 30, 2020.

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

Effective January 2009, the County increased its contribution percentage for post-employment benefits from 66.66% to 90% for eligible individual plans and 85% for family coverage. The information in this schedule is intended to help users assess the County's OPEB Plan's status on a going concern basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employers.

Note 4. Pensions

Change in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumption changes in the 2019 valuation:

1. Remaining amortization changed from 22 years to 25 years with 19 remaining.
2. Salary increases changes from a range of 3.10% to 9.10% to a range of 3.10% to 11.60%
3. Investment rate of return changed from 7.45% to 7.4%
4. Mortality table changed from the RP-2014 Tables to MP-2018

TALBOT COUNTY, MARYLAND

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2020**

Method and Assumptions used in Calculations of Actuarially Determined Contributions.

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25 years, 19 years remaining
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.6% general, 3.10% wage
Salary increases	3.10% to 11.60%, including inflation
Investment rate of return	7.40%
Retirement age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Various versions of the Pub-2010 Mortality Tables with projected generational mortality improvements based on the MP-2018 fully generational mortality improvement scale

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, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - Federal and State	\$ 1,200,000	\$ 1,200,000	\$ 459,673	\$ (740,327)
Miscellaneous	-	-	-	-
Sales of land/property	-	-	80,000	80,000
Interest	-	-	3,921	3,921
Total revenues	1,200,000	1,200,000	543,594	(656,406)
EXPENDITURES				
General government	3,150,000	3,150,000	112,809	3,037,191
Highways and roads	500,000	500,000	705,653	(205,653)
Public works	750,000	750,000	494,321	255,679
Education	11,000,000	11,000,000	18,599,419	(7,599,419)
Recreation	-	-	71,855	(71,855)
Total expenditures	15,400,000	15,400,000	19,984,057	(4,584,057)
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt and premiums	13,000,000	13,000,000	24,919,540	11,919,540
Transfer from special revenue fund	200,000	200,000	200,000	-
Transfer from general fund	1,000,000	1,000,000	-	(1,000,000)
Total other financing sources (uses)	14,200,000	14,200,000	25,119,540	10,919,540
Net Change in Fund Balance	\$ -	\$ -	\$ 5,679,077	\$ 5,679,077

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENTAL IMPACT FUND
For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Licenses and permits:				
Impact fees:				
General government	\$ 80,000	\$ 80,000	\$ 121,232	\$ 41,232
Public works	182,500	182,500	385,454	202,954
Education:				
Public schools	100,000	100,000	144,157	44,157
Library	25,000	25,000	27,217	2,217
Community College	7,500	7,500	5,732	(1,768)
Recreation	30,000	30,000	32,242	2,242
Interest	10,000	10,000	12,861	2,861
Total revenues	435,000	435,000	728,895	293,895
EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Transfers:				
General fund	(200,000)	(200,000)	(200,000)	-
Capital projects fund	(200,000)	(200,000)	(200,000)	-
Recreation fund	(35,000)	(35,000)	(35,000)	-
Designated fund balance	-	-	-	-
Total other financing sources (uses)	(435,000)	(435,000)	(435,000)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 293,895	\$ 293,895

TALBOT COUNTY, MARYLAND

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

For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - Federal	\$ 770,000	\$ 770,000	\$ 505,442	\$ (264,558)
Intergovernmental - State	647,500	647,500	659,177	11,677
Franchise fee	150,000	150,000	121,959	(28,041)
Miscellaneous	10,000	10,000	25,155	15,155
Other grants	10,000	10,000	1,855	(8,145)
Total revenues	1,587,500	1,587,500	1,313,588	(273,912)
EXPENDITURES				
General government	150,000	150,000	124,257	25,743
Public safety	115,000	115,000	17,881	97,119
Public works	1,122,500	1,122,500	1,124,777	(2,277)
Social services	200,000	200,000	46,673	153,327
Total expenditures	1,587,500	1,587,500	1,313,588	273,912
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
TALBOT FAMILY NETWORK
For the Year Ended June 30, 2020**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - Federal and State	\$ 553,479	\$ 553,479	\$ 591,776	\$ 38,297
Other grants	2,500	2,500	2,500	-
Interest	-	-	2,111	2,111
Total revenues	555,979	555,979	596,387	40,408
EXPENDITURES				
Social services	555,979	555,979	594,454	(38,475)
Total expenditures	555,979	555,979	594,454	(38,475)
Net Change in Fund Balance	\$ -	\$ -	\$ 1,933	\$ 1,933

TALBOT COUNTY, MARYLAND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
NARCOTICS TASK FORCE
For the Year Ended June 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 74,421	\$ 74,421
Total revenues	-	-	74,421	74,421
EXPENDITURES				
Public safety	-	-	9,956	9,956
Net Change in Fund Balance	\$ -	\$ -	\$ 64,465	\$ 64,465

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND – RECREATION FACILITIES
For the Year Ended June 30, 2020**

	Hog Neck Golf Course			Talbot Community Center			Combined Totals		
	Revised		Variance with	Revised		Variance with	Revised		Variance with
	Final Budget	Actual	Final Budget	Final Budget	Actual	Final Budget	Final Budget	Actual	Final Budget
OPERATING REVENUES									
Program fees and admissions	\$ -	\$ -	\$ -	\$ 225,000	\$ 193,618	\$ (31,382)	\$ 225,000	\$ 193,618	\$ (31,382)
Room rents	-	-	-	60,000	74,856	14,856	60,000	74,856	14,856
Ice revenues	-	-	-	285,000	325,868	40,868	285,000	325,868	40,868
Pro shop and concessions	208,000	194,026	(13,974)	35,000	25,080	(9,920)	243,000	219,106	(23,894)
Cart rentals	46,500	13,001	(33,499)	-	-	-	46,500	13,001	(33,499)
Green fees	1,150,000	1,014,215	(135,785)	-	-	-	1,150,000	1,014,215	(135,785)
Other operating	36,500	35,759	(741)	28,000	26,777	(1,223)	64,500	62,536	(1,964)
Total operating revenues	1,441,000	1,257,001	(183,999)	633,000	646,199	13,199	2,074,000	1,903,200	(170,800)
OPERATING EXPENSES									
Salaries and related expenses	808,850	684,530	(124,320)	380,561	343,853	(36,708)	1,189,411	1,028,383	(161,028)
Professional fees	13,000	7,712	(5,288)	12,500	14,238	1,738	25,500	21,950	(3,550)
Office	59,650	52,129	(7,521)	2,000	2,267	267	61,650	54,396	(7,254)
Insurance	4,500	4,013	(487)	14,500	11,312	(3,188)	19,000	15,325	(3,675)
Repairs and maintenance	98,500	99,798	1,298	55,000	71,590	16,590	153,500	171,388	17,888
Utilities	59,000	58,351	(649)	152,000	144,000	(8,000)	211,000	202,351	(8,649)
Supplies and equipment	125,000	172,316	47,316	45,200	30,602	(14,598)	170,200	202,918	32,718
Lessons and programs	-	-	-	125,000	99,197	(25,803)	125,000	99,197	(25,803)
Pro shop and concessions	65,700	76,012	10,312	30,000	9,597	(20,403)	95,700	85,609	(10,091)
Other operating	19,000	47,380	28,380	68,500	58,611	(9,889)	87,500	105,991	18,491
Total operating expenses	1,253,200	1,202,241	50,959	885,261	785,267	99,994	2,138,461	1,987,508	150,953
Operating income (loss) before depreciation	187,800	54,760	(133,040)	(252,261)	(139,068)	(113,193)	(64,461)	(84,308)	(19,847)
Depreciation	-	222,220	222,220	-	582,455	582,455	-	804,675	804,675
Net operating income (loss)	187,800	(167,460)	(355,260)	(252,261)	(721,523)	(469,262)	(64,461)	(888,983)	(824,522)
NON-OPERATING REVENUES (EXPENSES)									
Transfers from general fund	3,100	3,100	-	470,011	470,011	-	473,111	473,111	-
Transfers from special revenue fund	-	-	-	35,000	35,000	-	35,000	35,000	-
Gain (loss) on disposal of capital assets	-	77,790	77,790	-	-	-	-	77,790	77,790
Interest expense	-	(18,811)	(18,811)	-	(17,434)	(17,434)	-	(36,245)	(36,245)
Net non-operating revenues (expenses)	3,100	62,079	58,979	505,011	487,577	17,434	508,111	549,656	17,434
Change in net position	190,900	(105,381)	(296,281)	252,750	(233,946)	(486,696)	443,650	(339,327)	(782,977)
OTHER BUDGETED EXPENSE									
Debt service	178,000	-	(178,000)	166,350	-	(166,350)	344,350	-	(344,350)
Capital outlay	12,900	-	(12,900)	86,400	-	(86,400)	99,300	-	(99,300)
Total other budgeted expenses	190,900	-	(190,900)	252,750	-	(252,750)	443,650	-	(443,650)
Budgeted net income (loss)	\$ -	\$ (105,381)	\$ (105,381)	\$ -	\$ (233,946)	\$ (233,946)	\$ -	\$ (339,327)	\$ (339,327)

