



Talbot County

MARYLAND

Annual Comprehensive Financial Report
FISCAL YEAR ENDED JUNE 30, 2022



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TALBOT COUNTY, MARYLAND
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2022

Report Prepared By:
Talbot County, Maryland Finance Office



TALBOT COUNTY, MARYLAND
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

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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

February 27, 2023

To the County Council and
Citizens of Talbot County, Maryland

Formal Transmittal of the Annual Comprehensive Financial Report (ACFR)

I am pleased to submit the Annual Comprehensive Financial Report (ACFR) for Talbot County, Maryland for the fiscal year ended June 30, 2022 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, 2022. 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, 2022, 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 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 2022 actual property tax revenues totaled \$47.9 million or 41.3% 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 2022 Income tax revenues accounted for 32.6% of the General Fund revenues. The County received \$37.8 million in Income Tax revenues in FY 2022, \$10.8 million more than budgeted but \$2.3 million more than the amount received in FY 2021. The County is continuing to monitor the impact of the COVID 19 public health emergency and related impact on our citizens' incomes. The County's housing market continues to be strong as noted by actual Recordation and Transfer tax revenues that were \$11.8 million above the amount budgeted for FY 2022 and \$11.8 million higher than that received in FY 2021. For FY 2023 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 anticipated to continue to improve in FY 2023.

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 on all of our citizens and our economy. Record unemployment and the slow recovery of some businesses have had 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, 2022, Talbot County's unassigned fund balance was 52.4% of actual expenditures, before other financing uses.

The FY 2023 General Fund Budget decreased slightly by \$208,217 from the FY 2022 Approved Budget. The FY 2023 budget includes the transfer of \$3 million to the Capital Projects Fund to fund County projects including road upgrades and Talbot County Public Schools capital projects. Excluding the transfer to the Capital Projects Fund, the General Fund Budget for FY 2023 decreased by 2.8%. Public Safety expenses rose \$2.2 million from the FY 2022 budget. The FY 2023 Budget includes funding for salary scale adjustments for some public safety positions and additional EMS positions to support call volumes and the expansion of service in the northern area of the county. The Contingency Fund for FY 2023 remains at \$1.5 million. In addition, all proposed equipment purchases (Capital Outlay) of \$3.2 million are included in the County Administration department budget to allow the County the maximum oversight on all equipment purchases during FY 2023.

In FY 2023 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 annual comprehensive financial report for the fiscal year ended June 30, 2021. 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 annual comprehensive 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 twenty (20) consecutive years. We believe that our current annual comprehensive 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 annual comprehensive financial report is 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,

A handwritten signature in blue ink that reads "Martha Darling Sparks". The signature is written in a cursive, flowing style.

Martha Darling Sparks
Finance Director



Government Finance Officers Association

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Talbot County Maryland

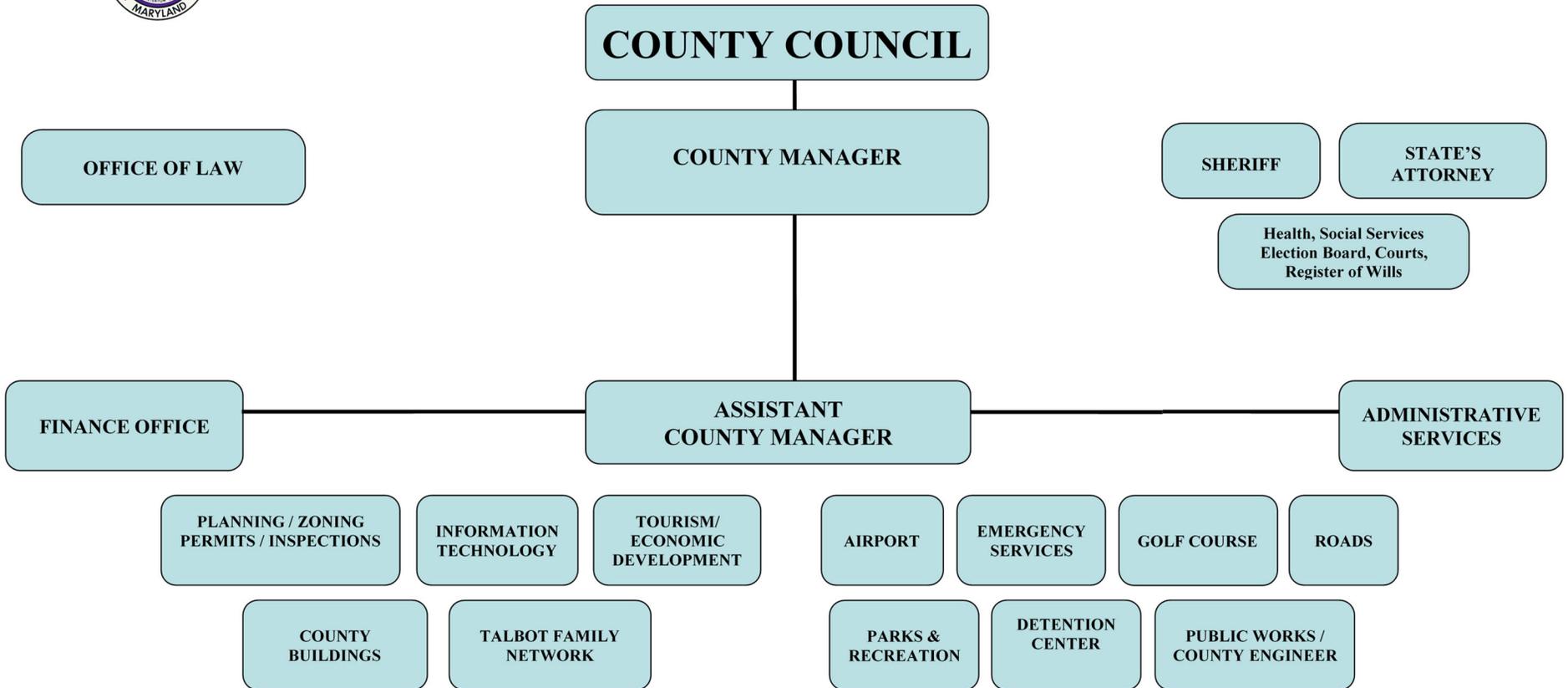
For its Annual Comprehensive Financial Report
For the Fiscal Year Ended June 30, 2021

Christopher P. Morill

Executive Director/CEO



TALBOT COUNTY GOVERNMENT ORGANIZATIONAL CHART



Talbot County, Maryland
List of Elected and Appointed Officials
June 30, 2022

Elected Officials

County Council

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

Sheriff
State's Attorney

Joseph J. Gamble
Scott G. Patterson

Appointed Officials

County Manager
Attorney
Assistant County Manager for Administration
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

Clay B. Stamp
Patrick Thomas
Jessica K. Morris
David Edwards
Micah L. Risher
Terry Kokolis
Brian LeCates
Brian Moore
Martha Darling Sparks
Richard A. Setter
Parker J. Durham
Preston P. Peper
Vacant
Raymond P. Clarke
Warren W. Edwards, Jr.
Cassandra M. Vanhooser

FINANCIAL SECTION



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS

County Council of Talbot County, Maryland
Easton, Maryland

Opinions

We have audited the 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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.

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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The County's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a year beyond the date the financial statements are available to be issued, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may



involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 County's internal controls. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal controls-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of revenues, expenditures and changes in fund balances – budget to actual – general fund and grants fund, schedule of changes in 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, and notes to the required supplementary information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying



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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.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the financial statements and our independent public accountant's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Owings Mills, Maryland
February 27, 2023

SB & Company, LLC



MANAGEMENT'S DISCUSSION & ANALYSIS

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of the Annual Comprehensive 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, 2022. 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, 2022, by \$145.9 million (total net position), compared to \$135.6 million as of June 30, 2021. For fiscal year ended June 2022, the unrestricted portion of net position is a surplus of \$31.7 million and is comprised of \$29.8 unrestricted net position in the governmental activities and \$1.9 million unrestricted net position in the business type activities. The unrestricted surplus is relatively small 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. As of June 30, 2022, the County included \$31 million of bonds payable in liabilities for school construction projects and no corresponding capital assets.
- The total net position increased by \$10.3 million or 7.6%.

Fund Level

- The General Fund had an increase in fund balance of \$5 million.
- As of June 30, 2022, the County's governmental funds reported combined fund balances of \$84.1 million, an increase of \$10.9 million from the prior year. Approximately 61.8% of the combined governmental fund balance (\$52 million), is available to meet the County's current and future needs (unassigned), 17% is assigned, indicating that it is not available for new spending because it has already been assigned for items such as subsequent years expenditures, 18.7% is committed or restricted for future use and 2.4% is nonspendable meaning that it is in the form of prepaid items.
- The unassigned fund balance for the General Fund of \$52 million is 44.79 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, 2022 for the "rainy day fund" is \$14.9 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 \$5.5 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 31-32 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 35-38 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 39-42 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 43-44 of this report.

Notes to Financial Statements

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

The Notes to the Financial Statements can be found on pages 46-98 of this report.

Other Information

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's overall financial position. In the case of Talbot County, total net position was \$145.9 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 net position in governmental activities of \$29.8 million reflects the surplus of assets without corresponding liabilities.

Restricted net position of \$231 thousand represents 0.16 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 surplus of \$31.7 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	
	2022	2021	2022	2021	2022	2021
Current and Other Assets	\$102,349,713	\$ 84,874,111	\$ 3,076,698	\$ 9,496,733	\$105,426,411	\$ 94,370,844
Capital Assets	72,360,855	74,690,018	58,174,032	58,561,958	130,534,887	133,251,976
Total Assets	<u>174,710,568</u>	<u>159,564,129</u>	<u>61,250,730</u>	<u>68,058,691</u>	<u>235,961,298</u>	<u>227,622,820</u>
Deferred Outflow of Resources	<u>12,667,051</u>	<u>5,708,847</u>	<u>11,736</u>	<u>14,669</u>	<u>12,678,787</u>	<u>5,723,516</u>
Non Current Liabilities	55,377,460	55,818,006	14,142,932	13,893,017	69,520,392	69,711,023
Other Liabilities	22,586,195	16,638,176	2,546,171	8,168,562	25,132,366	24,806,738
Total Liabilities	<u>77,963,655</u>	<u>72,456,182</u>	<u>16,689,103</u>	<u>22,061,579</u>	<u>94,652,758</u>	<u>94,517,761</u>
Deferred Inflow of Resources	<u>8,051,915</u>	<u>3,193,778</u>	-	-	<u>8,051,915</u>	<u>3,193,778</u>
Net Position:						
Net Investment in Capital Assets	71,352,834	72,756,832	42,641,511	43,495,852	113,994,345	116,252,684
Restricted	230,555	168,705	-	-	230,555	168,705
Unrestricted	29,778,660	16,697,479	1,931,852	2,515,929	31,710,512	19,213,408
Total Net Position	<u>\$101,362,049</u>	<u>\$ 89,623,016</u>	<u>\$ 44,573,363</u>	<u>\$ 46,011,781</u>	<u>\$145,935,412</u>	<u>\$ 135,634,797</u>

At the end of the current fiscal year, the County is able to report positive balances in the three categories of net position for the government as a whole. 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	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program Revenues:						
Charges for Services	\$ 3,316,874	\$ 5,029,929	\$ 11,772,992	\$ 9,551,895	\$ 15,089,866	\$ 14,581,824
Operating Grants and Contributions	10,009,029	11,090,746	1,889,095	3,619,694	11,898,124	14,710,440
Capital Grants and Contributions	-	-	-	-	-	-
General Revenues:						
Property Taxes	47,954,457	45,726,005	-	-	47,954,457	45,726,005
Local Income Tax	37,815,496	35,503,912	-	-	37,815,496	35,503,912
Other Local Taxes	22,958,657	22,249,579	-	-	22,958,657	22,249,579
Investment Income	231,485	115,878	6,862	3,030	238,347	118,908
Miscellaneous	884,237	707,496	-	-	884,237	707,496
Total Revenues	123,170,235	120,423,545	13,668,949	13,174,619	136,839,184	133,598,164
Expenses:						
General Government	17,104,866	18,181,279	-	-	17,104,866	18,181,279
Public Safety	26,504,338	23,571,711	-	-	26,504,338	23,571,711
Public Works	7,800,990	4,019,932	-	-	7,800,990	4,019,932
Health	2,508,300	3,058,673	-	-	2,508,300	3,058,673
Social Services	1,574,103	3,347,474	-	-	1,574,103	3,347,474
Education	51,984,991	48,364,006	-	-	51,984,991	48,364,006
Recreation	1,246,023	605,345	-	-	1,246,023	605,345
Conservation of Natural Resources	350,921	312,525	-	-	350,921	312,525
Interest Charges	-	254,807	-	-	-	254,807
Recreation Facilities	-	-	3,524,777	2,981,709	3,524,777	2,981,709
Sanitary District	-	-	5,487,509	5,118,423	5,487,509	5,118,423
Airport	-	-	7,894,770	5,957,958	7,894,770	5,957,958
Repurposing Center	-	-	556,981	-	556,981	-
Total Expenses	109,074,532	101,715,752	17,464,037	14,058,090	126,538,569	115,773,842
Increase (Decrease) in Net Position before transfers	14,095,703	18,707,793	(3,795,088)	(883,471)	10,300,615	17,824,322
Transfers In (Out)	(2,356,670)	(772,340)	2,356,670	772,340	-	-
Increase (Decrease) in Net Position	11,739,033	17,935,453	(1,438,418)	(111,131)	10,300,615	17,824,322
Net Position – Beginning	89,623,016	71,687,563	46,011,781	46,122,912	135,634,797	117,810,475
Net Position - Ending	\$101,362,049	\$ 89,623,016	\$ 44,573,363	\$ 46,011,781	\$145,935,412	\$ 135,634,797

Governmental Activities. Governmental Activities increased the County's net position after transfers by \$11.7 million. Key elements of the increase in the net position of governmental activities are as follows:

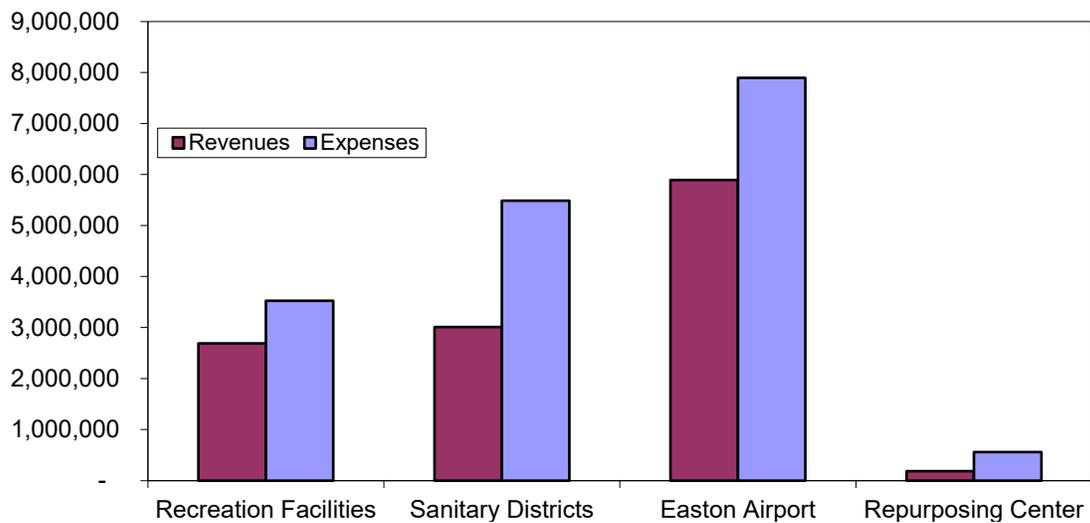
- Local Income Tax revenues increased by \$2.3 million, a 6.5% increase from the prior year actual and \$10.8 million more than projected in the FY22 budget.
- Other Local Tax revenues such as recordation tax and transfer tax increased slightly by \$709 thousand, a 3.2 percent increase from the prior year actual and were \$12.7 million more than originally budgeted for FY 2022. The revenues fluctuate in relation to the economic health of the County's real estate market that includes highly valued properties along its 600 miles of waterfront.
- Property tax revenues increased by \$2.2 million, a 4.9 percent increase from the prior fiscal year and were \$806 thousand more than originally budgeted.

- Education expenses increased by \$3.6 million, a 7.5 percent increase from the prior year. Talbot County Schools were funded slightly above the State mandated Maintenance of Effort level.

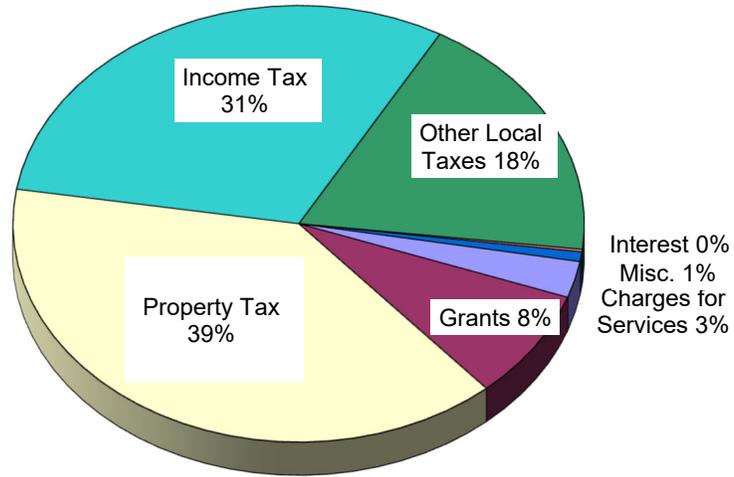
Business-type Activities. Business-type activities decreased Talbot County’s net position after transfers by \$1.4 million. While decreases in grant revenues were offset by increases in charges for services, they were not enough to offset the overall increase in cost of operations. Start-up costs related to the County’s Repurposing Center also contributed.

Fiscal year 2022 operating revenues and expenses for both the business-type and governmental activities are summarized in the charts on the following pages.

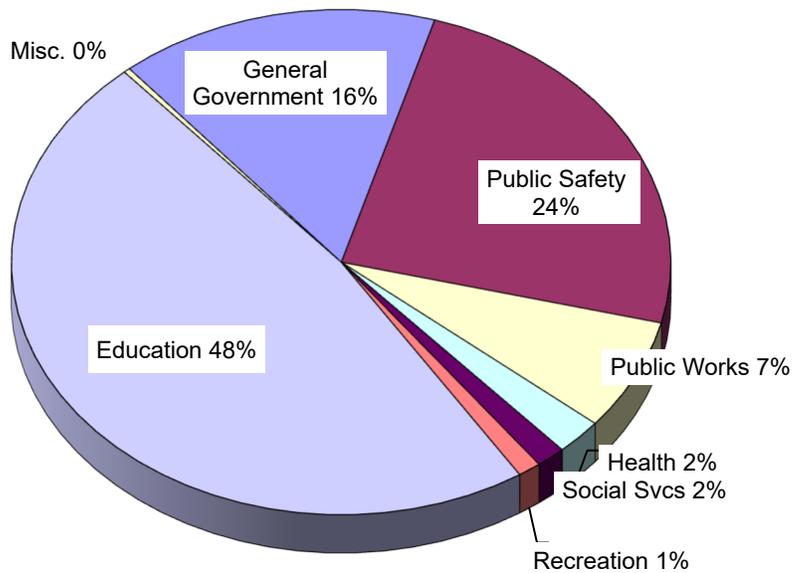
**Expenses and Program Revenues - Business-Type Activities
For the Year Ended June 30, 2022**



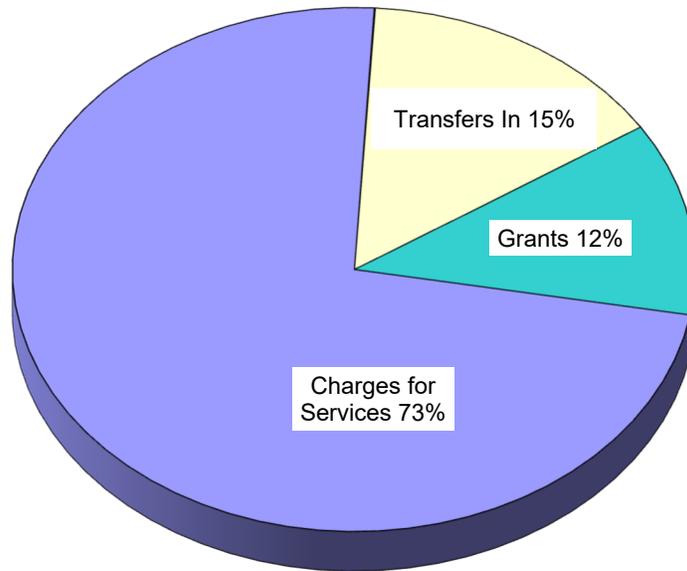
**Revenues by Source - Governmental Activities
For the Year Ended June 30, 2022**



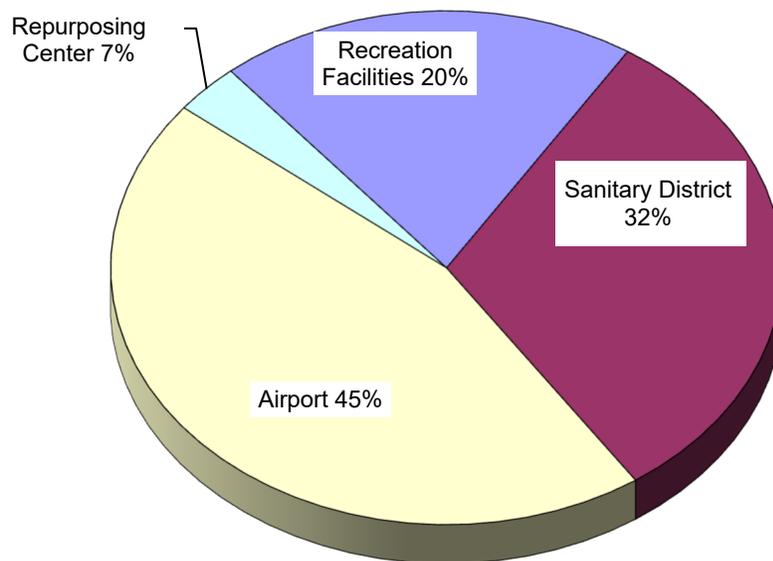
**Expenses - Governmental Activities
For the Year Ended June 30, 2022**



**Revenues by Source - Business-Type Activities
For the Year Ended June 30, 2022**



**Expenses - Business-Type Activities
For the Year Ended June 30, 2022**



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 \$84.1 million. Approximately 61.8 percent of this total (\$52 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 \$68.3 million, and the unassigned fund balance was \$52 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 52.4 percent of total general fund expenditures before Other Financing Uses, while total fund balance represents 68.9 percent of total general fund expenditures before Other Financing Uses.

The fund balance of Talbot County's General Fund increased by \$5 million during FY 2022. This increase is a combination of moderate increases in property tax, local income tax, and other local tax revenues.

The fund balance of the County's Capital Projects Fund increased by \$6 million in FY 2022 following a year of heavy investment to finance the construction of projects for Talbot County Schools.

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 \$44.5 million. There is a balance of \$1.9 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 \$13.7 million at June 30, 2022.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the final budget and the final actual results for the County totaled \$5.0 million. Revenues received were \$3.8 million more than final budgeted estimates. Expenditures were \$1.3 million less than final budgeted estimates. The major variances can be summarized as follows:

- **Revenues.** Revenues before Other Financing Sources were \$25 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:
 - Other Local Tax revenues such as recordation tax and transfer tax increased by \$709 thousand, an 3.1 percent increase from the prior year actual and were \$12.6 million more

than originally budgeted for FY 2022. In addition, property tax revenues increased by \$2.2 million, a 4.9 percent increase from the prior fiscal year and were \$806 thousand more than originally budgeted.

- Local income tax revenues received were \$10.8 million more than budgeted.
- **Expenditures.** Expenditures were \$1.3 million less than budgeted for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Talbot County’s investment in capital assets for its governmental and business-type activities as of June 30, 2022 totals \$130.5 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 \$2.7 million or 2 percent.

Capital assets are summarized as follows:

	Talbot County Government’s Capital Assets (net of accumulated depreciation)					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 10,056,446	\$ 10,056,446	\$ 2,956,046	\$ 2,956,046	\$ 13,012,492	\$ 13,012,492
Construction in progress	154,204	154,204	2,002,328	1,367,512	2,156,532	1,521,716
Buildings and improvements	22,113,807	23,939,655	46,879,522	51,157,428	68,993,329	75,097,083
Non-deprec. infrastructure	24,682,285	24,682,285	-	-	24,682,285	24,682,285
Infrastructure	9,159,931	10,123,203	-	-	9,159,931	10,123,203
Furniture and equipment	6,194,182	5,734,225	6,336,136	3,080,972	12,530,318	8,815,197
Total	\$ 72,360,855	\$ 74,690,018	\$ 58,174,032	\$ 58,561,958	\$130,534,887	\$ 133,251,976

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

- \$346 thousand investment in roads and bridge infrastructure.
- \$1.5 million investment in the renovation of County Buildings.

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 \$50.9 million, a decrease of approximately \$4.0 million. The full faith and credit and unlimited taxing power of the County are irrevocably pledged to the levy and collection of taxes in order to provide for the payment of principal and interest due on the bonds. Of this amount, \$15.5 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	
	2022	2021	2022	2021	2022	2021
Bonds, Notes and Premiums	\$ 35,366,967	\$ 39,778,026	\$ 15,532,521	\$ 15,066,106	\$ 50,899,488	\$ 54,844,132

The County's most recent bond ratings from Moody's Investors Service and Fitch Ratings are Aa1 (Sept 2022) and AAA (Sept 2022), respectively.

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The FY 2023 approved budget for the General Fund is \$112,607,379 representing a slight decrease of \$208 thousand from the FY 2021 original approved budget.
- The County's real property tax rates increased from to \$.6820 per \$100 from \$.6565 in FY 2022.
- Real Property tax revenue is expected to generate \$2.3 million more than the FY 2022 actual collections and is \$3.0 million more than the FY 2022 budget.
- Income tax revenue in FY 2023 is budgeted to be \$18.6 million less than the FY 2022 actual collections and is \$1 million more than the FY 2022 budget.
- Fund balance of \$14.3 million is used to balance the FY 2022 General Fund budget.
- The Operating Appropriation for Talbot County Public Schools increased by \$2,946,199 or 6.7% from FY 2022.
- The Contingency Fund for FY 2023 was increased by \$47 thousand from the FY 2022 level.
- All of these factors were considered in preparing the County's budget for FY 2023. 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, 2022