TALBOT COUNTY, MARYLAND

SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND – SANITARY DISTRICT
For the Year Ended June 30, 2020

	St. Michaels District			Royal Oak District			Tilghman District		
	Revised		Variance with	Revised		Variance with	Revised		Variance with
	Final Budget	Actual	Final Budget	Final Budget	Actual	Final Budget	Final Budget	Actual	Final Budget
OPERATING REVENUES									
Sewer service charges	\$ 1,112,000	\$ 1,114,805	\$ 2,805	\$ 268,850	\$ 276,780	\$ 7,930	\$ 312,900	\$ 310,867	\$ (2,033)
Sewer connection charges	480,000	257,238	(222,762)	144,000	12,000	(132,000)	7,450	1,490	(5,960)
Residential benefit charges	-	-	-	-	-	-	15,300	14,908	(392)
Wind/solar renewable energy	-	-	-	-	-	-	-	-	-
State and federal grants	-	-	-	-	-	-	-	-	-
Miscellaneous	31,500	227,019	195,519	1,000	2,067	13,487	1,000	2,091	1,091
Total operating revenues	1,623,500	1,599,062	(24,438)	413,850	290,847	(110,583)	336,650	329,356	(7,294)
OPERATING EXPENSES									
Salaries and related expenses	480,694	464,951	(15,743)	115,045	108,155	(6,890)	166,720	150,256	(16,464)
Professional fees	500	-	(500)	500	-	(500)	500	-	(500)
Office	11,750	12,025	275	7,450	5,261	(2,189)	7,800	9,390	1,590
Insurance	12,000	8,398	(3,602)	1,000	687	(313)	3,500	1,188	(2,312)
Contracted services	151,000	201,787	50,787	45,000	65,409	20,409	25,000	63,592	38,592
Repairs and maintenance	146,906	53,577	(93,329)	64,255	65,482	1,227	71,930	68,476	(3,454)
Utilities	192,900	154,137	(38,763)	50,250	39,472	(10,778)	20,500	20,473	(27)
Supplies and equipment	66,500	60,057	(6,443)	22,100	19,748	(2,352)	37,600	25,297	(12,303)
Other operating	46,750	12,925	(33,825)	3,750	3,188	(562)	4,100	3,790	(310)
Total operating expenses	1,109,000	967,857	(141,143)	309,350	307,402	(1,948)	337,650	342,462	4,812
Operating income (loss) before depreciation	514,500	631,205	116,705	104,500	(16,555)	(121,055)	(1,000)	(13,106)	(12,106)
Depreciation	-	911,588	911,588	-	150,003	150,003	-	159,058	159,058
Net operating income (loss)	514,500	(280,383)	(794,883)	104,500	(166,558)	(271,058)	(1,000)	(172,164)	(171,164)
NON-OPERATING REVENUES (EXPENSES)									
Intergovernmental revenues	-	1,190,543	1,190,543	-	-	-	-	-	-
Interest income	500	-	(500)	500	11,420	10,920	1,000	6,381	5,381
Interest expense	(59,000)	(41,490)	-	(13,000)	(6,876)	6,124	-	-	-
Net non-operating revenues (expenses)	(58,500)	1,149,053	1,190,043	(12,500)	4,544	17,044	1,000	6,381	5,381
Change in net position	456,000	868,670	412,670	92,000	(162,014)	(254,014)	-	(165,783)	(165,783)
OTHER BUDGETED EXPENSE									
Debt service	456,000	-	(456,000)	92,000	-	(92,000)	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total other budgeted expenses	456,000	-	(456,000)	92,000	-	(92,000)	-	-	-
Budgeted net income (loss)	\$ -	\$ 868,670	\$ 868,670	\$ -	\$ (162,014)	\$ (162,014)	\$ -	\$ (165,783)	\$ (165,783)

TALBOT COUNTY, MARYLAND

SCHEDULE OF REVENUES AND EXPENSES
 BUDGET AND ACTUAL
 ENTERPRISE FUND – SANITARY DISTRICT
 For the Year Ended June 30, 2020
 (continued)

	Unionville District			Bio-solids Utilization Facility			Onsite Sewage Disposal		
	Revised		Variance with	Revised		Variance with	Revised		Variance with
	Final Budget	Actual	Final Budget	Final Budget	Actual	Final Budget	Final Budget	Actual	Final Budget
OPERATING REVENUES									
Sewer service charges	\$ 119,400	\$ 127,200	\$ 7,800	\$ 581,000	\$ 374,069	\$ (206,931)	\$ -	\$ -	\$ -
Sewer connection charges	84,000	23,451	(60,549)	-	-	-	-	-	-
Residential benefit charges	-	-	-	-	-	-	-	-	-
Wind/solar renewable energy	-	-	-	20,000	23,113	3,113	-	-	-
State and federal grants	-	-	-	-	-	-	-	-	-
Miscellaneous	500	1,553	1,053	-	-	-	-	-	-
Total operating revenues	203,900	152,204	(51,696)	601,000	397,182	(203,818)	-	-	-
OPERATING EXPENSES									
Salaries and related expenses	52,696	52,641	(55)	139,543	129,188	(10,355)	\$ 57,655	\$ 60,074	(2,419)
Professional fees	300	-	(300)	-	-	-	200	-	200
Office	3,750	2,546	(1,204)	4,357	3,322	(1,035)	-	-	-
Insurance	1,000	269	(731)	10,000	9,605	(395)	-	-	-
Contracted services	22,500	9,869	(12,631)	20,300	21,070	770	825,000	592,345	232,655
Repairs and maintenance	47,854	47,291	(563)	10,000	6,102	(3,898)	58,995	-	58,995
Utilities	14,700	11,355	(3,345)	40,000	30,678	(9,322)	-	-	-
Supplies and equipment	13,050	12,933	(117)	50,100	32,565	(17,535)	-	-	-
Other operating	3,050	3,147	97	3,100	10,463	7,363	30,150	34,200	(4,050)
Total operating expenses	158,900	140,051	(18,849)	277,400	242,993	(34,407)	972,000	686,619	285,381
Operating income (loss) before depreciation	45,000	12,153	(32,847)	323,600	154,189	(169,411)	(972,000)	(686,619)	285,381
Depreciation	-	151,171	151,171	-	477,505	(477,505)	-	-	-
Net operating income (loss)	45,000	(139,018)	(184,018)	323,600	(323,316)	(646,916)	(972,000)	(686,619)	285,381
NON-OPERATING REVENUES (EXPENSES)									
Intergovernmental revenues	-	-	-	-	-	-	972,000	737,820	(234,180)
Interest income	-	1,255	1,255	-	-	-	-	-	-
Interest expense	(7,000)	(5,134)	(13,886)	(109,600)	(111,749)	2,149	-	-	-
Net non-operating revenues (expenses)	(7,000)	(3,879)	3,121	(109,600)	(111,749)	(2,149)	972,000	737,820	(234,180)
Change in net position	38,000	(142,897)	(180,897)	214,000	(435,065)	(649,065)	-	51,201	51,201
OTHER BUDGETED EXPENSE									
Debt service	38,000	-	(38,000)	214,000	-	(214,000)	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total other budgeted expenses	38,000	-	(38,000)	214,000	-	(214,000)	-	-	-
Budgeted net income (loss)	\$ -	\$ (142,897)	\$ (142,897)	\$ -	\$ (435,065)	\$ (435,065)	\$ -	\$ 51,201	\$ 51,201

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND – SANITARY DISTRICT
For the Year Ended June 30, 2020
(continued)**

	<u>Martingham District</u>			<u>Combined Totals</u>		
	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OPERATING REVENUES						
Sewer service charges	\$ 233,450	\$ 234,165	\$ 715	\$ 2,627,600	\$ 2,437,886	\$ (189,714)
Sewer connection charges	60,000	-	(60,000)	775,450	294,179	(481,271)
Residential benefit charges	-	-	-	15,300	14,908	(392)
Wind/solar renewable energy	-	-	-	20,000	23,113	3,113
State and federal grants	-	-	-	-	-	-
Miscellaneous	220	685	465	34,220	233,415	199,195
Total operating revenues	293,670	234,850	(58,820)	3,472,570	3,003,501	(469,069)
OPERATING EXPENSES						
Salaries and related expenses	79,570	70,179	9,391	1,091,923	1,035,444	56,479
Professional fees	500	-	500	2,500	-	2,500
Office	5,000	3,545	1,455	40,107	36,089	4,018
Insurance	750	170	580	28,250	20,317	7,933
Contracted services	25,500	17,812	7,688	1,114,300	971,884	142,416
Repairs and maintenance	44,800	10,235	34,565	444,740	251,163	193,577
Utilities	42,950	51,223	(8,273)	361,300	307,338	53,962
Supplies and equipment	16,500	15,105	1,395	205,850	165,705	40,145
Other operating	(27,900)	(32,917)	5,017	63,000	34,796	28,204
Total operating expenses	187,670	135,352	52,318	3,351,970	2,822,736	529,234
Operating income (loss) before depreciation	106,000	99,498	(6,502)	120,600	180,765	60,165
Depreciation	-	114,750	(114,750)	-	1,964,075	(1,964,075)
Net operating income (loss)	106,000	(15,252)	(121,252)	120,600	(1,783,310)	(1,903,910)
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	-	-	972,000	1,928,363	956,363
Interest income	-	3,553	3,553	2,000	22,609	20,609
Interest expense	(33,000)	(51,330)	18,330	(221,600)	(216,579)	12,717
Net non-operating revenues (expenses)	(33,000)	(47,777)	21,883	752,400	1,734,393	989,689
Change in net position	73,000	(63,029)	(136,029)	873,000	(48,917)	(921,917)
OTHER BUDGETED EXPENSE						
Debt service	73,000	-	(73,000)	873,000	-	(873,000)
Capital outlay	-	-	-	-	-	-
Total other budgeted expenses	73,000	-	(73,000)	873,000	-	(873,000)
Budgeted net income (loss)	\$ -	\$ (63,029)	\$ (63,029)	\$ -	\$ (48,917)	\$ (48,917)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND – EASTON AIRPORT
For the Year Ended June 30, 2020**

	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OPERATING REVENUES			
Charges - operations	\$ 585,260	\$ 748,883	\$ 163,623
Charges - fuel facility	2,065,550	1,586,238	(479,312)
Charges - hangars	569,690	582,427	12,737
Other operating	-	19,336	19,336
Total operating revenues	3,220,500	2,936,884	(283,616)
OPERATING EXPENSES			
Salaries and related expenses	371,726	377,368	5,642
Cost of sales - fuel	1,855,475	1,429,457	(426,018)
Professional fees	-	-	-
Office	43,800	32,798	(11,002)
Insurance	22,000	24,952	2,952
Repairs and maintenance	203,000	153,867	(49,133)
Utilities	54,000	135,267	81,267
Supplies and equipment	3,900	4,684	784
Other operating	29,700	752,509	722,809
Total operating expenses	2,583,601	2,910,902	327,301
Operating income (loss) before depreciation	636,899	25,982	(610,917)
Depreciation	256,687	2,568,756	(2,312,069)
Net operating income (loss)	380,212	(2,542,774)	(2,922,986)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	-	5,815,564	5,815,564
Interest income	-	149	149
Interest expense	(26,301)	(23,260)	(3,041)
Net non-operating revenues (expenses)	(26,301)	5,792,453	5,812,672
Change in net position	353,911	3,249,679	2,895,768
OTHER BUDGETED EXPENSE			
Debt service	170,111	-	(170,111)
Capital outlay	183,800	-	(183,800)
Total other budgeted expenses	353,911	-	(353,911)
Budgeted net income (loss)	\$ -	3,249,679	3,249,679

TALBOT COUNTY, MARYLAND
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2020

	Developmental Impact	Grants	Talbot Family Network	Narcotic Task Force	Total Other Governmental Funds
ASSETS					
Cash and short-term investments	\$ 1,231,577	\$ 3,840,166	\$ 118,898	65,070	\$ 5,255,711
Receivables:					-
Accounts receivable	-	1,855	12,420	-	14,275
Intergovernmental:					-
State	-	229,369	-	-	229,369
Federal	-	144,990	-	-	144,990
Prepaid items	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 1,231,577	\$ 4,216,380	\$ 131,318	\$ 65,070	\$ 5,644,345
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable & accrued liabilities	-	301,108	13,843	605	315,556
Unearned revenue	-	3,915,272	15,665	-	3,930,937
TOTAL LIABILITIES	-	4,216,380	29,508	605	4,246,493
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	-	-	-	-	-
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted for:					-
Social Services	-	-	101,810	64,465	166,275
Committed for:					-
Capital projects	546,577	-	-	-	546,577
Assigned for:					-
Future budget	685,000	-	-	-	685,000
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	1,231,577	-	101,810	64,465	1,397,852
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,231,577	\$ 4,216,380	\$ 131,318	\$ 65,070	\$ 5,644,345

TALBOT COUNTY, MARYLAND

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2020**

	<u>Developmental Impact</u>	<u>Grants</u>	<u>Talbot Family Network</u>	<u>Narcotic Task Force</u>	<u>Total Other Governmental Funds</u>
REVENUE					
Intergovernmental:					
Federal	\$ -	\$ 505,442	\$ -	\$ -	\$ 505,442
State	-	659,177	594,276	-	1,253,453
Licences and permits	716,034	-	-	-	716,034
Miscellaneous	-	148,969	-	74,421	223,390
Interest	12,861	-	2,111	-	14,972
Total Revenue	<u>728,895</u>	<u>1,313,588</u>	<u>596,387</u>	<u>74,421</u>	<u>2,713,291</u>
EXPENDITURES					
Current:					
General government	-	124,257	-	-	124,257
Public safety	-	17,881	-	9,956	27,837
Public works	-	1,124,777	-	-	1,124,777
Health and hospitals	-	-	-	-	-
Social services	-	46,673	594,454	-	641,127
Total Expenditures	<u>-</u>	<u>1,313,588</u>	<u>594,454</u>	<u>9,956</u>	<u>1,917,998</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>728,895</u>	<u>-</u>	<u>1,933</u>	<u>64,465</u>	<u>795,293</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out) to other funds:					
Capital projects - operating appropriation	(435,000)	-	-	-	(435,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(435,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(435,000)</u>
NET CHANGES IN FUND BALANCE	<u>293,895</u>	<u>-</u>	<u>1,933</u>	<u>64,465</u>	<u>360,293</u>
FUND BALANCES - BEGINNING OF YEAR	<u>937,682</u>	<u>-</u>	<u>99,877</u>	<u>-</u>	<u>1,037,559</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,231,577</u>	<u>\$ -</u>	<u>\$ 101,810</u>	<u>\$ 64,465</u>	<u>\$ 1,397,852</u>

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENDITURES
AS REQUIRED BY THE GOC FOR LMB OFFICES
ON BEHALF OF THE CHILDREN'S CABINET
For the Year Ended June 30, 2020**

REVENUES

Intergovernmental	
Administration	\$ 109,979
Community Partnership Agreement (GOC)	360,499
Local Coordinating Team	55,000
COVID 19 /CaresPack Grant	24,000
Resource Development Grant	24,932
Regional Training Grant	17,367
Miscellaneous	2,500
Interest Income	2,111
TOTAL REVENUES	596,388

EXPENDITURES

Social Services	
Community Partnership Programs:	
Healthy Habits After School Program	38,343
Healthy Families	100,000
Community Nutrition & Gardening	34,800
Mentoring & support Group- Children w/ Incarcerated parents	66,808
Bridges out of poverty/Getting ahead	14,044
Conversations on race	8,208
Local Coordinating Team	55,000
Reengagement coordinator	40,400
Career Pathways	11,425
COVID-19/CaresPack	80,422
Total Community Partnership programs	449,450
Non-Community Partnership Programs	
Administration	100,205
Talbot County website support	2,500
Resource Development	24,932
Regional Grant	17,637
Total non-Community partnership programs	145,274
TOTAL EXPENDITURES	594,724
Net Change in Fund Balance	\$ 1,664

TALBOT COUNTY, MARYLAND

NOTES TO OTHER SUPPLEMENTARY INFORMATION

Note 1. Budgetary Basis

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

Budgetary Comparison Schedules:

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

Combining Balance Sheet - Other Governmental Funds

Combining Schedule of Revenues and Expenditures - Other Governmental Funds Schedule of Revenues and Expenditures - as Required by the GOC for LMB

Offices on Behalf of the Children's Cabinet

STATISTICAL SECTION

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

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

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

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

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

Schedules 18-21 contain operating information to help the reader understand how the information in the County's financial report relates to the services the County provides.