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Board of Education	Library
ASSETS					
Cash and short-term investments	\$ 86,626,457	\$ 9,415,874	\$ 96,042,331	\$ 11,530,944	\$ 223,782
Investments	-	-	-	-	2,736,130
Receivables:					
Accounts receivable	1,747,685	1,092,911	2,840,596	-	48,114
Other	-	-	-	173,043	-
Intergovernmental:					
State	4,053,478	-	4,053,478	1,476,443	-
Federal	66,426	-	66,426	2,349,985	-
Local	-	-	-	83,995	-
Due From Trust and Custodial Fund	-	-	-	-	104,056
Prepaid items	2,082,658	5,594	2,088,252	-	23,296
Internal balances	7,773,009	(7,773,009)	-	-	-
Inventories	-	335,328	335,328	-	-
Nondepreciable capital assets	34,892,935	4,958,374	39,851,309	4,923,310	52,264
Depreciable capital assets, net	37,467,920	53,215,658	90,683,578	94,646,364	435,208
TOTAL ASSETS	174,710,568	61,250,730	235,961,298	115,184,084	3,622,850
DEFERRED OUTFLOWS OF RESOURCES					
Pensions	3,758,785	-	3,758,785	1,866,492	-
OPEB	8,472,844	-	8,472,844	32,761,653	108,242
Deferred charge on refunding	435,422	11,736	447,158	-	-
TOTAL DEFERRED OUTFLOWS	12,667,051	11,736	12,678,787	34,628,145	108,242
LIABILITIES					
Accounts payable and accrued liabilities	7,537,929	926,603	8,464,532	6,219,858	26,572
Other payables	-	-	-	-	104,056
Unearned revenue	11,077,092	92,702	11,169,794	1,156,393	5,000
Long-term liabilities, due within one year:					
Compensated absences	576,910	66,910	643,820	-	-
Bonds and notes payable	3,394,264	1,459,956	4,854,220	354,929	8,563
Obligations under state retirement system	-	-	-	-	-
Long-term liabilities, due in more than one year:					
Compensated absences	659,861	70,367	730,228	462,833	-
Bonds and notes payable	31,972,703	14,072,565	46,045,268	724,925	24,750
Obligations under state retirement system	-	-	-	569,586	-
Net pension liability	10,113,853	-	10,113,853	3,640,384	-
Net other post-employment benefit liability	12,631,043	-	12,631,043	137,710,045	1,560,727
TOTAL LIABILITIES	77,963,655	16,689,103	94,652,758	150,838,953	1,729,668
DEFERRED INFLOWS OF RESOURCES					
Pensions	5,882,075	-	5,882,075	2,019,536	-
OPEB	2,169,840	-	2,169,840	23,472,715	235,172
TOTAL DEFERRED INFLOWS	8,051,915	-	8,051,915	25,492,251	235,172
NET POSITION					
Net investment in capital assets	71,352,834	42,641,511	113,994,345	98,489,820	454,159
Restricted for:					
Social Services (Talbot Family Network)	230,555	-	230,555	-	-
Food services	-	-	-	1,534,949	-
Programs	-	-	-	-	1,683,759
Unrestricted (deficit)	29,778,660	1,931,852	31,710,512	(126,543,744)	(371,666)
TOTAL NET POSITION	\$ 101,362,049	\$ 44,573,363	\$ 145,935,412	\$ (26,518,975)	\$ 1,766,252

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

TALBOT COUNTY, MARYLAND

Statement of Activities
For the Year Ended June 30, 2022

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	\$ 17,104,866	\$ 102,683	\$ 736,609	\$ -	\$ (16,265,574)	\$ -	\$ (16,265,574)	\$ -	\$ -	
Public safety	26,504,338	2,914,158	1,040,050	-	(22,550,130)	-	(22,550,130)	-	-	
Public works	7,800,990	263,647	4,697,429	-	(2,839,914)	-	(2,839,914)	-	-	
Health and hospitals	2,508,300	-	-	-	(2,508,300)	-	(2,508,300)	-	-	
Social services	1,574,103	-	3,534,941	-	1,960,838	-	1,960,838	-	-	
Education	51,984,991	-	-	-	(51,984,991)	-	(51,984,991)	-	-	
Recreation	1,246,023	-	-	-	(1,246,023)	-	(1,246,023)	-	-	
Conservation of natural resources	350,921	36,386	-	-	(314,535)	-	(314,535)	-	-	
Total Governmental Activities	109,074,532	3,316,874	10,009,029	-	(95,748,629)	-	(95,748,629)	-	-	
BUSINESS-TYPE ACTIVITIES										
Recreation facilities	3,524,777	2,688,318	-	-	-	(836,459)	(836,459)	-	-	
Sanitary district	5,487,509	3,008,521	1,099,645	-	-	(1,379,343)	(1,379,343)	-	-	
Easton airport	7,894,770	5,890,650	789,450	-	-	(1,214,670)	(1,214,670)	-	-	
Repurposing Center	556,981	185,503	-	-	-	(371,478)	(371,478)	-	-	
Total Business-Type Activities	17,464,037	11,772,992	1,889,095	-	-	(3,801,950)	(3,801,950)	-	-	
Total Primary Government	\$ 126,538,569	\$ 15,089,866	\$ 11,898,124	\$ -	(95,748,629)	(3,801,950)	(99,550,579)	-	-	
COMPONENT UNITS										
Board of Education	86,859,782	258,144	17,224,362	5,632,431	-	-	-	(63,744,845)	-	
Talbot County Free Library	2,387,645	-	2,247,004	-	-	-	-	-	(140,641)	
Total Component Units	\$ 89,247,427	\$ 258,144	\$ 19,471,366	\$ 5,632,431	-	-	-	(63,744,845)	(140,641)	
General Revenues										
Taxes:										
Property					47,954,457	-	47,954,457	-	-	
Local income					37,815,496	-	37,815,496	-	-	
Other:										
Admissions and amusements					32,793	-	32,793	-	-	
Recordation					12,776,896	-	12,776,896	-	-	
Transfer					8,058,982	-	8,058,982	-	-	
Public accommodations					2,036,384	-	2,036,384	-	-	
Mobile manufactured homes					53,602	-	53,602	-	-	
Grants and contributions not restricted to specific programs					-	-	-	60,194,169	-	
Interest					231,485	6,862	238,347	30,924	(210,486)	
Miscellaneous					884,237	-	884,237	124,675	-	
Total general revenues					109,844,332	6,862	109,851,194	60,349,768	(210,486)	
Transfers					(2,356,670)	2,356,670	-	-	-	
Total general revenues and transfers					107,487,662	2,363,532	109,851,194	60,349,768	(210,486)	
Change in net position					11,739,033	(1,438,418)	10,300,615	(3,395,077)	(351,127)	
Net position, beginning of year, as restated					89,623,016	46,011,781	135,634,797	(23,123,898)	2,117,379	
Net position, end of year					\$ 101,362,049	\$ 44,573,363	\$ 145,935,412	\$ (26,518,975)	\$ 1,766,252	

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, 2022**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and short-term investments	\$ 61,590,125	\$ 14,140,110	\$ 9,207,905	\$ 1,688,317	\$ 86,626,457
Receivables:					
Accounts receivable	1,183,157	60,536	494,278	9,714	1,747,685
Intergovernmental:					
State	4,053,478	-	-	-	4,053,478
Federal	66,426	-	-	-	66,426
Prepaid items	2,082,658	-	-	-	2,082,658
Due from other funds	7,773,009	-	-	-	7,773,009
TOTAL ASSETS	<u>\$ 76,748,853</u>	<u>\$ 14,200,646</u>	<u>\$ 9,702,183</u>	<u>\$ 1,698,031</u>	<u>\$ 102,349,713</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 6,158,907	\$ 102,251	\$ 842,123	\$ 16,220	\$ 7,119,501
Unearned revenue	2,216,343	-	8,844,187	16,562	11,077,092
TOTAL LIABILITIES	<u>8,375,250</u>	<u>102,251</u>	<u>9,686,310</u>	<u>32,782</u>	<u>18,196,593</u>
FUND BALANCES					
Nonspendable	2,082,658	-	-	-	2,082,658
Restricted for:					
Social Services	-	-	15,873	214,682	230,555
Committed for:					
Capital projects	-	14,098,395	-	1,450,567	15,548,962
Assigned for:					
Future budget	14,300,000	-	-	-	14,300,000
Unassigned	51,990,945	-	-	-	51,990,945
TOTAL FUND BALANCES	<u>68,373,603</u>	<u>14,098,395</u>	<u>15,873</u>	<u>1,665,249</u>	<u>84,153,120</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 76,748,853</u>	<u>\$ 14,200,646</u>	<u>\$ 9,702,183</u>	<u>\$ 1,698,031</u>	<u>\$ 102,349,713</u>

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, 2022

Total Governmental Funds Balances		\$	84,153,120
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			
			72,360,855
Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the governmental funds			
Bonds, notes payable and bond premiums	(35,366,967)		
Accrued interest on long-term debt	(418,428)		
Net pension liability	(10,113,853)		
Net OPEB liability	(12,631,043)		
Compensated absences	(1,236,771)		
			<u>(59,767,062)</u>
Deferred outflows - Maryland State Pension			3,758,785
Deferred inflows - Maryland State Pension			(5,882,075)
Deferred outflows - OPEB			8,472,844
Deferred inflows - OPEB			(2,169,840)
Deferred charge on refunding			435,422
			<u>435,422</u>
Net Position of Governmental Activities		\$	<u>101,362,049</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, 2022**

	General Fund	Capital Projects	Grants	Other Governmental Funds	Total Governmental Funds
REVENUE					
Real property taxes	\$ 47,954,457	\$ -	\$ -	\$ -	\$ 47,954,457
Local income taxes	37,815,496	-	-	-	37,815,496
Other local taxes	22,958,657	-	-	-	22,958,657
Licenses and permits	1,077,943	-	-	1,087,289	2,165,232
Intergovernmental:					
Federal	157,485	813,914	3,098,178	-	4,069,577
State	2,355,579	-	905,170	493,975	3,754,724
Service charges	3,336,370	-	-	-	3,336,370
Fines and forfeitures	27,408	-	-	-	27,408
Miscellaneous	159,505	-	629,102	68,222	856,829
Interest	226,255	2,926	-	2,304	231,485
Total Revenue	<u>116,069,155</u>	<u>816,840</u>	<u>4,632,450</u>	<u>1,651,790</u>	<u>123,170,235</u>
EXPENDITURES					
Current:					
General government	9,255,789	1,249,480	4,616,577	-	15,121,846
Public safety	23,639,671	346,497	-	22,214	24,008,382
Public works	5,719,089	322,758	-	-	6,041,847
Health and hospitals	2,508,300	-	-	-	2,508,300
Social services	1,080,097	-	-	494,006	1,574,103
Education	51,531,939	3,553,649	-	-	55,085,588
Recreation	1,026,398	-	-	-	1,026,398
Conservation of natural resources	350,921	-	-	-	350,921
Employee benefits	1,315,373	-	-	-	1,315,373
Miscellaneous	260,795	-	-	-	260,795
Intergovernmental	1,528,832	-	-	-	1,528,832
Debt service interest	62,000	-	-	-	62,000
Debt service principal	977,796	-	-	-	977,796
Contingencies	9,233	-	-	-	9,233
Total Expenditures	<u>99,266,233</u>	<u>5,472,384</u>	<u>4,616,577</u>	<u>516,220</u>	<u>109,871,414</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>16,802,922</u>	<u>(4,655,544)</u>	<u>15,873</u>	<u>1,135,570</u>	<u>13,298,821</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	550,000	10,700,000	-	-	11,250,000
Transfers out	(12,291,670)	-	-	(1,315,000)	(13,606,670)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(11,741,670)</u>	<u>10,700,000</u>	<u>-</u>	<u>(1,315,000)</u>	<u>(2,356,670)</u>
NET CHANGES IN FUND BALANCE	<u>5,061,252</u>	<u>6,044,456</u>	<u>15,873</u>	<u>(179,430)</u>	<u>10,942,151</u>
FUND BALANCES - BEGINNING OF YEAR	<u>63,312,351</u>	<u>8,053,939</u>	<u>-</u>	<u>1,844,679</u>	<u>73,210,969</u>
FUND BALANCES - END OF YEAR	<u>\$ 68,373,603</u>	<u>\$ 14,098,395</u>	<u>\$ 15,873</u>	<u>\$ 1,665,249</u>	<u>\$ 84,153,120</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, 2022

Net change in fund balances - total Governmental Funds	\$	10,942,151
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	3,128,783	
Current year depreciation	<u>(5,457,946)</u>	
Total		(2,329,163)
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		4,078,393
Accrued interest on long-term debt		67,129
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		332,666
Change in deferred debt refunding costs		(108,856)
Change in net other post-employment benefits		(847,814)
Change in net pension liability		(380,404)
Change in compensated absences		<u>(15,069)</u>
Change in net position of Governmental Activities	<u>\$</u>	<u>11,739,033</u>

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

TALBOT COUNTY, MARYLAND

Statement of Fund Net Position – Business-Type Activities
June 30, 2022

	Major Funds				Total
	Recreation Facilities	Sanitary District	Easton Airport	Repurposing Center	
ASSETS					
Current Assets:					
Cash and short-term investments	\$ 35,266	\$ 1,397,002	\$ 2,274,992	\$ -	\$ 3,707,260
Cash and short-term investments - capital projects	5,708,614	-	-	-	5,708,614
Accounts receivable:					
Accounts receivable, customers	36,540	634,509	421,862	-	1,092,911
Intergovernmental:					
Prepaid items	5,594	-	-	-	5,594
Inventories	82,238	-	253,090	-	335,328
Total current assets	<u>5,868,252</u>	<u>2,031,511</u>	<u>2,949,944</u>	<u>-</u>	<u>10,849,707</u>
Noncurrent Assets:					
Land	450,000	2,463,800	42,246	-	2,956,046
Construction in progress	1,123,821	312,268	566,239	-	2,002,328
Buildings and improvements	16,625,094	58,697,530	49,676,271	212,758	125,211,653
Furniture and equipment	4,415,698	4,385,510	1,732,454	1,958,649	12,492,311
Less: accumulated depreciation	(15,411,975)	(29,694,085)	(39,275,509)	(106,737)	(84,488,306)
Total Noncurrent Assets	<u>7,202,638</u>	<u>36,165,023</u>	<u>12,741,701</u>	<u>2,064,670</u>	<u>58,174,032</u>
TOTAL ASSETS	<u>13,070,890</u>	<u>38,196,534</u>	<u>15,691,645</u>	<u>2,064,670</u>	<u>69,023,739</u>
DEFERRED OUTFLOWS OF RESOURCES					
Loss on refundings	11,736	-	-	-	11,736
LIABILITIES					
Current Liabilities:					
Accounts payable	381,486	193,251	273,188	78,678	926,603
Compensated absences	18,821	28,117	12,403	7,569	66,910
Due to other funds	4,149,787	3,011,850	-	611,372	7,773,009
Unearned revenue	40,962	-	51,740	-	92,702
Advances from other funds	-	-	-	-	-
Current maturities of long-term debt	217,293	898,915	6,411	337,337	1,459,956
Total current liabilities	<u>4,808,349</u>	<u>4,132,133</u>	<u>343,742</u>	<u>1,034,956</u>	<u>10,319,180</u>
Noncurrent Liabilities:					
Compensated absences	26,279	35,903	8,185	-	70,367
Long-term debt, less current maturities	675,778	11,781,812	213,783	1,401,192	14,072,565
Total noncurrent liabilities	<u>702,057</u>	<u>11,817,715</u>	<u>221,968</u>	<u>1,401,192</u>	<u>14,142,932</u>
TOTAL LIABILITIES	<u>5,510,406</u>	<u>15,949,848</u>	<u>565,710</u>	<u>2,436,148</u>	<u>24,462,112</u>
NET POSITION					
Net investment in capital assets	6,309,567	23,484,296	12,521,507	326,141	42,641,511
Unrestricted (deficit)	1,262,653	(1,237,610)	2,604,428	(697,619)	1,931,852
TOTAL NET POSITION	<u>\$ 7,572,220</u>	<u>\$ 22,246,686</u>	<u>\$ 15,125,935</u>	<u>\$ (371,478)</u>	<u>\$ 44,573,363</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, 2022