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

Schedule 1

Talbot County, Maryland
Net Position by Component

(accrual basis of accounting), Last Ten Fiscal Years

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental activities										
Net investment in capital assets	\$ 77,628,434	\$ 78,931,013	\$ 80,387,586	\$ 80,625,199	\$ 80,132,665	\$ 78,908,012	\$ 80,610,059	\$ 78,664,492	\$ 76,175,840	\$ 73,539,157
Restricted	547,778	287,350	144,869	94,239	94,396	95,943	96,616	97,869	99,877	166,275
Unrestricted	<u>1,031,005</u>	<u>(2,611,189)</u>	<u>523,202</u>	<u>(3,752,306)</u>	<u>2,973,933</u>	<u>7,325,290</u>	<u>10,659,249</u>	<u>4,162,871</u>	<u>1,021,733</u>	<u>(2,017,870)</u>
Total governmental activities net position	\$ 79,207,217	\$ 76,607,174	\$ 81,055,657	\$ 76,967,132	\$ 83,200,994	\$ 86,329,245	\$ 91,365,924	\$ 82,925,232	\$ 77,297,450	\$ 71,687,562
Business-type activities										
Net investment in capital assets	\$ 57,872,067	\$ 55,881,195	\$ 54,021,693	\$ 51,985,231	\$ 52,050,922	\$ 49,231,203	\$ 51,133,626	\$ 48,005,138	\$ 48,243,349	\$ 45,651,129
Unrestricted	<u>(310,795)</u>	<u>152,157</u>	<u>(140,916)</u>	<u>(101,952)</u>	<u>(521,710)</u>	<u>(434,743)</u>	<u>(3,194,337)</u>	<u>(3,448,134)</u>	<u>(4,981,872)</u>	<u>471,783</u>
Total business-type activities net position	\$ 57,561,272	\$ 56,033,352	\$ 53,880,777	\$ 51,883,279	\$ 51,529,212	\$ 48,796,460	\$ 47,939,289	\$ 44,557,004	\$ 43,261,477	\$ 46,122,912
Primary government										
Net investment in capital assets	\$135,500,501	\$134,812,208	\$134,409,279	\$132,610,430	\$132,183,587	\$128,139,215	\$131,743,685	\$126,669,630	\$124,419,189	\$119,190,286
Restricted	547,778	287,350	144,869	94,239	94,396	95,943	96,616	97,869	99,877	166,275
Unrestricted	<u>720,210</u>	<u>(2,459,032)</u>	<u>382,286</u>	<u>(3,854,258)</u>	<u>2,452,223</u>	<u>6,890,547</u>	<u>7,464,912</u>	<u>714,737</u>	<u>(3,960,139)</u>	<u>(1,546,087)</u>
Total primary government net position	<u>\$136,768,489</u>	<u>\$132,640,526</u>	<u>\$134,936,434</u>	<u>\$128,850,411</u>	<u>\$134,730,206</u>	<u>\$135,125,705</u>	<u>\$139,305,213</u>	<u>\$127,482,236</u>	<u>\$120,558,927</u>	<u>\$117,810,474</u>

Schedule 2
Talbot County, Maryland
Changes in Net Position

(accrual basis of accounting), Last Ten Fiscal Years

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Expenses										
Governmental activities:										
General government	\$ 10,183,649	\$ 9,523,067	\$ 9,358,236	\$ 9,551,119	\$ 10,360,176	\$ 11,224,921	\$ 11,325,690	\$ 12,144,928	\$ 14,456,714	\$ 14,183,030
Public safety	13,657,735	12,854,721	14,018,219	16,071,849	14,798,173	15,364,473	17,276,097	18,723,695	20,182,065	20,597,331
Public works	4,334,793	4,601,524	4,509,239	3,788,820	5,919,975	6,550,228	6,427,502	6,543,225	7,089,362	6,807,738
Health and hospitals	3,120,074	3,576,751	3,829,281	4,099,374	4,394,559	2,550,428	2,520,926	2,522,380	2,524,694	2,646,248
Social services	1,224,920	1,147,850	838,625	857,752	936,371	1,821,647	1,640,895	1,360,507	1,908,188	1,461,199
Education	39,715,193	37,597,612	38,491,514	41,640,092	39,518,549	41,025,371	42,249,348	43,745,918	52,481,151	66,549,527
Recreation	748,414	738,616	642,770	632,538	541,540	734,248	959,049	576,070	734,182	483,874
Conservation of natural resources	255,489	226,264	218,361	252,375	242,700	252,228	250,848	282,789	267,761	293,859
Interest on long-term debt	23,388	15,904	14,456	13,439	173,141	212,886	185,145	158,714	43,393	221,319
Total governmental activities expenses	<u>73,263,655</u>	<u>70,282,309</u>	<u>71,920,701</u>	<u>76,907,358</u>	<u>76,885,184</u>	<u>79,736,430</u>	<u>82,835,500</u>	<u>86,058,226</u>	<u>99,687,510</u>	<u>113,244,125</u>
Business-type activities:										
Recreation facilities	3,162,507	2,582,398	2,624,390	2,652,143	2,647,744	2,676,732	2,888,465	3,080,314	3,145,530	2,828,428
Sanitary district	2,952,404	3,353,238	3,354,872	3,430,264	3,710,861	3,883,742	4,366,586	4,511,793	4,855,689	5,003,390
Airport	4,712,248	4,655,128	4,903,460	4,837,671	4,464,150	4,312,785	4,525,433	5,805,247	5,704,850	5,502,918
Total business-type activities expenses	<u>11,094,465</u>	<u>10,824,003</u>	<u>11,140,488</u>	<u>11,135,379</u>	<u>11,072,185</u>	<u>10,873,259</u>	<u>11,780,484</u>	<u>13,397,354</u>	<u>13,706,069</u>	<u>13,334,736</u>
Total primary government expenses	<u>\$ 84,358,120</u>	<u>\$ 81,106,312</u>	<u>\$ 83,061,189</u>	<u>\$ 88,042,737</u>	<u>\$ 87,957,369</u>	<u>\$ 90,609,689</u>	<u>\$ 94,615,984</u>	<u>\$ 99,455,580</u>	<u>\$ 113,393,579</u>	<u>\$ 126,578,861</u>

Schedule 2 (continued)

Talbot County, Maryland

Changes in Net Position

(accrual basis of accounting), Last Ten Fiscal Years

	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Program Revenues										
Governmental activities:										
Charges for services										
General government	\$ 757,436	\$ 840,171	\$ 824,281	\$ 808,001	\$ 879,528	\$ 799,385	\$ 876,513	\$ 571,155	\$ 647,619	\$ 656,526
Public safety	1,841,268	1,766,198	1,687,609	1,594,468	1,716,348	1,700,062	2,409,072	2,442,331	2,626,903	2,778,631
Public works	30,693	162,353	30,938	228,548	416,507	262,496	245,783	474,198	381,148	615,746
Health and hospitals	70,199	118,979	130,705	133,248	115,961	110,303	95,011	98,104	102,131	124,446
Social Services	-	-	-	-	-	-	-	-	-	-
Education	112,872	115,776	80,295	151,045	99,143	105,745	410,781	224,423	267,625	177,107
Recreation	75,602	101,816	102,867	99,968	97,455	183,097	240,526	167,724	146,030	28,241
Conservation of natural resources	-	-	-	-	-	-	-	71,959	32,254	48,311
Operating/Capital grants and contributions	5,877,037	6,067,814	8,217,559	5,640,620	5,813,482	5,392,962	5,293,139	4,822,721	5,288,161	4,383,337
Total governmental activities program revenues	8,765,107	9,173,107	11,074,254	8,655,898	9,138,424	8,554,050	9,570,825	8,872,615	9,491,871	8,812,345
Business-type activities:										
Charges for services										
Recreation facilities	1,473,218	1,637,646	1,490,032	1,417,840	1,445,070	1,845,663	2,050,009	2,021,416	2,070,881	1,903,200
Sanitary district	2,103,019	2,318,164	2,166,256	2,328,288	2,440,190	2,203,946	3,473,144	2,528,753	2,894,922	3,003,501
Easton airport	3,015,851	3,397,868	3,216,518	3,351,214	2,992,658	2,527,763	2,524,209	3,099,955	3,235,994	2,936,884
Pool	113,324	133,023	116,353	109,084	108,506	-	-	-	-	-
Operating/Capital grants and contributions	6,431,135	1,219,494	1,453,759	1,315,605	3,098,649	1,223,632	2,300,676	1,496,336	3,680,423	7,743,927
Total business-type activities program revenues	13,136,547	8,706,195	8,442,918	8,522,031	10,085,073	7,801,004	10,348,038	9,146,460	11,882,220	15,587,512
Total primary government program revenues	\$ 21,901,654	\$ 17,879,302	\$ 19,517,172	\$ 17,177,929	\$ 19,223,497	\$ 16,355,054	\$ 19,918,863	\$ 18,019,075	\$ 21,374,091	\$ 24,399,857
Net (Expense)/Revenue										
Governmental activities	\$(64,498,548)	\$(61,109,202)	\$(60,846,447)	\$(68,251,460)	\$(67,746,760)	\$(71,182,380)	\$(73,264,675)	\$(77,185,611)	\$(90,195,639)	\$(104,431,780)
Business-type activities	2,042,082	(2,117,808)	(2,697,570)	(2,613,348)	(987,112)	(3,072,255)	(1,432,446)	(4,250,894)	(1,823,849)	2,252,776
Total primary government net expense	\$(62,456,466)	\$(63,227,010)	\$(63,544,017)	\$(70,864,808)	\$(68,733,872)	\$(74,254,635)	\$(74,697,121)	\$(81,436,505)	\$(92,019,488)	\$(102,179,004)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 29,154,652	\$ 30,002,020	\$ 32,741,855	\$ 33,660,872	\$ 34,726,851	\$ 35,280,376	\$ 36,531,210	\$ 38,574,339	\$ 41,646,643	\$ 44,544,065
Local income tax	18,551,894	20,269,343	23,140,754	27,108,102	28,562,934	26,568,636	28,007,970	25,767,710	29,514,546	41,118,063
Other local taxes	6,792,369	8,449,480	9,727,044	9,522,629	10,706,846	11,340,994	12,859,841	12,354,244	12,107,793	12,281,446
Interest	221,952	166,317	105,007	94,004	91,344	132,640	231,807	604,834	901,297	533,739
Miscellaneous	136,104	197,427	115,471	2,306,687	514,997	1,317,542	1,206,986	1,309,428	883,578	852,690
Transfers in (out)	(1,235,256)	(575,428)	(535,201)	(598,850)	(622,350)	(329,557)	(536,460)	(842,250)	(486,000)	(508,111)
Total governmental activities	53,621,715	58,509,159	65,294,930	72,093,444	73,980,622	74,310,631	78,301,354	77,768,305	84,567,857	98,821,892
Business-type activities:										
Gain on sale of asset	-	-	-	-	-	-	-	-	-	77,790
Interest	10,720	14,460	7,333	6,500	6,195	9,946	18,815	26,359	42,322	22,758
Miscellaneous	-	-	2,461	10,500	4,500	-	20,000	-	-	-
Transfers in (out)	1,235,256	575,428	535,201	598,850	622,350	329,557	536,460	842,250	486,000	508,111
Total business-type activities	1,245,976	589,888	544,995	615,850	633,045	339,503	575,275	868,609	528,322	608,659
Total primary government	\$ 54,867,691	\$ 59,099,047	\$ 65,839,925	\$ 72,709,294	\$ 74,613,667	\$ 74,650,134	\$ 78,876,629	\$ 78,636,914	\$ 85,096,179	\$ 99,430,551
Prior Period Restatement*	\$ -	\$ -	\$ -	\$ (7,930,509)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Position										
Governmental activities	\$(10,876,833)	\$(2,600,043)	\$ 4,448,483	\$(4,088,525)	\$ 6,233,862	\$ 3,128,251	\$ 5,036,679	\$ 582,694	\$(5,627,782)	\$(5,609,888)
Business-type activities	3,288,058	(1,527,920)	(2,152,575)	(1,997,498)	(354,067)	(2,732,752)	(857,171)	(3,382,285)	(1,295,527)	2,861,435
Total primary government	\$(7,588,775)	\$(4,127,963)	\$ 2,295,908	\$(6,086,023)	\$ 5,879,795	\$ 395,499	\$ 4,179,508	\$(2,799,591)	\$(6,923,309)	\$(2,748,453)

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

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

Fiscal year 2018 reflects GASB 75

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	-	-	-	-
Non spendable										
Prepaid	56,271	94,005	143,711	74,482	205,551	83,672	55,539	492,383	771,897	1,132,142
Committed	7,000,000	-	-	-	-	-	-	-	-	-
Assigned	1,350,000	1,487,600	761,814	-	1,290,000	2,156,000	2,526,000	7,775,000	3,963,460	6,743,000
Unassigned	<u>15,517,033</u>	<u>15,305,808</u>	<u>18,617,745</u>	<u>20,772,381</u>	<u>23,744,224</u>	<u>23,322,998</u>	<u>26,834,499</u>	<u>22,030,792</u>	<u>25,581,196</u>	<u>38,203,960</u>
Total General Fund	<u>\$23,923,304</u>	<u>\$16,887,413</u>	<u>\$19,523,270</u>	<u>\$20,846,863</u>	<u>\$25,239,775</u>	<u>\$25,562,670</u>	<u>\$29,416,038</u>	<u>\$30,298,175</u>	<u>\$30,316,553</u>	<u>\$46,079,102</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	-	-	-	-	-	-	-	-	-	-
Designated - Special Revenue Funds	-	-	-	-	-	-	-	-	-	-
Undesignated - Special Revenue Funds	-	-	-	-	-	-	-	-	-	-
Restricted	547,778	287,350	144,869	94,239	94,396	95,943	96,616	97,869	99,877	166,275
Committed	16,971,966	10,501,167	10,118,592	10,628,689	9,883,203	11,411,980	8,505,196	5,866,571	3,065,329	8,788,301
Assigned	1,000,000	1,997,000	910,000	300,000	437,950	246,000	320,000	1,553,000	435,000	685,000
Unassigned	<u>-</u>	<u>(1,289)</u>	<u>(1,289)</u>	<u>(1,289)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total all other governmental funds	<u>\$18,519,744</u>	<u>\$12,784,228</u>	<u>\$11,172,172</u>	<u>\$11,021,639</u>	<u>\$10,415,549</u>	<u>\$11,753,923</u>	<u>\$8,921,812</u>	<u>\$7,517,440</u>	<u>\$3,600,206</u>	<u>\$9,639,576</u>
Total Governmental Funds	<u>\$42,443,048</u>	<u>\$29,671,641</u>	<u>\$30,695,442</u>	<u>\$31,868,502</u>	<u>\$35,655,324</u>	<u>\$37,316,593</u>	<u>\$38,337,850</u>	<u>\$37,815,615</u>	<u>\$33,916,759</u>	<u>\$55,718,678</u>

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues										
Property tax	\$ 29,154,652	\$ 30,002,020	\$ 32,741,855	\$ 33,660,872	\$ 34,726,851	\$ 35,280,376	\$ 36,531,210	\$ 38,574,339	\$ 41,646,643	\$ 44,544,065
Income tax	18,551,894	20,269,343	23,140,754	27,108,102	28,562,934	26,568,636	28,007,970	25,767,710	29,514,546	41,118,063
Other local taxes	6,792,369	8,449,480	9,727,044	9,522,629	10,706,846	11,340,994	12,859,841	12,354,244	12,107,793	12,281,446
Licenses and permits	754,521	921,714	709,104	1,064,650	1,197,384	1,131,327	1,534,397	1,242,676	1,202,274	1,466,293
Intergovernmental:										
Federal	3,204,079	3,255,988	2,458,706	2,611,375	2,711,862	1,806,977	1,969,264	908,238	1,770,003	1,066,782
State	2,672,958	2,811,826	2,618,853	2,980,645	3,096,220	3,585,985	3,323,875	3,914,482	3,337,691	3,302,240
Contributions/Cost Sharing			1,500,000	-	-	-	-	-	-	-
Other Grants			6,268	48,600	5,400	-	-	-	-	-
Service charges	2,129,649	2,178,232	2,135,969	1,939,522	2,124,798	2,026,744	2,741,847	2,778,123	2,940,620	2,866,422
Fines and forfeitures	3,900	5,347	5,354	11,106	2,760	3,017	1,442	29,094	60,815	25,872
Miscellaneous	136,104	197,427	115,471	2,306,687	514,997	1,317,542	1,206,986	1,309,430	1,064,046	937,426
Interest Income	221,952	166,317	105,007	94,004	91,344	132,640	231,807	604,834	901,297	642,874
Total revenues	<u>63,622,078</u>	<u>68,257,694</u>	<u>75,264,385</u>	<u>81,348,192</u>	<u>83,741,396</u>	<u>83,194,238</u>	<u>88,408,639</u>	<u>87,483,170</u>	<u>94,545,728</u>	<u>108,251,484</u>
Expenditures										
General Government	8,000,023	8,964,591	5,846,871	6,070,668	6,350,740	7,642,163	8,802,050	9,300,739	9,330,699	8,722,903
Public Safety	11,736,551	10,525,791	12,240,008	13,799,168	20,277,465	17,363,993	17,499,498	16,961,686	18,493,023	21,302,987
Public Works*	4,592,005	4,554,963	5,059,652	5,229,765	5,833,477	7,006,063	7,982,257	6,203,408	6,826,823	5,977,886
Health and hospitals	3,113,814	3,570,491	3,823,021	4,093,114	4,416,125	2,544,168	2,520,926	2,522,380	2,524,694	2,655,831
Social services	1,209,401	1,033,099	838,625	857,752	936,371	1,821,647	1,640,895	1,360,507	1,908,188	1,450,117
Education*	42,480,161	39,818,352	40,802,775	44,015,863	42,060,240	43,247,006	44,193,888	46,535,733	54,696,071	66,549,524
Recreation	329,191	286,009	550,994	389,354	490,067	601,223	909,747	617,321	624,825	483,874
Conservation of natural resources	255,489	226,264	218,361	252,375	242,700	252,228	250,848	266,938	267,761	293,859
Employee Benefits	3,460,899	10,461,176	3,247,384	5,695,880	4,038,964	1,695,449	825,003	1,037,594	1,010,251	1,161,280
Miscellaneous	216,666	77,239	95,150	79,206	101,568	74,127	130,261	110,226	132,842	167,164
Intergovernmental	761,613	820,446	822,434	874,438	1,068,923	948,472	964,560	1,203,193	1,176,405	877,568
Debt service interest*	23,388	15,904	14,456	13,439	173,141	212,886	185,145	158,714	43,393	122,095
Debt service principal*	381,392	59,651	48,355	48,645	50,680	799,855	835,569	861,726	889,579	917,703
Debt issuance costs	-	-	-	-	-	124,648	-	-	-	109,134
Contingencies	440,569	39,697	97,297	214,355	41,972	81,219	114,433	22,990	34,030	69,069
Total expenditures	<u>77,001,162</u>	<u>80,453,673</u>	<u>73,705,383</u>	<u>81,634,022</u>	<u>86,082,433</u>	<u>84,415,147</u>	<u>86,855,080</u>	<u>87,163,155</u>	<u>97,958,584</u>	<u>110,860,994</u>
Excess of revenues over (under) expenditures	<u>(13,379,084)</u>	<u>(12,195,979)</u>	<u>1,559,002</u>	<u>(285,830)</u>	<u>(2,341,037)</u>	<u>(1,220,909)</u>	<u>1,553,559</u>	<u>320,015</u>	<u>(3,412,856)</u>	<u>(2,609,510)</u>
Other Financing Sources (Uses)										
Proceeds from long-term debt	12,281,271	-	-	2,057,740	6,750,209	15,243,760	-	-	-	21,775,000
Payment to refunded debt escrow agent	(12,650,858)	-	-	-	-	(16,410,830)	-	-	-	-
Bond premium	681,641	-	-	-	-	1,327,418	4,158	-	-	3,144,540
Proceeds from Sale of Land	-	-	-	-	-	3,510,650	-	-	-	-
Transfers in (out)										
Pools	(164,281)	(100,216)	(142,231)	(113,850)	(107,950)	(191,030)	-	-	-	-
Recreation	(1,070,975)	(475,212)	(392,970)	(485,000)	(514,400)	(597,790)	(536,460)	(842,250)	(486,000)	(508,111)
Total other financing sources (uses)	<u>(923,202)</u>	<u>(575,428)</u>	<u>(535,201)</u>	<u>1,458,890</u>	<u>6,127,859</u>	<u>2,882,178</u>	<u>(532,302)</u>	<u>(842,250)</u>	<u>(486,000)</u>	<u>24,411,429</u>
Net change in fund balances	<u>\$ (14,302,286)</u>	<u>\$(12,771,407)</u>	<u>\$ 1,023,801</u>	<u>\$ 1,173,060</u>	<u>\$ 3,786,822</u>	<u>\$ 1,661,269</u>	<u>\$ 1,021,257</u>	<u>\$ (522,235)</u>	<u>\$(3,898,856)</u>	<u>\$ 21,801,919</u>