	Major Funds				Total
	Recreation Facilities	Sanitary District	Easton Airport	Repurposing Center	
OPERATING REVENUE					
Airport - operations	\$ -	\$ -	\$ 1,335,416	\$ -	\$ 1,335,416
Airport - fuel facility	-	-	3,932,157	-	3,932,157
Airport - hangars	-	-	591,119	-	591,119
Sewer service charges	-	2,648,291	-	-	2,648,291
Sewer connection charges	-	329,929	-	-	329,929
Residential benefit charges	-	4,655	-	-	4,655
Wind/solar renewable energy	-	13,923	-	-	13,923
Admissions	272,623	-	-	-	272,623
Room rents	84,077	-	-	-	84,077
Ice revenue	358,083	-	-	-	358,083
Pro shop and concessions	403,310	-	-	-	403,310
Cart rentals	16,047	-	-	-	16,047
Green fees	1,495,303	-	-	-	1,495,303
Other operating	58,875	11,723	31,958	185,503	288,059
TOTAL OPERATING REVENUE	2,688,318	3,008,521	5,890,650	185,503	11,772,992
OPERATING EXPENSES					
Salaries and related expenses	1,169,736	1,089,911	561,457	142,798	2,963,902
Cost of sales - fuel	-	-	3,562,850	-	3,562,850
Professional fees	82,744	-	-	-	82,744
Office	47,892	21,153	30,629	-	99,674
Insurance	18,209	26,076	11,959	-	56,244
Contracted services	-	1,127,323	-	-	1,127,323
Repairs and maintenance	237,582	293,476	182,498	104,126	817,682
Utilities	254,893	165,005	247,730	-	667,628
Supplies and equipment	308,569	120,101	2,910	-	431,580
Lessons and programs	95,144	-	-	-	95,144
Concessions	184,292	-	-	-	184,292
Depreciation	1,008,111	2,134,753	2,481,517	106,736	5,731,117
Other operating	105,088	328,739	801,037	203,321	1,438,185
TOTAL OPERATING EXPENSES	3,512,260	5,306,537	7,882,587	556,981	17,258,365
OPERATING LOSS	(823,942)	(2,298,016)	(1,991,937)	(371,478)	(5,485,373)
NON-OPERATING REVENUES (EXPENSES)					
Intergovernmental revenues	-	1,099,645	789,450	-	1,889,095
Interest income	-	3,281	3,581	-	6,862
Interest expense	(12,517)	(180,972)	(12,183)	-	(205,672)
TOTAL NON -OPERATING REVENUES (EXPENSES)	(12,517)	921,954	780,848	-	1,690,285
Income (loss) Before Transfers	(836,459)	(1,376,062)	(1,211,089)	(371,478)	(3,795,088)
Transfers In	2,356,670	-	-	-	2,356,670
Change in Net Position	1,520,211	(1,376,062)	(1,211,089)	(371,478)	(1,438,418)
NET POSITION - BEGINNING OF YEAR	6,052,009	23,622,748	16,337,024	-	46,011,781
NET POSITION - END OF YEAR	\$ 7,572,220	\$ 22,246,686	\$ 15,125,935	\$ (371,478)	\$ 44,573,363

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, 2022

	Major Funds				Total
	Recreation Facilities	Sanitary District	Easton Airport	Repurposing Center	
Cash flows from operating activities:					
Cash received from customers	\$ 2,733,193	\$ 3,162,357	\$ 5,897,309	\$ 185,503	\$ 11,978,362
Cash payments for salaries and related expenses	(1,169,206)	(1,084,080)	(569,236)	(135,229)	(2,957,751)
Cash payments to suppliers	(1,168,143)	(1,076,986)	(4,902,244)	(228,769)	(7,376,142)
Cash payments for contracted services	-	(1,127,323)	-	-	(1,127,323)
Other receipts	169,438	958,189	-	611,372	1,738,999
Net Cash (used) provided by operating activities	565,282	832,157	425,829	432,877	2,256,145
Cash flows from noncapital financing activities:					
Transfers from other funds	2,356,670	-	-	-	2,356,670
Repayment of advances from other funds	-	-	(13,519)	-	(13,519)
Intergovernmental revenues	-	1,099,645	789,450	-	1,889,095
Net cash provided by noncapital financing activities	2,356,670	1,099,645	775,931	-	4,232,246
Cash flows from capital and related financing activities:					
Principal paid on long-term notes and bonds	(294,532)	(891,353)	(86,230)	(55,150)	(1,327,265)
Interest paid on long-term notes and bonds	(19,500)	(180,971)	(12,183)	-	(212,654)
Acquisition and construction of capital assets	(2,603,285)	(566,310)	(2,190)	(377,727)	(3,549,512)
Net cash (used) provided by capital and related financing activities	(2,917,317)	(1,638,634)	(100,603)	(432,877)	(5,089,431)
Cash flows from investing activities:					
Interest income on investments	-	3,281	3,581	-	6,862
Net cash provided (used) by investing activities	-	3,281	3,581	-	6,862
Increase (Decrease) in Cash and Cash Equivalents	4,635	296,449	1,104,738	-	1,405,822
Cash and Cash Equivalents at Beginning of Year	5,739,245	1,100,553	1,170,254	-	8,010,052
Cash and Cash Equivalents at End of Year	\$ 5,743,880	\$ 1,397,002	\$ 2,274,992	\$ -	\$ 9,415,874
Schedule of non-cash capital and related financing activities:					
Financing of capital assets	\$ -	\$ -	\$ -	\$ 1,793,679	\$ 1,793,679

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, 2022**

	Major Funds				Total
	Recreation Facilities	Sanitary District	Easton Airport	Repurposing Center	
Reconciliation of operating loss to net cash (used)					
Provided by operating activities:					
Operating loss	\$ (823,942)	\$ (2,298,016)	\$ (1,991,937)	\$ (371,478)	\$ (5,485,373)
Adjustments to reconcile operating loss to net cash (used) provided by operating activities					
Depreciation	1,008,111	2,134,753	2,481,517	106,736	5,731,117
Changes in assets and liabilities:					
Decrease (increase) in accounts receivable, customers	28,962	175,336	(4,727)	-	199,571
(Increase) decrease in inventories	(22,566)	-	(119,199)	-	(141,765)
(Increase) decrease in prepaids	4,958				4,958
Increase (decrease) in accounts payable	193,794	(122,436)	56,568	78,678	206,604
(Decrease) increase in compensated absences	530	5,831	(7,779)	7,569	6,151
(Decrease) increase in due to other funds	169,438	958,189	-	611,372	1,738,999
Increase (Decrease) in unearned revenue	5,997	(21,500)	11,386	-	(4,117)
Net cash (used) provided by operating activities	<u>\$ 565,282</u>	<u>\$ 832,157</u>	<u>\$ 425,829</u>	<u>\$ 432,877</u>	<u>\$ 2,256,145</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, 2022**

	Other Post-Employment Benefits Trust Fund
	<u> </u>
ASSETS	
Cash and equivalents	\$ 493,376
Investments in pooled fund, at fair market value	
Debt securities	4,147,594
Fixed income funds	661,307
Mutual and global funds	6,477,805
International	<u>1,946,142</u>
TOTAL ASSETS	<u>13,726,224</u>
LIABILITIES	
Accrued expenses	<u>20,081</u>
NET POSITION	
Net Position Restricted for OPEB	<u>\$ 13,706,143</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, 2022**

	<u>Other Post - Employment Benefits Trust Fund</u>
ADDITIONS:	
Investment earnings	
Interest	\$ 657,134
Net depreciation in the fair value of investments	(2,854,198)
Less: investment expenses	7,115
Net investment income	<u>(2,204,179)</u>
Total additions	<u>(2,204,179)</u>
DEDUCTIONS:	
Administrative expenses	<u>70,447</u>
Total deductions	<u>70,447</u>
Change in net position	(2,274,626)
Net position restricted for OPEB - beginning of year	<u>15,980,769</u>
Net position restricted for OPEB - end of year	<u>\$ 13,706,143</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, 2022

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
12 Magnolia Street
Easton, MD 21601

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

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

The *Talbot County Free Library Association, Inc. (TCFL)* is a separately appointed body that administers the public library system in the County. The TCFL is organized as a separate legal entity, but does not have the power to levy taxes or issue bonds. The County owns and/or maintains most 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, 2022

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.

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.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

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.

Grants Fund: The Grants Fund accounts for the receipt, appropriation, and expenditure of federal, state, local, and private monies designated for a particular purpose or have specific requirements associated with an eligible program cost.

In addition, the County has three non-major governmental funds, the Developmental Impact 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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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, 2022

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 assets that applies to future periods 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 assets that applies to future periods 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, 2022

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, 2022

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.

As of June 30, 2022, the County Primary Government had deposits of \$75,927,465 with local banks (carrying value \$75,529,891). 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, 2022, all deposits were fully insured or collateralized with securities pledged in the County's name. Petty cash totaled \$12,440 as of June 30, 2022.

Board of Education

As of June 30, 2022, the reported amount of the Board's bank deposits (carrying value) was \$12,283,589 and the bank balance was \$12,929,546. These balances include \$752,645 of fiduciary cash and MLGIP of \$8,977,040. The cash in the bank was covered by federal depository insurance or by collateral held by the pledging bank's trust department in the Board's name.

Library

As of June 30, 2022, the Library had deposits totaling \$260,212 (carrying value \$223,782), 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, 2022

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. As of June 30, 2022, the County had investments in MLGIP of \$20,500,000, which are recorded at cost, which approximates fair value and is recorded as a short-term investment on the accompanying financial statements.

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.

As of June 30, 2022, 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 following fifteen members who are the active sole contributors to the Trust consist of the following: Allegany, Queen Anne's, Kent and Talbot County, City of Annapolis, College of Southern Maryland, Town of Bel Air, Talbot and Queen Anne's County Boards of Education, St. Mary's County Metropolitan Commission, Harford Community College, Harford and Queen Anne's County Public Libraries, and LaVale Sanitary Commission.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2022

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, 2022, the weighted average maturity (WAM) for the Trust's money market mutual fund was 13 days. At June 30, 2022, 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, 2022

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, 2022, of which Talbot County's portion was approximately 22% 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	\$ -	\$ 4,878,497	\$ -	\$ 4,878,497
U.S. Governmental Agencies	-	2,224,067	-	2,224,067
Corporate & Foreign Bonds	-	11,395,628	-	11,395,628
Municipal Obligations	-	446,215	-	446,215
Equity and Mutual Fund Investments				
Taxable Fixed Income Securities	-	3,020,564	-	3,020,564
Mutual Funds	24,241,809	-	-	24,241,809
Global Funds	5,345,989	-	-	5,345,989
International Funds	8,889,132	-	-	8,889,132
Total	<u>\$ 38,476,930</u>	<u>\$ 21,964,971</u>	<u>\$ -</u>	<u>\$ 60,441,901</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, 2022 was 10.39 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, 2022:

	<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	\$ -	\$ 2,073,919	\$ 1,987,845	\$ 816,733	\$ 4,878,497
U.S. Governmental Agencies	23,909	54,366	612,650	1,533,142	2,224,067
Corporate & Foreign Bonds	480,767	4,340,899	4,897,592	1,676,370	11,395,628
Municipal Obligations	230,302	-	57,918	157,995	446,215
Total	<u>\$ 734,978</u>	<u>\$ 6,469,184</u>	<u>\$ 7,556,005</u>	<u>\$ 4,184,240</u>	<u>\$ 18,944,407</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

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, 2022, 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		
U.S. Treasury Obligations	\$ 4,764,407	\$ -	\$ -	\$ -	\$ 114,090	\$ 4,878,497
U.S. Governmental Agencies	54,366	-	-	-	2,169,701	2,224,067
Corporate & Foreign Bonds	586,999	896,115	5,179,430	4,718,137	14,947	11,395,628
Municipal Obligations	99,826	346,389	-	-	-	446,215
Total	<u>\$ 5,505,598</u>	<u>\$ 1,242,504</u>	<u>\$ 5,179,430</u>	<u>\$ 4,718,137</u>	<u>\$ 2,298,738</u>	<u>\$ 18,944,407</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, 2022, which are uninsured and unregistered:

	Fair Value June 30, 2022
U.S. Treasury Obligations	\$ 4,878,497
U.S. Governmental Agencies	2,224,067
Corporate & Foreign Bonds	11,395,628
Municipal Obligations	446,215
Taxable Fixed Income Securities	3,020,564
Mutual Funds	24,241,809
Global Funds	5,345,989
International	8,889,132
Total	<u>\$ 60,441,901</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

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, 2021 that exceeded 5% of the total investment balances as of June 30, 2021:

<u>Name</u>	<u>Amount</u>
Vanguard 500 Index CL ADML	\$ 8,871,396
New World Fund-R6	5,345,989
Vanguard 500 Index CL ADML	4,468,161
Transamerica TS&W INTL EQ-IS	4,420,972
Vanguard Mid Cap Index-ADM	4,399,615
Vanguard Russel 1000 GR-IS	4,085,082
Fuller & Thaler Behavioral SC GR R6	3,914,116

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, 2022, 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. As of June 30, 2022, the Board had investments in MLGIP of \$8,977,040.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

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, 2022, the Foundation's investments consisted of the following:

Investment Type	Fair Value	% of Total	Investment Maturities (in Years)			Total
			Less than 1	1-5	6-10	
Cash and bank sweep	\$ 47,557	2%	\$ 47,557	\$ -	\$ -	\$ 47,557
Fixed income:						
US Treasury	84,690	3%	39,658	45,032	-	84,690
Corporate bonds	673,246	25%	-	226,225	447,021	673,246
Equities	1,290,749	47%	1,290,749	-	-	1,290,749
Exchange traded funds	551,190	20%	551,190	-	-	551,190
Mutual funds	31,616	1%	31,616	-	-	31,616
Other assets	57,082	2%	57,082	-	-	57,082
Total	\$ 2,736,130	100%	\$ 2,017,852	\$ 271,257	\$ 447,021	\$ 2,736,130

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, 2022

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, 2022, 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 2022, to support operations, the general fund transferred \$2,291,670 to the recreation fund and \$10,000,000 to capital projects. In addition, to support operations, the developmental impact fund transferred \$550,000, \$700,000 and \$65,000 to the general fund, capital projects fund and recreation fund, respectively.

Due from/to other funds balances as of June 30, 2022 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	\$ 7,773,009	\$ -
Enterprise Fund - Recreation Facilities	Transfers	-	4,149,787
Enterprise Fund - Sanitary District	Transfers	-	3,011,850
Enterprise Fund - Repurposing Center	Transfers	-	611,372
		<u>\$ 7,773,009</u>	<u>\$ 7,773,009</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, 2022

5. CAPITAL ASSETS

A summary of changes in capital assets for the fiscal year ended June 30, 2022 is as follows:

	Balance June 30, 2021	Additions	Transfers and Reductions	Balance June 30, 2022
Primary Government:				
Governmental Activities				
Nondepreciable Capital Assets:				
Land	\$ 10,056,446	\$ -	\$ -	\$ 10,056,446
Infrastructure - road base	24,682,285	-	-	24,682,285
Construction in progress	154,204	-	-	154,204
Total Nondepreciable Capital Assets	34,892,935	-	-	34,892,935
Depreciable Capital Assets:				
Buildings and improvements	54,630,898	928,397	-	55,559,295
Infrastructure	21,318,731	-	-	21,318,731
Furniture and equipment	30,704,939	2,200,386	(116,615)	32,788,710
Total capital assets being depreciated	106,654,568	3,128,783	(116,615)	109,666,736
Less accumulated depreciation for:				
Buildings and improvements	30,691,243	2,754,245	-	33,445,488
Infrastructure	11,195,528	963,272	-	12,158,800
Furniture and equipment	24,970,714	1,740,429	(116,615)	26,594,528
Total accumulated depreciation	66,857,485	5,457,946	(116,615)	72,198,816
Total depreciable Capital Assets, Net	39,797,083	(2,329,163)	-	37,467,920
Total Governmental Activities, Net	\$ 74,690,018	\$ (2,329,163)	\$ -	\$ 72,360,855
	Balance June 30, 2021	Additions	Transfers and Reductions	Balance June 30, 2022
Business-Type Activities				
Nondepreciable Capital Assets:				
Land	\$ 2,956,046	\$ -	\$ -	\$ 2,956,046
Construction in progress	1,367,512	1,044,280	(409,464)	2,002,328
Total Nondepreciable Capital Assets	4,323,558	1,044,280	(409,464)	4,958,374
Depreciable Capital Assets:				
Buildings and improvements	124,394,449	817,204	-	125,211,653
Furniture and equipment	8,601,140	3,891,171	-	12,492,311
Total capital assets being depreciated	132,995,589	4,708,375	-	137,703,964
Less accumulated depreciation for:				
Buildings and improvements	73,237,021	5,095,110	-	78,332,131
Furniture and equipment	5,520,168	636,007	-	6,156,175
Total accumulated depreciation	78,757,189	5,731,117	-	84,488,306
Total depreciable Capital Assets, Net	54,238,400	(1,022,742)	-	53,215,658
Total Business-Type Activities, Net	\$ 58,561,958	\$ 21,538	\$ (409,464)	\$ 58,174,032

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

5. CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

General Government	\$ 983,222
Public Safety	2,495,956
Public Works	1,759,143
Recreation	219,625
Total Depreciation Expense - Governmental Activities	<u>\$ 5,457,946</u>

A summary of changes in capital assets for the component units at June 30, 2022 is as follows:

	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Transfers and Reductions</u>	<u>Balance June 30, 2022</u>
Component Units				
Board of Education				
Nondepreciable Capital Assets:				
Land	\$ 624,446	\$ -	\$ -	\$ 624,446
Buses Not in Service	-	606,016	-	606,016
Construction in progress	48,804,515	3,692,848	(48,804,515)	3,692,848
Total Nondepreciable Capital Assets	<u>49,428,961</u>	<u>4,298,864</u>	<u>(48,804,515)</u>	<u>4,923,310</u>
Depreciable Capital Assets:				
Buildings and improvements	85,300,648	1,602,826	48,621,815	135,525,289
Furniture and equipment	29,232,887	2,518,915	(489,277)	31,262,525
Total capital assets being depreciated	<u>114,533,535</u>	<u>4,121,741</u>	<u>48,132,538</u>	<u>166,787,814</u>
Less accumulated depreciation for:				
Buildings and improvements	(43,719,713)	(3,071,768)	-	(46,791,481)
Furniture and equipment	(24,525,216)	(1,657,775)	651,709	(25,531,282)
Total accumulated depreciation	<u>(68,244,929)</u>	<u>(4,729,543)</u>	<u>651,709</u>	<u>(72,322,763)</u>
Total depreciable Capital Assets, Net	<u>46,288,606</u>	<u>(607,802)</u>	<u>48,784,247</u>	<u>94,465,051</u>
Intangible right-to-use assets:				
Leased equipment	395,345	27,265	-	422,610
Less accumulated depreciation	(158,138)	(83,159)	-	(241,297)
Total intangible right-to-use assets, net	<u>237,207</u>	<u>(55,894)</u>	<u>-</u>	<u>181,313</u>
Capital assets, net	<u>\$ 95,954,774</u>	<u>\$ 3,635,168</u>	<u>\$ (20,268)</u>	<u>\$ 99,569,674</u>
	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Transfers and Reductions</u>	<u>Balance June 30, 2022</u>
Library				
Nondepreciable Capital Assets:				
Construction in progress	\$ 18,914	\$ 33,350	\$ -	\$ 52,264
Total Nondepreciable Capital Assets	<u>18,914</u>	<u>33,350</u>	<u>-</u>	<u>52,264</u>
Depreciable Capital Assets:				
Circulation materials	657,123	129,088	(79,790)	706,421
Buildings and improvements	465,898	-	-	465,898
Furniture and equipment	620,316	-	-	620,316
Total capital assets being depreciated	<u>1,743,337</u>	<u>129,088</u>	<u>(79,790)</u>	<u>1,792,635</u>
Less accumulated depreciation for:				
Total depreciable Capital Assets, Net	<u>1,317,042</u>	<u>152,951</u>	<u>(79,790)</u>	<u>1,390,203</u>
Total depreciable Capital Assets, Net	<u>426,295</u>	<u>(23,863)</u>	<u>-</u>	<u>402,432</u>
Intangible right-to-use assets:				
Leased equipment	43,702	-	-	43,702
Less accumulated depreciation	(2,185)	(8,741)	-	(10,926)
Total intangible right-to-use assets, net	<u>41,517</u>	<u>(8,741)</u>	<u>-</u>	<u>32,776</u>
Net intangible right-to-use assets:	<u>\$ 41,517</u>	<u>\$ (8,741)</u>	<u>\$ -</u>	<u>\$ 32,776</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

6. LONG-TERM DEBT

The following is a summary of long-term debt at June 30, 2022:

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</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.	\$ 45,500	\$ -	\$ 9,100	\$ 36,400	\$ 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%.	26,207	-	12,772	13,435	13,435
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%.	797,635	-	797,635	-	-
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.	43,095	-	8,619	34,476	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.	1,291,112	-	77,820	1,213,292	80,965
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.	1,844,591	-	907,447	937,144	937,145
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	-	690,000	21,085,000	725,000
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%.	10,290,000	-	1,575,000	8,715,000	1,620,000
	<u>36,113,140</u>	<u>-</u>	<u>4,078,393</u>	<u>32,034,747</u>	<u>3,394,264</u>
Unamortized bond premium	3,664,886	-	332,666	3,332,220	-
Compensated absences	1,221,702	1,096,366	1,081,297	1,236,771	576,910
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 40,999,728</u>	<u>\$ 1,096,366</u>	<u>\$ 5,492,356</u>	<u>\$ 36,603,738</u>	<u>\$ 3,971,174</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

6. LONG-TERM DEBT (continued)

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</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.	\$ 2,787	\$ -	\$ 1,414	\$ 1,373	\$ 1,373
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.	294,851	-	54,303	240,548	60,920
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%.	72,278	-	72,278	-	-
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%.	760,000	-	155,000	605,000	155,000
Unamortized bond premium	57,687	-	11,537	46,150	-
Total Recreation Facilities	<u>\$ 1,187,603</u>	<u>\$ -</u>	<u>\$ 294,532</u>	<u>\$ 893,071</u>	<u>\$ 217,293</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

6. LONG-TERM DEBT (continued)

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</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%.	\$ 2,912,311	\$ -	\$ 519,768	\$ 2,392,543	\$ 521,847
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%.	91,139	-	33,121	58,018	33,131
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%.	83,462	-	7,702	75,760	8,055
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%.	1,390,272	-	36,376	1,353,896	37,155
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%.	2,252,733	-	74,367	2,178,366	75,395
Bio-Solids Facility Consolidated Public Improvement Bonds of 2016; original issue \$5,975,000, payable quarterly in payments of \$60,886 through December 15, 2046, including interest at 1.375%.	5,215,287	-	172,556	5,042,731	174,940
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%.	1,626,876	-	47,463	1,579,413	48,392
Total Sanitary District	<u>\$ 13,572,080</u>	<u>\$ -</u>	<u>\$ 891,353</u>	<u>\$ 12,680,727</u>	<u>\$ 898,915</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

6. LONG-TERM DEBT (continued)

	<u>Balance at June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at June 30, 2022</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%.	\$ 45,001	\$ -	\$ 45,001	\$ -	\$ -
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%.	35,087	-	35,087	-	-
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.	226,337	-	6,143	220,194	6,411
Total Easton Airport	<u>306,425</u>	<u>-</u>	<u>86,231</u>	<u>220,194</u>	<u>6,411</u>
Repurposing Center					
Equipment Financed Purchase of 2022	-	1,793,679	55,150	1,738,529	337,337
Total Repurposing Center	<u>-</u>	<u>1,793,679</u>	<u>55,150</u>	<u>1,738,529</u>	<u>337,337</u>
Compensated absences	131,126	123,803	117,651	137,278	66,910
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$ 15,197,234</u>	<u>\$ 1,917,482</u>	<u>\$ 1,444,917</u>	<u>\$ 15,669,799</u>	<u>\$ 1,526,866</u>

The bonds outstanding as of June 30, 2022 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, 2022

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 and the current balance as of June 30, 2022 is \$447,158.

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.

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.

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, 2022 is \$106,644.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements
June 30, 2022

6. LONG-TERM DEBT (continued)

Other Obligations (continued)

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

<u>Primary Government</u>	<u>Bonds/Financed Purchases</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>
Governmental Activities						
Fiscal year Ending June 30,						
2023	\$ 2,439,401	\$ 1,043,139	\$ 3,482,540	\$ 954,863	\$ 30,670	\$ 985,533
2024	2,504,108	950,822	3,454,930	17,719	-	17,719
2025	2,457,253	842,473	3,299,726	17,719	-	17,719
2026	2,565,791	742,856	3,308,647	17,719	-	17,719
2027	2,655,228	647,107	3,302,335	9,100	-	9,100
2028-2032	6,262,166	2,247,553	8,509,719	-	-	-
2033-2037	6,533,680	1,012,915	7,546,595	-	-	-
2038-2041	5,600,000	233,000	5,833,000	-	-	-
Total Governmental Activities	<u>\$ 31,017,627</u>	<u>\$ 7,719,865</u>	<u>\$ 38,737,492</u>	<u>\$ 1,017,120</u>	<u>\$ 30,670</u>	<u>\$ 1,047,790</u>
Enterprise Fund - Recreation Facilities						
Fiscal year Ending June 30,						
2023	\$ 217,293	\$ 20,355	\$ 237,648	\$ -	\$ -	\$ -
2024	222,291	17,430	239,721	-	-	-
2025	262,338	13,304	275,642	-	-	-
2026	191,149	2,175	193,324	-	-	-
Total Recreation Facilities	<u>\$ 893,071</u>	<u>\$ 53,264</u>	<u>\$ 946,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Enterprise Fund - Sanitary District						
Fiscal year Ending June 30,						
2023	\$ -	\$ -	\$ -	\$ 898,915	\$ 174,731	\$ 1,073,646
2024	-	-	-	895,749	174,485	1,070,234
2025	-	-	-	861,099	154,928	1,016,027
2026	-	-	-	785,654	146,720	932,374
2027	-	-	-	784,942	139,132	924,074
2027-2031	-	-	-	1,892,327	596,974	2,489,301
2032- 2036	-	-	-	2,020,990	443,930	2,464,920
2037- 2041	-	-	-	2,183,918	281,002	2,464,920
2042 - 2046	-	-	-	2,179,544	104,720	2,284,264
2047- 2050	-	-	-	177,589	4,058	181,647
Total Sanitary District	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,680,727</u>	<u>\$ 2,220,680</u>	<u>\$ 14,901,407</u>

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2022**

6. LONG-TERM DEBT (continued)

Other Obligations (continued)

<u>Primary Government (continued)</u>	<u>Bonds/Financed Purchases</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,						
2023	\$ 6,411	\$ 9,235	\$ 15,646	\$ -	\$ -	\$ -
2024	6,685	8,958	15,643	-	-	-
2025	6,977	8,668	15,645	-	-	-
2026	7,280	8,366	15,646	-	-	-
2027	7,596	8,050	15,646	-	-	-
2027-2031	43,211	35,017	78,228	-	-	-
2032- 2036	53,418	24,807	78,225	-	-	-
2037- 2041	66,041	12,164	78,205	-	-	-
2042 - 2044	22,575	765	23,340	-	-	-
Total Easton Airport	<u>\$ 220,194</u>	<u>\$ 116,030</u>	<u>\$ 336,224</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Enterprise Fund - Repurposing						
Fiscal year Ending June 30,						
2023	\$ 337,337	\$ 28,943	\$ -	\$ -	\$ -	\$ -
2024	384,051	28,943	-	-	-	-
2025	360,694	28,943	-	-	-	-
2026	360,693	28,944	-	-	-	-
2027	295,754	28,943	-	-	-	-
Total Repurposing	<u>\$ 1,738,529</u>	<u>\$ 144,716</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Obligations Under State Retirement System						
<u>Component Unit - Board of Education</u>						
State Retirement and Pension System of Maryland						
Payable annually through December 2035.	<u>\$ 569,586</u>					

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

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>	
2023	\$ 50,168
2024	52,677
2025	55,310
2026	58,076
2027	60,980
2028-2032	353,799
2033-2036	<u>352,218</u>
Total principal and interest	983,228
Less amounts representing interest	<u>(413,642)</u>
Liability as of June 30, 2022	<u>\$ 569,586</u>

The Board of Education obligation to the State Retirement System was \$569,586 at June 30, 2022. There were payments of \$47,779 during fiscal year 2022.