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

Total Governmental Principal Payments										
Education	2,278,476	2,143,416	2,233,937	2,298,447	2,464,368	2,705,900	2,653,858	2,739,243	2,214,920	2,311,732
General Government	381,392	59,651	48,355	48,645	50,680	799,855	835,569	861,726	889,579	917,703
Public Works	-	-	-	43,339	47,658	48,610	49,582	50,572	47,239	-
Total Principal	<u>2,659,868</u>	<u>2,203,067</u>	<u>2,282,292</u>	<u>2,390,431</u>	<u>2,562,706</u>	<u>3,554,365</u>	<u>3,539,009</u>	<u>3,651,541</u>	<u>3,151,738</u>	<u>3,229,435</u>
Total Governmental Interest Payments										
Education	1,393,224	1,253,516	1,184,643	1,115,569	1,022,369	711,277	798,087	707,174	554,921	511,651
General Government	23,388	15,904	14,456	13,439	173,141	212,886	185,145	158,714	43,393	122,095
Public Works	-	-	-	4,375	4,555	3,618	2,429	1,438	267	-
Total Interest	<u>1,416,612</u>	<u>1,269,420</u>	<u>1,199,099</u>	<u>1,133,383</u>	<u>1,200,065</u>	<u>927,781</u>	<u>985,661</u>	<u>867,326</u>	<u>598,581</u>	<u>633,746</u>

Schedule 5

Talbot County, Maryland

Debt Service as a Percentage of Non Capital Expenditures

(accrual basis of accounting, Last Ten Fiscal Years)

	Fiscal Year									
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total expenditures (Schedule 4)	\$ 77,001,162	\$ 80,453,673	\$ 73,705,383	\$ 81,634,022	\$ 86,082,433	\$ 84,415,147	\$ 86,855,080	\$ 87,163,155	\$ 97,958,584	\$110,860,994
Less Capital Outlay Expenditures	<u>5,990,743</u>	<u>4,978,811</u>	<u>3,716,763</u>	<u>3,862,623</u>	<u>10,214,790</u>	<u>4,676,266</u>	<u>5,133,230</u>	<u>2,200,857</u>	<u>1,549,501</u>	<u>1,466,955</u>
Non-Capital Expenditures	71,010,419	75,474,862	69,988,620	77,771,399	75,867,643	79,738,881	81,721,850	84,962,298	96,409,083	109,394,039
Debt Service Expenditures (Schedule 4)										
Principal	2,659,868	2,203,067	2,282,292	2,390,431	2,562,706	3,554,365	3,539,009	3,651,541	3,151,738	3,229,435
Interest	<u>1,416,612</u>	<u>1,269,420</u>	<u>1,199,099</u>	<u>1,133,383</u>	<u>1,200,065</u>	<u>927,781</u>	<u>985,661</u>	<u>867,326</u>	<u>598,581</u>	<u>633,746</u>
Total Debt Service Expenditures	4,076,479	3,472,487	3,481,391	3,523,814	3,762,771	4,482,146	4,524,670	4,518,867	3,750,319	3,863,181
Debt service as a percentage of Non-capital expenditures	5.74%	4.60%	4.97%	4.53%	4.96%	5.62%	5.54%	5.32%	3.89%	3.53%

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

Fiscal Year	Real Property ^a				Public Utility Personal Property ^b			Total Estimated Market Value
	Assessed Value	Estimated Market Value	Tax Rate ^c	Weighted Average Tax Rate ^d	Assessed Value	Estimated Market Value	Tax Rate ^c	
2020	\$ 8,499,252,532	\$ 8,499,252,532	0.6372	0.5851	\$ 72,264,220	\$ 72,264,220	1.5805	8,571,516,752
2019	8,384,993,791	8,384,993,791	0.6061	0.5572	69,100,240	69,100,240	1.5153	8,454,094,031
2018	8,365,734,487	8,365,734,487	0.5708	0.5214	64,395,380	64,395,380	1.4270	8,430,129,867
2017	8,367,983,282	8,367,983,282	0.5471	0.4990	64,786,610	64,786,610	1.3677	8,432,769,892
2016	8,354,090,629	8,354,090,629	0.5360	0.4884	63,153,192	63,153,192	1.3400	8,417,243,821
2015	8,494,000,738	8,494,000,738	0.5270	0.4805	62,229,920	62,229,920	1.3175	8,556,230,658
2014	8,812,185,090	8,812,185,090	0.5120	0.4660	56,604,950	56,604,950	1.2800	8,868,790,040
2013	9,278,557,414	9,278,557,414	0.4910	0.4470	59,473,730	59,473,730	1.2275	9,338,031,144
2012	9,710,928,300	9,710,928,300	0.4480	0.4050	59,151,090	59,151,090	1.1200	9,770,079,390
2011	10,093,360,351	10,093,360,351	0.4320	0.3890	58,123,220	58,123,220	1.0800	10,151,483,571

Source: State of Maryland, Department of Assessments and Taxation

Notes:

- ^a Real Property is reassessed every three years. Real Property is assessed at market value.
- ^b Public Utility Personal Property is assessed at market value.
- ^c Per \$100 of value. Direct tax rate for properties located in the unincorporated areas of the County
- ^d 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
2020	0.6372	0.5042	0.5192	0.5771	0.5102	0.5392	0.5851	0.520	0.3047	0.180	0.524	0.330	0.6372	1.0242	0.8239	0.7571	1.0342	0.8692
2019	0.6061	0.4731	0.4891	0.546	0.4791	0.5081	0.5572	0.520	0.3047	0.180	0.524	0.330	0.6061	0.9931	0.7938	0.7260	1.0031	0.8381
2018	0.5708	0.4378	0.4538	0.5098	0.4438	0.4728	0.5214	0.520	0.3000	0.180	0.524	0.330	0.5708	0.9578	0.7538	0.6898	0.9678	0.8028
2017	0.5471	0.4142	0.4302	0.4862	0.4202	0.4492	0.4990	0.520	0.2952	0.180	0.460	0.310	0.5471	0.9342	0.7254	0.6662	0.8802	0.7592
2016	0.5360	0.4030	0.4190	0.4750	0.4090	0.4380	0.4884	0.520	0.2952	0.180	0.450	0.290	0.5360	0.9230	0.7142	0.6550	0.8590	0.7280
2015	0.5270	0.3950	0.4100	0.4660	0.4000	0.4300	0.4805	0.520	0.2783	0.180	0.450	0.290	0.5270	0.9150	0.6883	0.6460	0.8500	0.7200
2014	0.5120	0.3800	0.3960	0.4520	0.3860	0.4250	0.4660	0.520	0.2438	0.180	0.450	0.290	0.5120	0.9000	0.6398	0.6320	0.8360	0.7150
2013	0.4910	0.3610	0.3770	0.4330	0.3670	0.4060	0.4470	0.520	0.2438	0.180	0.520	0.290	0.4910	0.8810	0.6208	0.6130	0.8870	0.6960
2012	0.4480	0.3190	0.3350	0.3910	0.3250	0.3640	0.4050	0.520	0.2200	0.180	0.580	0.290	0.4480	0.8390	0.5550	0.5710	0.9050	0.6540
2011	0.4320	0.3020	0.3180	0.3740	0.3080	0.3470	0.3890	0.520	0.2306	0.180	0.640	0.290	0.4320	0.8220	0.5486	0.5540	0.9480	0.6370

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

Notes:

Real property is assessed at full cash value.