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, 2022

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, 2022

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, 2022

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, 2022

7. PENSION PLANS (continued)

Teachers' and Employees' Retirement Systems (continued)

Employer Contributions:

For the year ended June 30, 2022, total payroll, covered payroll and State on-behalf payments were as follows:

	<u>Total Payroll</u>	<u>Covered Payroll</u>	<u>On-Behalf By State</u>
Talbot County	\$ 19,367,301	\$ 15,378,355	\$ -
Board of Education	41,050,262	38,934,390	3,583,953
Library	1,188,012	1,064,375	156,080

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 2022, the County reported expense of \$1,581,845 and the Board of Education reported expense of \$460,513 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 2021 payment was \$45,504. 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, 2022

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, 2022, 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)	\$ 3,640,384
State's proportionate share of the net pension liability associated with the Board (Teachers' System)	<u>23,703,901</u>
Total	<u>\$ 27,344,285</u>

The net pension liability was measured as of June 30, 2021, 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, 2022, the Board's proportion was approximately .024%.

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2022**

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, 2022, the County reported the following related to pensions:

	<u>Board</u>	<u>Total County</u>
Employer's proportion of the net pension liability	0.024%	0.067%
Employer's proportionate share of the net pension liability	\$ 3,640,384	\$ 10,113,853
Deferred inflows of resources:		
Change in assumptions	78,025	488,098
Net difference between projected and actual investment earnings on pension plan investments	1,662,495	4,618,807
Differences between expected and actual results	<u>279,015</u>	<u>775,170</u>
Total deferred inflows of resources	<u>\$ 2,019,535</u>	<u>\$ 5,882,075</u>
Deferred outflows of resources:		
Change in assumptions	\$ 704,627	\$ 2,187,411
Net difference between projected and actual investment earnings on pension plan investments	589,179	-
Contributions subsequent to the measurement date	<u>572,686</u>	<u>1,571,374</u>
Total deferred outflows of resources	<u>\$ 1,866,492</u>	<u>\$ 3,758,785</u>

<u>Fiscal Year Ending June 30,</u>	<u>Board</u>	<u>Total County</u>
2023	\$ (238,959)	\$ (969,873)
2024	(182,857)	(969,873)
2025	(180,088)	(969,873)
2026	(252,924)	(969,873)
2027	129,099	184,828

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2022**

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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial	Entry age normal
Amortization method	Level percentage of payroll, closed
Inflation	2.6% general, 3.1% wage
Salary increases	projected range from 0.00% to 8.50% per year
Discount rate	6.80%
Investment rate of return	6.80%
Mortality	

Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality improvements scale for males and females.

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%	4.70%
Private Equity	13%	6.50%
Rate Sensitive	19%	-0.40%
Credit Opportunity	9%	2.60%
Real Assets	14%	4.20%
Absolute Return	8%	2.00%
Total	<u>100%</u>	

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2022

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 6.8% 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 6.8%. 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 6.8%, 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 5.8%</u>	<u>Current Discount</u>	<u>1% Increase to 7.8%</u>
County	\$ 17,225,310	\$ 10,113,853	\$ 4,214,947
Board	6,200,083	3,640,384	1,517,129

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2022

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 77 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, 2022

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 2021, the County paid for coverage of 78 eligible retirees and 59 dependents of retirees at a total cost to the County of \$721,763 and eligible retirees contributed \$144,138. 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 2022, the Library contributed \$21,410 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, 2022, were as follows:

Total OPEB liability	\$ 26,337,186
Plan fiduciary net position	<u>13,706,143</u>
County's net OPEB liability	<u>\$ 12,631,043</u>

Plan fiduciary net position as a percentage of the total OPEB liability	52.04%
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Annual OPEB Costs

During fiscal year ending June 30, 2022, contributions were made in accordance with actuarially determined contribution requirements determined through an actuarial valuation as of June 30, 2022. The County recognized OPEB expense of \$3,072,660 for the year ended June 30, 2022.

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2022**

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, 2022, the annual money-weighted rate of return on OPEB plan investments, net of expense was (4.69%).

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% Increase</u>	<u>Discount Rate Valuation rate</u>	<u>1% Decrease</u>
County's net OPEB liability	\$ 9,828,521	\$ 12,631,043	\$ 15,979,211

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2022**

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% Increase</u>	<u>Valuation rate</u>	<u>1% Decrease</u>
County's net OPEB liability	\$ 16,416,875	\$ 12,631,043	\$ 9,524,898

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, 2021	\$ 21,099,526	\$ 15,980,769	5,118,757
Changes for the year			
Service cost	501,967	-	501,967
Interest	1,433,365	-	1,433,365
Difference Between Expected & Actual Experience	2,793,117	(3,253,714)	6,046,831
Changes of Assumptions and Other Inputs	1,754,969	-	1,754,969
Net investment income	-	(2,204,179)	2,204,179
Benefit payments	(1,245,758)		(1,245,758)
Administrative expenses	-	(70,447)	70,447
Other Changes	-	3,253,714	(3,253,714)
Net changes	<u>5,237,660</u>	<u>(2,274,626)</u>	<u>7,512,286</u>
Balance as of June 30, 2021	<u>\$ 26,337,186</u>	<u>\$ 13,706,143</u>	<u>\$ 12,631,043</u>

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

At June 30, 2022, 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	\$ 3,066,185	\$ -
Change in assumptions	2,533,805	712,963
Difference between projected and actual earnings	2,872,854	1,456,877
	<u>\$ 8,472,844</u>	<u>\$ 2,169,840</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2022

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>	
2023	\$ 1,141,733
2024	1,121,807
2025	996,828
2026	1,460,234
2027	671,314
Thereafter	911,088

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 January 1, 2020, the following employees were covered by the benefit terms:

Active plan members	571
Inactive employees or beneficiaries currently receiving benefit payments	273
Inactive employees or beneficiaries entitled but not yet receiving benefits receiving benefit payments	105
Total	<u>949</u>

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2022

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, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	2.50%
Investment Rate of Return	1.40%
Healthcare Cost Trend Rates	Long Run Medical Cost Trend Model

The mortality rates for healthy pre - retirees was calculated using the Pub2010 Teacher Employees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale. The mortality rates for healthy post - retirees was calculated using the Pub-2010 Teacher Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale. The mortality rates for disabled individuals was calculated using the Pub-2010 Teacher Disabled Retirees Headcount-Weighted Mortality Projected with Fully Generational MP2019 Mortality Improvement Scale.

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2022**

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 is summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	65%
Fixed income	35%
	<u>100%</u>

Discount rate - The discount rate used to measure the total OPEB liability was 1.92%. 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, 2022**

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, 2021	\$ 137,863,487	\$ 153,442	\$ 137,710,045
Changes for the Year:			
Service Cost	7,702,222	-	7,702,222
Interest	2,625,762	-	2,625,762
Experience Losses/(Gains)	(42,697,111)	-	(42,697,111)
Employer Trust Contribution	-	2,080,837	(2,080,837)
Net Investment Income	-	365,017	(365,017)
Changes in Assumptions	(32,295,745)	-	(32,295,745)
Benefit Payments	(1,680,837)	(1,680,837)	-
Net Changes	(66,345,709)	765,017	(67,110,726)
Balance as of June 30, 2022	\$ 71,517,778	\$ 918,459	\$ 70,599,319

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 (0.92%) or 1% higher (2.92%) than the current discount rate:

	1% Decrease 2.69%	Discount Rate 3.69%	1% Increase 4.69%
Discount Rate			
Net OPEB Liability	\$ 83,852,061	\$ 70,599,319	\$ 60,044,686

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 Healthcare Cost Trend Rate 2.94%	Healthcare Cost Trend Rate 3.94%	1% increase Healthcare Cost Trend Rate 4.94%
Ultimate Trend			
Net OPEB Liability	\$ 58,303,316	\$ 70,599,319	\$ 86,762,567

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2022**

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, 2022, the Board recognized OPEB expense of \$10,232,599. At June 30, 2022, 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	\$ 26,271,538	\$ 7,017,289
Net difference between projected and actual earnings	-	13,561
Differences between expected and actual experience	5,590,115	16,441,865
Board's contributions subsequent to measurement date	900,000	-
Total	<u>\$ 32,761,653</u>	<u>\$ 23,472,715</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>	
2023	\$ 1,073,853
2024	1,073,716
2025	1,073,375
2026	1,072,055
2027	1,076,644
Thereafter	3,019,295

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, 2022, the Library paid \$21,410 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, 2022**

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

Component Units – Library (continued)

The number of covered employees are as follows:

<u>Participants</u>	
Active Employees	20
Inactive employees entitled to but not yet receiving benefits	-
Inactive employees currently receiving benefits	4
TOTAL	<u><u>24</u></u>

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

Health Care Trend Rates

Initial Health Care Cost Trend Rate	7.00%
Ultimate Health Care Cost Trend Rate	4.50%
Fiscal Year the Ultimate Rate is Reached	Fiscal Year 2037

Additional Information

Valuation date	July 1, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry Age Normal
Discount rate	4.09%
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 with Mortality
Improvement using Scale MP-2020

TALBOT COUNTY, MARYLAND

**Notes to Financial Statements
June 30, 2022**

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 5.09%	Discount Rate 4.09%	1% Decrease to 3.09%
Net OPEB liability	\$ 1,378,591	\$ 1,560,727	\$ 1,784,797

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 8.00%	Discount Rate 7.00%	1% Decrease to 6.00%
Net OPEB liability	\$ 1,979,629	\$ 1,560,727	\$ 1,367,986

Changes in the net OPEB liability are as follows:

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balances as of June 30, 2021	\$ 1,787,083	\$ -	\$ 1,787,083
Changes for the year:			
Service cost	78,764	-	78,764
Interest on total OPEB liability	38,745	-	38,745
Differences between expected and actual experience	(15,345)	-	(15,345)
Changes of assumptions and other inputs	(308,934)	-	(308,934)
Benefits payments	(19,586)	-	(19,586)
Net changes	(226,356)	-	(226,356)
Balances as of June 30, 2022	\$ 1,560,727	\$ -	\$ 1,560,727

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

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 Empower Retirement.

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, 2022. Unearned revenue at June 30, 2022 consisted of the following:

	<u>County</u>	<u>Board of Education</u>
Federal and state grants	\$ 2,216,343	\$ 577,929

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

11. COMMITMENTS AND CONTINGENCIES

Primary Government

Landfills Closure and Post-closure Costs

The County has a 26.83% 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, 2021, total closure and post closure care costs were estimated at approximately \$18.8 million, with approximately \$5.0 million attributable to the County. It is expected that these costs will be funded from future revenues. MES has accrued and reported as a long-term liability at June 30, 2022, a portion of these costs, \$7.3 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, 2022, total debt was approximately \$21.3 million, with approximately \$5.7 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, 2021. MES expects to satisfy these requirements as of June 30, 2022 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, 2022

11. COMMITMENTS AND CONTINGENCIES (continued)

Primary Government (continued)

Legal Actions

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.

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.

General Insurance (continued)

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

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

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

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

12. RISK MANAGEMENT

Primary Government (continued)

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.

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.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements June 30, 2022

12. DEFICITS

At June 30, 2022, the Sanitary District Fund and Repurposing Center Fund had a deficit in unrestricted net position of \$1,237,610 and \$697,619, respectively. This deficit is expected to be eliminated through normal operations.

13. 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, 2022, the outstanding balance of these bonds and notes payables was \$31,026,727, and the effect of this non-capital debt has been reflected in the unrestricted net position of the County.

14. NEW ACCOUNTING PRONOUNCEMENTS

The GASB issued Statement No. 87, *Leases*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; 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*. These statements do not have a material effect on the County's financial statements.

The GASB has issued Statement No. 91, *Conduit Debt Obligations*; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; Statement No. 96, *Subscription-Based Information Technology Arrangements*; Statement No. 99, *Omnibus 2022*; Statement No. 100, *Accounting Changes and Error Corrections*; and Statement No. 101, *Compensated Absences*, which will require adoption in the future, if applicable. The County will be analyzing the effects of these pronouncements and plans to adopt them, as applicable, by their effective dates.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2022

15. PRIOR PERIOD RESTATEMENT

Library

The Library has determined to restate its Statement of Net Position and its Statement of Activities as of June 30, 2021. The determination was made to restate these financial statements in connection with the fiscal year 2022 implementation of the GASB's Statement No. 87, *Leases*. This statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases. The statement increases the usefulness of the financial statements by requiring the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.

The following table is a summary of the effect of this change on the statement of net position at June 30, 2021.

	As Previously Reported	GASB 87 Adjustment	As Restated
Intangible right-to-use assets			
Leased equipment	\$ -	\$ 43,702	\$ 43,702
Less accumulated amortization	-	(2,185)	(2,185)
Intangible right-to-use leases	-	41,652	41,652
Net investment in capital assets	445,209	(135)	445,074
Unrestricted	(1,200,416)	-	(1,200,416)
Total net position	(755,207)	(135)	(755,342)

Board of Education

The Board has determined to restate its Statement of Net Position and its Statement of Activities at June 30, 2021. The determination was made to restate these financial statements in connection with the fiscal year 2022 implementation of Government Accounting Standards Board's Statement No. 87, *Leases*. This statement's objective is to better meet the information needs of financial statements users by improving accounting and financial reporting for leases. The Statement increases the usefulness of the financial statements by requiring the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.

TALBOT COUNTY, MARYLAND

Notes to Financial Statements

June 30, 2022

15. PRIOR PERIOD RESTATEMENT (continued)

Board of Education (continued)

The following tables are a summary of the effects of this change on the statement of net position and the statement of activities at June 30, 2021.

	As Previously Reported	GASB 87 Adjustment	As Restated
Non depreciable capital assets	\$ 49,428,961	\$ -	\$ 49,428,961
Depreciable capital assets, net	46,288,604	237,207	46,525,811
Total	<u>95,717,565</u>	<u>237,207</u>	<u>95,954,772</u>
Long-term liabilities			
Due within one year	(47,779)	(79,203)	(126,982)
Due in more than one year	(123,188,542)	(163,743)	(123,352,285)
Total	<u>(123,236,321)</u>	<u>(242,946)</u>	<u>(123,479,267)</u>
Net Position			
Net investment in capital assets	95,532,493	(5,739)	95,526,754
Restricted for food service operations	804,609	-	804,609
Unrestricted	(119,455,261)	-	(119,455,261)
Total	<u>\$ (23,118,159)</u>	<u>\$ (5,739)</u>	<u>\$ (23,123,898)</u>

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, 2022**

	<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	\$ 46,109,900	\$ 46,109,900	\$ 46,630,881	\$ 520,981
Real property education supplement	280,596	280,596	277,126	(3,470)
Railroad and public utilities	900,000	900,000	1,260,397	360,397
Prior Years	-	-	(23,016)	(23,016)
Penalties and interest	150,000	150,000	136,994	(13,006)
Business incentive tax credits	-	-	(3,799)	(3,799)
Semi annual service charges	3,000	3,000	3,561	561
Total property taxes	47,443,496	47,443,496	48,282,144	838,648
Less: Discount allowed on taxes	(295,000)	(295,000)	(327,687)	(32,687)
Net property taxes	47,148,496	47,148,496	47,954,457	805,961
LOCAL INCOME TAXES	27,000,000	27,000,000	37,815,496	10,815,496
OTHER LOCAL TAXES				
Admissions and amusements	20,000	20,000	32,793	12,793
Recordation	5,435,000	5,435,000	12,776,896	7,341,896
Transfer	3,600,000	3,600,000	8,058,982	4,458,982
Public accommodations	1,200,000	1,200,000	2,036,384	836,384
Mobile manufactured home	50,000	50,000	53,602	3,602
Total other local taxes	10,305,000	10,305,000	22,958,657	12,653,657
Total local taxes	84,453,496	84,453,496	108,728,610	24,275,114
LICENSES AND PERMITS				
Beer, wine and liquor licenses	150,000	150,000	186,578	36,578
Traders licenses	23,000	23,000	27,623	4,623
Animal tags and fines	3,000	3,000	2,562	(438)
Stormwater permits	12,000	12,000	30,000	18,000
Flood plain permits	2,000	2,000	5,215	3,215
Road construction permit	20,000	20,000	74,000	54,000
Boat ramp permits and violations	136,000	136,000	157,085	21,085
Marriage licenses	2,500	2,500	4,700	2,200
Plumbing permits	5,000	5,000	11,250	6,250
Gas permits and licenses	9,500	9,500	13,375	3,875
Plumbing licenses	9,000	9,000	10,120	1,120
PZ fines	-	-	53,210	53,210
HVAC inspections and registrations	13,500	13,500	23,150	9,650
Health department fees	-	-	360	360
Electrical inspections and licenses	23,000	23,000	29,169	6,169
Building permits	229,000	229,000	448,406	219,406
Total licenses and permits	637,500	637,500	1,076,803	439,303
INTERGOVERNMENTAL REVENUES				
FROM THE FEDERAL GOVERNMENT				
Coronavirus emergency supp funding	-	-	12,219	12,219
FEMA	75,000	75,000	80,498	5,498
Health and Human services grants	-	-	-	-
Other federal- Planning and zoning	-	-	-	-
Emergency management - DHS	45,000	45,000	64,768	19,768
Total Federal revenues	\$ 120,000	\$ 120,000	\$ 157,485	\$ 37,485

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
FROM THE STATE OF MARYLAND				
Police protection	\$ 110,000	\$ 110,000	\$ 141,449	\$ 31,449
Sex offender grant	6,000	6,000	4,698	(1,302)
School bus safety grant	5,000	5,000	-	(5,000)
Sheriff grants other	40,000	40,000	44,000	4,000
Motor carrier - State Highway	3,500	3,500	-	(3,500)
Fire and rescue	316,000	316,000	316,140	140
911 grants and numbers system board	500,000	500,000	328,301	(171,699)
Circuit Court - Family Services	296,564	296,564	254,179	(42,385)
Drug court	158,363	158,363	148,928	(9,435)
Critical areas	10,000	10,000	9,000	(1,000)
Highway user revenues	682,000	682,000	774,277	92,277
Recordation	25,000	25,000	-	(25,000)
Public landing grants	-	-	102,255	102,255
DSS-Legal fees	50,000	50,000	89,929	39,929
Office of tourism	45,000	45,000	104,812	59,812
Program open space	200,000	200,000	37,611	(162,389)
Total State revenues	2,447,427	2,447,427	2,355,579	(91,848)
Total intergovernmental	2,567,427	2,567,427	2,513,064	(54,363)
SERVICES CHARGES				
GENERAL GOVERNMENT CHARGES				
Zoning fees and certificates	30,000	30,000	53,650	23,650
Rezoning applications	-	-	1,500	1,500
Zoning violations	-	-	2,809	2,809
Subdivision applications	10,000	10,000	21,119	11,119
Administrative variance	1,500	1,500	4,360	2,860
Board of appeals	5,000	5,000	5,800	800
Landscape planning	-	-	50	50
Site plan reviews	5,000	5,000	2,383	(2,617)
Forest conservation fees	-	-	450	450
Critical area preservation	10,000	10,000	59,162	49,162
Bed & breakfast license/home occupation	400	400	525	125
Short term rental fees	20,000	20,000	29,140	9,140
Mobile home fees	325	325	450	125
Roadside vendors and produce stand	500	500	1,500	1,000
Weed and litter enforcement	1,500	1,500	3,400	1,900
Weed control spraying	50,000	50,000	36,386	(13,614)
Economic development/tourism	150,000	150,000	92,236	(57,764)
Election filing and voter lists	450	450	1,650	1,200
Sheriff's fees	20,000	20,000	18,302	(1,698)
Emergency medical services	1,600,000	1,600,000	1,800,936	200,936
911 center	400,000	400,000	400,000	-
MIEMSS-EMS communications	125,000	125,000	125,000	-
Produce Stand & Use Fees	2,000	2,000	3,975	1,975
Zoning Ordinances/Maps	-	-	115	115
Total general government	2,431,675	2,431,675	2,664,898	233,223
PUBLIC SAFETY CHARGES				
Boarding of local prisoners	10,000	10,000	11,340	1,340
Weekenders fees/other revenues	400	400	60	(340)
Live-in, work-out fees	2,000	2,000	-	(2,000)
Home detention program	500	500	3,150	2,650
Federal prisoner program	200,000	200,000	293,420	93,420
Community service fees	3,000	3,000	3,120	120
Rents	16,100	16,100	17,442	1,342
Other grants	-	-	35,000	35,000
Total public safety charges	\$ 232,000	\$ 232,000	\$ 363,532	\$ 131,532

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
SERVICES CHARGES (continued)				
HEALTH				
Mosquito control fees	\$ 110,000	\$ 110,000	\$ 93,991	\$ (16,009)
RECREATION CHARGES				
Boat slips	95,000	95,000	101,349	6,349
Other recreation	-	-	190	190
Total recreation	95,000	95,000	101,539	6,539
Total 671 GP Murphy Pool fees	51,500	51,500	62,978	11,478
Total 672 Bay 100 Pool fees	69,500	69,500	50,571	(18,929)
Total service charges	2,989,675	2,989,675	3,337,509	347,834
FINES AND FORFEITURES	6,000	6,000	27,408	21,408
MISCELLANEOUS				
Rents	18,000	18,000	21,642	3,642
Bay Restoration Fund	3,000	3,000	3,101	101
Miscellaneous revenues	275,498	275,498	134,762	(140,736)
Total miscellaneous	296,498	296,498	159,505	(136,993)
INTEREST	50,000	50,000	226,255	176,255
TOTAL REVENUES	91,000,596	91,000,596	116,069,154	25,068,558
OTHER FINANCING SOURCES				
Transfer from special revenue fund	1,050,000	1,050,000	550,000	(500,000)
Total other financing sources	1,050,000	1,050,000	550,000	(500,000)
Appropriated Fund Balance	20,765,000	20,765,000	-	(20,765,000)
TOTAL REVENUES AND OTHER FINANCING SOURCES	\$ 112,815,596	\$ 112,815,596	\$ 116,619,154	\$ 3,803,558

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022**

<u>EXPENDITURES</u>	<u>Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
GENERAL GOVERNMENT				
LEGISLATIVE				
County Council:				
Salaries and fringe benefits	\$ 141,642	\$ 143,642	\$ 147,268	\$ (3,626)
Other operating	61,600	61,600	67,738	(6,138)
Total legislative	203,242	205,242	215,006	(9,764)
JUDICIAL				
Circuit Court:				
Salaries and fringe benefits	203,653	229,653	233,914	(4,261)
Other operating	36,791	56,791	41,142	15,649
Capital outlay	25,000	-	1,915	(1,915)
Court Stenographer:				
Salaries and fringe benefits	103,678	99,678	66,718	32,960
Other operating	-	4,000	-	4,000
Family Services:				
Salaries and fringe benefits	93,725	99,725	99,212	513
Other operating	202,839	196,839	154,284	42,555
Capital outlay	-	-	4,026	(4,026)
Problem Solving Court:				
Salaries and fringe benefits	118,766	118,766	115,059	3,707
Other operating	39,597	39,597	33,030	6,567
Capital outlay	-	-	1,089	(1,089)
Orphan's Court:				
Salaries and fringe benefits	51,848	51,848	65,916	(14,068)
Other operating	1,500	1,500	1,009	491
Capital outlay	-	-	699	(699)
State's Attorney:				
Salaries and fringe benefits	1,063,381	1,063,381	1,080,678	(17,297)
Other operating	73,600	73,600	60,549	13,051
Victim Witness Program:				
Salaries and fringe benefits	182,291	182,291	188,480	(6,189)
Other operating	6,710	10,210	8,981	1,229
Bar Library:				
Other operating	10,750	25,750	24,017	1,733
Total judicial	2,214,129	2,253,629	2,180,718	72,911
EXECUTIVE				
County Administration:				
Salaries and fringe benefits	473,546	478,546	514,153	(35,607)
Other operating	52,400	52,400	111,638	(59,238)
Total executive	525,946	530,946	625,791	(94,845)
ELECTIONS				
Board of Supervisors of Elections:				
Salaries and fringe benefits	306,871	321,871	384,579	(62,708)
Other operating	233,680	218,680	219,789	(1,109)
Registration and elections:				
Salaries and fringe benefits	55,900	-	-	-
Other operating	3,600	-	-	-
Total elections	600,051	540,551	604,368	(63,817)
FINANCIAL ADMINISTRATION				
Finance Office:				
Salaries and fringe benefits	872,521	852,521	890,973	(38,452)
Other operating	305,325	337,325	315,223	22,102
MD State Department of Assessments and Taxation:				
Salaries and fringe benefits	200,000	200,000	182,254	17,746
Administrative Services:				
Salaries and fringe benefits	326,904	326,904	327,025	(121)
Other operating	40,680	65,680	46,435	19,245
Liquor License Commissioners:				
Salaries and fringe benefits	14,475	14,475	12,840	1,635
Other operating	2,975	2,975	1,761	1,214
Total financial administration	\$ 1,762,880	\$ 1,799,880	\$ 1,776,511	\$ 23,369

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022**

	<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	\$ 365,835	\$ 165,835	\$ 84,708	\$ 81,127
Other operating	49,850	159,850	142,030	17,820
Total law	415,685	325,685	226,738	98,947
PLANNING AND ZONING				
Planning Office:				
Salaries and fringe benefits	775,238	759,238	777,857	(18,619)
Other operating	116,675	128,675	123,476	5,199
Capital outlay	35,000	39,000	32,275	6,725
Board of Appeals:				
Salaries and fringe benefits	98,716	98,716	102,305	(3,589)
Other operating	21,075	21,075	14,560	6,515
Total planning and zoning	1,046,704	1,046,704	1,050,473	(3,769)
GENERAL SERVICES				
County Buildings:				
Salaries and fringe benefits	453,290	453,290	461,351	(8,061)
Other operating	390,440	390,440	361,997	28,443
Capital outlay	9,000	9,000	80,148	(71,148)
Library Maintenance	134,500	134,500	126,871	7,629
Information Technology:				
Salaries and fringe benefits	317,125	318,125	342,673	(24,548)
Other operating	152,520	151,020	78,665	72,355
Capital outlay	35,000	42,500	32,430	10,070
Insurance	220,500	220,500	182,578	37,922
Total general services	1,712,375	1,719,375	1,666,713	52,662
ECONOMIC DEVELOPMENT				
Office of Economic Development:				
Salaries and fringe benefits	200,820	181,820	146,098	35,722
Other operating	111,450	123,450	118,436	5,014
Tourism:				
Salaries and fringe benefits	196,247	196,247	180,180	16,067
Other operating	465,735	415,735	452,775	(37,040)
Housing:				
Salaries and fringe benefits	26,170	-	-	-
Other operating	4,700	-	-	-
Historic Preservation Commission	5,075	5,075	160	4,915
Total economic development	1,010,197	922,327	897,649	24,678
Total general government	9,491,209	9,344,339	9,243,967	100,372
PUBLIC SAFETY				
SHERIFF				
Salaries and fringe benefits	5,027,095	4,997,095	4,805,647	191,448
Other operating	958,700	958,700	960,924	(2,224)
Capital outlay	39,257	43,257	69,972	(26,715)
Total sheriff	6,025,052	5,999,052	5,836,543	162,509
MUNICIPAL INSTITUTIONS				
Detention Center:				
Salaries and fringe benefits	3,748,713	3,548,713	3,456,495	92,218
Other operating	1,350,716	1,450,716	1,164,338	286,378
Capital outlay	366,000	366,000	301,563	64,437
Total municipal institutions	\$ 5,465,429	\$ 5,365,429	\$ 4,922,396	\$ 443,033