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

<u>Taxpayer</u>	<u>Fiscal Year 2020</u>			<u>Fiscal Year 2011</u>		
	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
RDC Inn at Perry Cabin LLC	\$ 24,239,200	1	0.29%			
Easton Shoppes Business Trust	14,898,467	2	0.18%	\$ 13,594,600	3	0.13%
Remco Properties, LLC	14,462,600	3	0.17%	12,337,200	5	0.12%
Bayleigh Chase, Inc	12,969,200	4	0.15%			
Tred Avon LLC	11,801,700	5	0.14%			
Lowe's Home Centers, Inc.	11,200,100	6	0.13%	13,388,866	4	0.13%
Target Corporation	10,920,000	7	0.13%	9,920,066	7	0.10%
Wal Mart Real Estate Business Trust	10,669,000	8	0.13%	8,902,500	9	0.09%
Tidewater Inn LLC	10,476,433	9	0.12%			
Fre USA LLC	10,320,400	10	0.12%			
Perry Cabin Acquisitions Corp.				21,795,300	1	0.22%
William Hill Manor, Inc				15,943,033	2	0.16%
Individual				11,447,600	6	0.11%
Individual				9,165,000	8	0.09%
Individual				8,570,990	10	0.08%
Total	\$ 131,957,100		1.57%	\$ 125,065,155		1.24%

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
2020	\$ 44,839,529	\$ 43,533,445	97.09%	\$ -	43,533,445	97.09%
2019	41,746,371	40,715,401	97.53%	(4,233)	40,711,168	97.52%
2018	38,639,733	37,718,867	97.62%	(2,668)	37,716,199	97.61%
2017	35,775,649	35,760,252	99.96%	50,680	35,810,932	100.10%
2016	34,576,428	34,546,760	99.91%	-	34,546,760	99.91%
2015	34,024,027	33,996,787	99.92%	5,080	34,001,867	99.93%
2014	33,071,077	33,026,089	99.86%	(3,756)	33,022,333	99.85%
2013	32,194,472	32,120,054	99.77%	(10,659)	32,109,395	99.74%
2012	29,426,822	29,384,626	99.86%	(8,652)	29,375,974	99.83%
2011	28,628,850	28,599,021	99.90%	17,892	28,616,913	99.96%

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
2019	2.00%	3.00%	4.00%		4.75%	5.00%	5.25%	5.50%	5.75%
2018	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2017	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2016	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2015	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2014	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2013	2.00%	3.00%	4.00%	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2012	N/A	N/A	N/A	N/A	4.75%	5.00%	5.25%	5.50%	5.75%
2011	2.00%	3.00%	4.00%	N/A					
2010	2.00%	3.00%	4.00%	N/A					

State Income Tax Rates*

Tax Year	\$3,001 to \$150,000 Net Taxable Income	\$150,001 to \$300,000 Net Taxable Income	\$300,001 to \$500,000 Net Taxable Income	\$500,001 to \$1,000,000 Net Taxable Income	In excess of \$1,000,000 Net Taxable Income	Talbot County Income Tax Direct Rate
2019	N/A	N/A	N/A	N/A	N/A	2.40%
2018	N/A	N/A	N/A	N/A	N/A	2.40%
2017	N/A	N/A	N/A	N/A	N/A	2.40%
2016	N/A	N/A	N/A	N/A	N/A	2.40%
2015	N/A	N/A	N/A	N/A	N/A	2.40%
2014	N/A	N/A	N/A	N/A	N/A	2.40%
2013	N/A	N/A	N/A	N/A	N/A	2.40%
2012	N/A	N/A	N/A	N/A	N/A	2.25%
2011	4.75%	5.00%	5.25%	5.50%	5.50%	2.25%
2010	4.75%	5.00%	5.25%	5.50%	6.25%	2.25%

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

Notes:

*Individual Filing Status

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

Tax Year	Number of Taxable Returns	Maryland Adjusted Gross Income	Net Taxable Income	Net State Income Tax	Local Income Tax	Total Tax Liability	Talbot County Income Tax Direct Rate
2018	14,703	\$ 1,750,525,330	\$ 1,478,248,845	\$ 71,214,224	\$ 34,654,632	\$ 105,868,856	2.40%
2017	14,846	1,502,571,658	1,235,868,490	57,102,071	28,647,595	85,749,666	2.40%
2016	14,666	1,400,448,708	1,132,954,384	52,190,441	26,246,660	78,437,101	2.40%
2015	14,528	1,481,708,151	1,169,805,337	54,581,324	27,153,206	81,734,530	2.40%
2014	14,603	1,403,550,972	1,135,662,569	52,780,635	26,577,777	79,358,412	2.40%
2013	14,331	1,386,024,598	1,111,304,912	50,085,415	26,353,729	76,439,144	2.40%
2012	14,370	1,394,066,465	1,124,865,958	51,652,571	25,013,073	76,665,644	2.25%
2011	14,068	1,285,429,925	1,014,019,704	45,374,930	22,534,206	67,909,136	2.25%
2010	13,970	1,231,712,157	966,801,287	43,848,608	21,476,332	65,324,940	2.25%
2009	13,615	1,152,941,209	892,490,578	41,524,166	19,813,516	61,337,682	2.25%

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 2018					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$500,000 and higher	337	2.3%	\$ 544,678,927	36.8%	\$ 12,714,790	36.7%
\$250,000 - 499,999	675	4.6%	211,012,231	14.3%	4,984,461	14.4%
\$100,000 - 249,999	2,844	19.3%	370,165,488	25.0%	8,834,103	25.5%
\$50,000 - 99,999	3,831	26.1%	215,983,316	14.6%	5,164,316	14.9%
\$25,000 - 49,999	4,155	28.3%	107,051,739	7.2%	2,354,000	6.8%
\$5,000 - 24,999	2,779	18.9%	29,207,502	2.0%	599,558	1.7%
Under \$5,000	82	0.6%	146,642	0.0%	3,405	0.0%
Totals	14,703	100.0%	\$ 1,478,245,845	100.0%	\$ 34,654,632	100.0%

	Tax Year 2009					
	Number of Taxable Returns	Percentage of Total	Net Taxable Income	Percentage of Total	Local Tax Liability	Percentage of Total
Adjusted Gross Income Level						
\$500,000 and higher	194	1.4%	\$ 261,990,246	29.4%	\$ 5,894,782	29.8%
\$250,000 - 499,999	584	4.3%	147,189,821	16.5%	3,311,772	16.7%
\$100,000 - 249,999	1,744	12.8%	181,020,989	20.3%	4,073,015	20.6%
\$50,000 - 99,999	3,625	26.6%	180,327,725	20.2%	4,057,377	20.5%
\$25,000 - 49,999	3,975	29.2%	91,503,779	10.3%	1,924,536	9.7%
\$5,000 - 24,999	3,406	25.0%	30,302,310	3.4%	548,680	2.8%
Under \$5,000	87	0.6%	155,708	0.0%	3,354	0.0%
Totals	13,615	100.0%	\$ 892,490,578	100.0%	\$ 19,813,516	100.0%

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

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

Fiscal Year	Governmental Activities	Business Activities		Total Primary Government	Percentage of Personal Income	Debt Per Capita
	General Obligation Bonds	General Obligation Bonds	Capital Leases			
2020	\$ 43,373,783	\$ 16,316,084	\$ 356,429	\$ 60,046,296	2.16%	1,615
2019	21,889,178	15,695,215	149,448	37,733,841	1.39%	1,015
2018	25,216,355	16,925,000	242,299	42,383,654	1.57%	1,146
2017	29,043,335	16,322,002	324,066	45,689,403	1.73%	1,231
2016	32,753,625	8,806,100	151,602	41,711,327	1.67%	1,119
2015	35,367,806	9,641,102	193,364	45,202,272	1.86%	1,205
2014	31,257,626	10,503,339	48,875	41,809,840	1.76%	1,111
2013	31,667,641	11,114,740	95,555	42,877,936	1.85%	1,130
2012	34,027,257	11,969,066	159,691	46,156,014	2.01%	1,213
2011	36,307,648	12,809,338	210,316	49,327,302	2.33%	1,297

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

Notes:

2018 & 2019 percentages calculated using 2017 personal income data, which is the most recent available.

See Schedule 17 for population and personal income data.

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

Fiscal Year	General Obligation Bonds^a	Total Taxable Assessable Base^b	Percentage of Total Taxable Assessable Base	Population^c	General Obligation Debt Per Capita
2020	\$ 59,689,867	\$ 8,571,516,752	0.70%	37,181	\$ 1,605
2019	37,584,393	8,454,094,031	0.44%	37,181	1,011
2018	42,141,355	8,430,129,867	0.50%	36,968	1,140
2017	45,365,337	8,432,769,892	0.54%	37,103	1,223
2016	41,559,725	8,417,243,821	0.49%	37,278	1,115
2015	45,008,908	8,556,230,658	0.53%	37,512	1,200
2014	41,760,965	8,868,790,040	0.47%	37,643	1,109
2013	42,782,381	9,338,031,144	0.46%	37,931	1,128
2012	45,996,323	9,770,079,390	0.47%	38,040	1,209
2011	49,116,986	10,151,483,571	0.48%	38,025	1,292

Sources:

^a Talbot County Finance Office

^b State of Maryland, Department of Assessments and Taxation

^c U.S. Census Bureau.

Schedule 15
Talbot County, Maryland
Direct and Overlapping Governmental Activities Debt
As of June 30, 2020

Governmental Unit	Total Assessed Valuation of Real Property^a	% of Assessed Valuation to County Total	Pro Rata Share of County General Obligation Bonded Debt	Municipal Debt Outstanding^b	Estimated Share of Direct and Overlapping Debt
Easton	\$ 2,266,574,249	26.67%	\$ 11,566,888	\$ 7,595,000	\$ 19,161,888
Oxford	338,399,594	3.98%	1,726,937	-	1,726,937
Queen Anne	7,395,600	0.09%	37,742	-	37,742
St. Michaels	333,713,100	3.93%	1,703,020	-	1,703,020
Trappe	86,174,953	1.01%	439,772	125,183	564,955
Unincorporated	5,466,995,036	64.32%	27,899,425	-	27,899,425
Total	\$ 8,499,252,532	100%	\$ 43,373,783	\$ 7,720,183	\$ 51,093,966

Sources:

^a State of Maryland, Department of Assessments and Taxation

^b Municipal Town Clerks

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

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Taxable Assessable Base *	\$ 10,093,360	\$ 9,710,928	\$ 9,278,557	\$ 8,812,185	\$ 8,494,001	\$ 8,354,091	\$ 8,367,983	\$ 8,365,734	\$ 8,384,994	\$ 8,499,253
Debt Limit, 15% of Assessable Base	1,514,004	1,456,639	1,391,784	1,321,828	1,274,100	1,253,114	1,255,197	1,254,860	1,257,749	1,274,888
Amount of Debt Applicable to Limit										
General Obligation Bonds	35,404	33,201	31,668	31,258	35,368	32,754	29,043	25,216	21,889	43,374
Legal Debt Margin	<u>\$ 1,478,600</u>	<u>\$ 1,423,438</u>	<u>\$ 1,360,116</u>	<u>\$ 1,290,570</u>	<u>\$ 1,238,732</u>	<u>\$ 1,220,360</u>	<u>\$ 1,226,154</u>	<u>\$ 1,229,644</u>	<u>\$ 1,235,860</u>	<u>\$ 1,231,514</u>
Total net debt applicable to the limit as a percentage of debt limit	2.34%	2.28%	2.28%	2.36%	2.78%	2.61%	2.31%	2.01%	1.74%	3.40%

Source:

* State of Maryland, Department of Assessments and Taxation

Note:

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

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

Year	Population^b	Personal Income^b <i>(thousands of dollars)</i>	Per Capita Personal Income^b	Public School Enrollment^c	Unemployment Rate^d
2020	37,181	*	*	4,703	7.1%
2019	37,181	\$ 2,777,842	\$ 74,711	4,674	3.6%
2018	36,968	2,707,240	73,232	4,646	4.1%
2017	37,103	2,643,437	71,246	4,593	4.0%
2016	37,278	2,496,549	66,971	4,625	4.1%
2015	37,512	2,430,909	64,804	4,630	5.2%
2014	37,643	2,375,672	63,111	4,537	6.1%
2013	37,931	2,318,765	61,131	4,570	7.6%
2012	38,040	2,297,444	60,395	4,547	7.3%
2011	38,025	2,118,791	55,721	4,504	7.2%
2010	37,782	2,072,002	54,701	4,495	7.8%

Sources:

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

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

^c Maryland State Department of Education.

^d Maryland Department of Labor, Licensing and Regulation.

* Information not yet available.

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

<u>Employer</u>	<u>Fiscal Year 2020</u>			<u>Fiscal Year 2011</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Univ. of MD/Shore Regional Health	1,510	1	7.72%			
Bayleigh Chase	300	2	1.53%			
Chesapeake Center	200	3	1.02%			
Genesis Healthcare/The Pines	170	4	0.87%	186	8	0.99%
Eurofins EAG Easton	160	5	0.82%			
Inn at Perry Cabin by Belmond	160	6	0.82%			
Shore Bancshares	160	7	0.82%	350	4	1.87%
Qlarant	150	8	0.77%			
Chesapeake Building Components	140	9	0.72%			
Aphena Pharma Solutions	135	10	0.69%			
Target						
Shore Health Systems/EMH				2,400	1	12.80%
Allen Family Foods				550	2	2.93%
Quality Health Strategies				400	3	2.13%
William Hill Manor				300	5	1.60%
Wal-Mart				220	6	1.17%
Global Strategies Group				200	7	1.07%
Pro Temps Staffing Solutions				175	9	0.93%
Chesapeake Publishing				160	10	0.85%
	<u>3,085</u>		<u>15.77%</u>	<u>4,941</u>		<u>26.35%</u>

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

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Government	63.0	60.3	61.1	63.8	65.8	65.4	66.8	65.7	68.9	65.9
Public Safety	152.0	146.7	151.2	156.3	161.7	170.2	161.3	164.2	177.4	213.3
Public Works	46.0	42.5	41.2	40.8	41.9	44.7	46.1	46.8	46.9	46.5
Social Services	3.0	0.8	-	-	-	-	-	-	-	-
Recreation	34.0	32.8	33.0	35.1	35.9	35.6	38.0	37.2	34.9	24.2
Airport	<u>5.0</u>	<u>5.0</u>	<u>5.1</u>	<u>5.1</u>	<u>5.0</u>	<u>5.1</u>	<u>5.3</u>	<u>5.2</u>	<u>5.4</u>	<u>5.2</u>
Total	<u>303.0</u>	<u>288.1</u>	<u>291.6</u>	<u>301.1</u>	<u>310.3</u>	<u>321.0</u>	<u>317.5</u>	<u>319.1</u>	<u>333.5</u>	<u>355.1</u>

Source: Talbot County Finance Office.

Notes:

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

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

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General Government										
Building Permits issued	308	267	261	245	239	259	294	299	408	493
Value of new construction (000's)	36,974	27,067	28,540	24,379	28,289	34,149	58,099	38,235	34,598	40,477
Public Safety										
Detention Center										
Avg. daily population	104	85	81	72	63	67	75	69	72	72
Bookings	771	1,020	954	880	804	775	727	626	935	961
9-1-1 Calls Answered										
Fire	1,705	1,975	2,034	1,917	2,112	2,523	3,338	2,070	2,088	2,067
Emergency Medical Services	4,330	4,458	4,551	4,358	4,774	4,682	3,894	5,897	5,973	5,726
Sheriff	13,627	13,923	12,165	13,139	13,397	14,896	16,879	20,167	26,083	23,733
Other Police	7,383	8,367	11,533	12,040	11,184	11,834	32,403	29,852	33,902	29,329
Education										
Students	4,504	4,547	4,570	4,537	4,630	4,625	4,593	4,646	4,674	4,703
Teachers Instructional	316	312	321	321	321	326	327	325	326	336
Recreation Facilities										
Boat ramp permits	6,724	6,689	6,443	6,185	6,034	5,886	3,957	3,581	3,540	3,531
Golf rounds	27,969	31,467	28,439	29,057	26,889	35,998	37,903	31,140	29,838	31,282
Public Works										
Centerline miles of road maintained	372	374	374	374	374	373	373	373	373	373
Wastewater treated (mgd)	0.481	0.477	0.483	0.460	0.363	0.428	0.401	0.382	0.552	0.304
Airport										
Based aircraft	146	146	176	220	216	229	233	224	225	203
Gallons of fuel sold	646,268	633,071	581,342	642,726	648,140	660,362	642,921	748,246	709,282	591,963

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

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

<u>Function/Program</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Public Safety										
Detention center capacity	140	145	145	145	145	145	145	145	145	145
Fire stations	7	7	7	7	7	7	7	7	7	7
Emergency Medical Services Stations	5	5	5	5	5	5	5	5	5	5
Education										
Elementary Schools	6	6	6	6	6	6	6	6	6	6
Middle Schools	2	2	2	2	2	2	2	2	2	2
High Schools	2	2	2	2	2	2	2	2	2	2
Public Libraries	3	3	2	2	2	2	2	2	2	2
Recreation Facilities										
Community Center/Ice Rink	1	1	1	1	1	1	1	1	1	1
Golf Course (27 holes)	1	1	1	1	1	1	1	1	1	1
County Parks	12	12	14	14	14	14	14	14	14	14
Park acreage	272	272	293	293	293	293	293	293	293	293
Public Landings & Wharves	30	30	30	30	30	30	30	30	30	29
Boat Slips	117	136	136	136	136	136	136	136	136	136
Public Pools	2	2	2	2	2	2	2	2	2	2
Public Works										
Centerline miles of county roads	372	374	374	374	374	373	373	373	373	373
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	3	3	3	3	3	3	2	2	2	2
Miles of mains	38	38	38	40	40	40	42	42	43	43
Pump stations	12	12	12	12	12	12	12	12	12	12
Airport										
Number of Runways	2	2	2	2	2	2	2	2	2	2

Sources: Talbot County Finance Office and applicable County Departments.



Talbot County, Maryland
www.talbotcountymd.org