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022**

	<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:				
Other operating	422,532	422,532	416,200	6,332
Capital outlay	21,000	21,000	-	21,000
Emergency Management:				
Salaries and fringe benefits	2,221,705	2,296,705	2,427,932	(131,227)
Other operating	781,925	1,241,925	920,322	321,603
Capital outlay	27,710	127,710	201,235	(73,525)
Volunteer Fire Companies:	2,168,947	2,168,947	2,158,212	10,735
Emergency Medical Services:				
Salaries and fringe benefits	4,732,375	4,732,375	4,845,649	(113,274)
Other operating	674,346	744,346	767,181	(22,835)
Capital outlay	600,000	600,000	599,632	368
Hazardous Materials:				
Salaries and fringe benefits	1,140	1,140	-	1,140
Other operating	14,800	14,800	7,632	7,168
Total other public safety	11,731,180	12,436,180	12,408,695	27,485
PROTECTIVE INSPECTION				
Electrical Inspection:				
Salaries and fringe benefits	6,500	6,500	5,996	504
Other operating	1,540	1,540	590	950
Building and Plumbing Inspection:				
Salaries and fringe benefits	395,794	345,794	352,283	(6,489)
Other operating	28,850	88,850	89,577	(727)
Total protective inspection	432,684	442,684	448,446	(5,762)
Total public safety	23,654,345	24,243,345	23,616,080	627,265
PUBLIC WORKS				
PUBLIC WORKS - GENERAL				
Salaries and fringe benefits	662,581	512,581	431,559	81,022
Other operating	149,150	99,150	129,367	(30,217)
Capital outlay	-	-	(468)	468
Total public works - general	811,731	611,731	560,458	51,273
PUBLIC LANDINGS AND WHARVES				
Salaries and fringe benefits	212,473	214,973	234,717	(19,744)
Other operating	65,900	95,900	103,607	(7,707)
Capital outlay	-	30,000	111,046	(81,046)
Total public landings and wharves	278,373	340,873	449,370	(108,497)
SOLID WASTE DISPOSAL				
Salaries and fringe benefits	34,963	36,963	36,129	834
Other operating	660,450	658,450	707,631	(49,181)
Total solid waste disposal	695,413	695,413	743,760	(48,347)
HIGHWAYS AND STREETS				
Salaries and fringe benefits	1,624,011	1,574,011	1,645,622	(71,611)
Other operating	1,461,950	1,461,950	1,503,014	(41,064)
Capital outlay	757,000	832,000	816,865	15,135
Total highways and streets	3,842,961	3,867,961	3,965,501	(97,540)
Total public works	\$ 5,628,478	\$ 5,515,978	\$ 5,719,089	\$ (203,111)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022**

	<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	\$ -
Total health and hospitals	2,508,300	2,508,300	2,508,300	-
SOCIAL SERVICES				
Senior services program	50,000	50,000	50,000	-
Social services legal	50,000	100,000	89,180	10,820
Social Services - operating	465,282	465,282	462,283	2,999
Commission on aging	478,634	478,634	478,634	-
Total social services	1,043,916	1,093,916	1,080,097	13,819
EDUCATION				
Board of Education:				
Operating appropriation	43,949,871	43,949,871	43,949,871	-
Debt Service	4,096,725	4,096,725	4,096,725	-
Library:				
Operating appropriation	1,519,390	1,519,390	1,519,390	-
Capital outlay	69,983	69,983	2,280	67,703
Community College:				
Operating appropriation	1,639,667	1,639,667	1,639,667	-
Debt Service	140,782	140,782	140,782	-
Capital outlay	99,848	99,848	99,848	-
Drug Abuse Resistance Education (DARE):				
Salaries and fringe benefits	64,659	64,659	95,808	(31,149)
Other operating	13,620	13,620	10,971	2,649
Total education	51,594,545	51,594,545	51,555,342	39,203
RECREATION				
Parks and Recreation:				
Salaries and fringe benefits	243,318	244,318	258,497	(14,179)
Other operating	185,169	139,169	161,937	(22,768)
Capital outlay	264,385	309,385	345,080	(35,695)
Pools:				
Salaries and fringe benefits	168,490	23,490	16,897	6,593
Other operating	57,325	407,325	232,766	174,559
Capital outlay	14,000	14,000	11,219	2,781
Total recreation	\$ 932,687	\$ 1,137,687	\$ 1,026,396	\$ 111,291

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
CONSERVATION OF NATURAL RESOURCES				
Agricultural Extension Service	\$ 200,004	\$ 20,004	\$ 199,952	\$ (179,948)
Other	12,000	30,000	35,869	(5,869)
Weed Control:				
Salaries and fringe benefits	74,238	79,738	90,905	(11,167)
Other operating	30,550	30,550	24,195	6,355
Total conservation of natural resources	316,792	160,292	350,921	(190,629)
INTERGOVERNMENTAL				
Payments to Municipalities:				
Fire, rescue and ambulance fund	16,000	16,000	16,132	(132)
Bank stock	7,535	7,535	7,535	-
Public accommodations tax	1,010,000	1,560,000	1,505,165	54,835
Total intergovernmental	1,033,535	1,583,535	1,528,832	54,703
EMPLOYEE BENEFITS				
Health insurance, retirees	1,290,500	1,325,500	1,315,373	10,127
Total employee benefits	1,290,500	1,325,500	1,315,373	10,127
MISCELLANEOUS	517,244	519,244	272,795	246,449
DEBT SERVICE				
Principal on long-term debt	977,796	977,796	977,796	-
Interest on long-term debt	62,000	62,000	62,000	-
Total debt service	1,039,796	1,039,796	1,039,796	-
RESERVE				
Reserve for contingencies	1,452,579	437,449	-	437,449
Small business housing reserve	20,000	20,000	9,242	10,758
Total reserve	1,472,579	457,449	9,242	448,207
TOTAL EXPENDITURES	100,523,926	100,523,926	99,266,230	1,257,696
OTHER FINANCING USES				
Transfers:				
Capital projects - Operating appropriation	10,000,000	10,000,000	10,000,000	-
Recreation - Operating appropriation	2,291,670	2,291,670	2,291,670	-
Total other financing uses	12,291,670	12,291,670	12,291,670	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	112,815,596	112,815,596	111,557,900	1,257,696
Net change in fund balances	\$ -	\$ -	\$ 5,061,253	\$ 5,061,253

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
GRANTS FUND
For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - Federal	\$ 695,000	\$ 695,000	\$ 3,098,178	\$ 2,403,178
Intergovernmental - State	547,500	547,500	905,170	357,670
Miscellaneous	118,120	118,120	629,102	510,982
Total revenues	1,360,620	1,360,620	4,632,450	3,271,830
EXPENDITURES				
General Government	40,500	40,500	35,000	(5,500)
Public Safety	65,000	65,000	2,586	(62,414)
Social Services	1,255,120	1,255,120	4,578,991	3,323,871
Total expenditures	1,360,620	1,360,620	4,616,577	(3,255,957)
Net Change in Fund Balance	\$ -	\$ -	\$ 15,873	\$ 15,873

TALBOT COUNTY, MARYLAND

**SCHEDULE OF CHANGES
IN NET OPEB LIABILITY AND RELATED RATIOS
June 30, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ 501,967	\$ 548,155	\$ 502,715	\$ 558,117	\$ 506,402
Interest	1,433,365	1,368,462	1,171,214	1,086,220	1,086,825
Difference between expected and actual experience	2,793,117	-	1,091,207	-	-
Benefit payments	(1,245,758)	(733,090)	(709,922)	(614,622)	(597,317)
Other changes	1,754,969	-	787,799	218,536	226,021
Net changes in total OPEB liability	<u>5,237,660</u>	<u>1,183,527</u>	<u>2,843,013</u>	<u>1,248,251</u>	<u>1,221,931</u>
Total OPEB liability - beginning	21,099,526	19,915,999	17,072,986	15,824,735	14,602,804
Total OPEB liability - ending (a)	<u>\$ 26,337,186</u>	<u>\$ 21,099,526</u>	<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	3,253,714	-	(624,893)	-	-
Net investment income	(2,204,179)	3,422,311	252,448	724,755	790,394
Benefit payments	-	-	-	-	-
Administrative expense	(70,447)	(56,843)	(61,805)	(60,695)	(55,961)
Other changes	(3,253,714)	-	625,032	-	-
Net changes in plan fiduciary net position	<u>(2,274,626)</u>	<u>3,365,468</u>	<u>190,782</u>	<u>664,060</u>	<u>734,433</u>
Plan fiduciary net position - beginning	15,980,769	12,615,301	12,424,519	11,760,459	11,026,026
Plan fiduciary net position - ending (b)	<u>\$ 13,706,143</u>	<u>\$ 15,980,769</u>	<u>\$ 12,615,301</u>	<u>\$ 12,424,519</u>	<u>\$ 11,760,459</u>
County's net OPEB liability - ending (a) - (b)	\$ 12,631,043	\$ 5,118,757	\$ 7,300,698	\$ 4,648,467	\$ 4,064,276
Plan fiduciary net position as a percentage of total pension liability	52.04%	75.74%	63.34%	72.77%	74.32%
Covered payroll	\$ 17,261,630	\$ 14,339,431	\$ 14,561,185	\$ 13,771,675	\$ 13,058,200
Net liability as a percentage of covered payroll	73.17%	35.70%	50.14%	33.75%	31.12%
Annual money-weighted rate of return, net of investment expense	-13.79%	27.13%	7.00%	7.70%	6.60%

Notes to schedule:

This information is not available for FY17 and prior.

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, 2022

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%
2021	June 30, 2020	0.06278%	14,188,998	17,047,994	83.23%	54,586,037,000	77,187,397,000	70.72%
2022	June 30, 2021	0.06742%	10,113,853	15,378,354	65.77%	67,604,500,000	82,606,805,000	81.84%

TALBOT COUNTY, MARYLAND

**MARYLAND STATE RETIREMENT AND PENSION SYSTEMS
SCHEDULE OF CONTRIBUTIONS
Year Ended June 30, 2022**

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%
2021	June 30, 2020	1,460,440	1,460,440	-	17,047,994	8.57%
2022	June 30, 2021	1,571,374	1,571,374	-	15,378,354	10.22%

TALBOT COUNTY, MARYLAND

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION Year Ended June 30, 2022

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 \$1,257,696 for the year ended June 30, 2022. There was an excess of actual revenues over budgeted revenues of \$3,803,558 for the year ended June 30, 2022.

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

The changes in assumptions during the year were as follows:

- Inflation assumption changed to 2.25% from 2.6% for general and 2.75% from 3.10% for wage.
- Salary increases assumption changed to 2.75% - 11.25% from 3.10% - 11.60%.
- Investment rate of return assumption changed to 6.8% from 7.4%.

TALBOT COUNTY, MARYLAND

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2022**

Method and Assumptions used in Calculations of Actuarially Determined Contributions.

Actuarial	Individual entry age
Amortization method	Level percent closed
Remaining amortization period	25 years, 17 years remaining
Asset valuation method	5-year smoothed market; 20% collar
Inflation	2.25% general, 2.75% wage
Salary increases	2.75% to 11.25%, including inflation
Investment rate of return	6.80%
COLA	1.96% - 2.75% for service prior to July 1, 2011 1.30% - 2.75% for service after June 30, 2011
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, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - Federal and State	\$ 2,412,000	\$ 2,412,000	\$ 813,914	\$ (1,598,086)
Contributions and cost sharing	750,000	750,000	-	(750,000)
Interest	-	-	2,926	2,926
Total revenues	3,162,000	3,162,000	816,840	(2,345,160)
EXPENDITURES				
General government	5,733,000	5,733,000	1,249,480	4,483,520
Highways and roads	2,700,000	2,700,000	346,497	2,353,503
Public works	-	-	322,758	(322,758)
Education	3,275,423	3,275,423	3,553,649	(278,226)
Recreation	250,000	250,000	-	250,000
Total expenditures	11,958,423	11,958,423	5,472,384	6,486,039
OTHER FINANCING SOURCES (USES)				
Transfer from special revenue fund	700,000	700,000	700,000	-
Transfer from general fund	10,000,000	10,000,000	10,000,000	-
Total other financing sources (uses)	10,700,000	10,700,000	10,700,000	-
Net Change in Fund Balance	\$ 1,903,577	\$ 1,903,577	\$ 6,044,456	\$ 4,140,879

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
DEVELOPMENTAL IMPACT FUND
For the Year Ended June 30, 2022**

	<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	\$ 95,000	\$ 95,000	\$ 170,882	\$ 75,882
Public works	214,000	214,000	252,732	38,732
Education:				
Public schools	150,000	150,000	456,792	306,792
Library	25,000	25,000	85,883	60,883
Community College	7,500	7,500	18,073	10,573
Recreation	30,000	30,000	102,927	72,927
Appropriated Fund Balance	789,500	789,500	-	(789,500)
Interest	4,000	4,000	2,304	(1,696)
Total revenues	1,315,000	1,315,000	1,089,593	(225,407)
EXPENDITURES				
OTHER FINANCING SOURCES (USES)				
Transfers:				
General fund	(550,000)	(550,000)	(550,000)	-
Capital projects fund	(700,000)	(700,000)	(700,000)	-
Recreation fund	(65,000)	(65,000)	(65,000)	-
Designated fund balance	-	-	-	-
Total other financing sources (uses)	(1,315,000)	(1,315,000)	(1,315,000)	-
Net Change in Fund Balance	\$ -	\$ -	\$ (225,407)	\$ (225,407)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
TALBOT FAMILY NETWORK
For the Year Ended June 30, 2022**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Intergovernmental - Federal and State	\$ 499,920	\$ 499,920	\$ 493,975	\$ (5,945)
Total revenues	499,920	499,920	493,975	(5,945)
EXPENDITURES				
Social Services	499,920	499,920	493,986	5,934
Total expenditures	499,920	499,920	493,986	5,934
Net Change in Fund Balance	\$ -	\$ -	\$ (11)	\$ (11)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
NARCOTICS TASK FORCE
For the Year Ended June 30, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 12,372	\$ 12,372
Total revenues	-	-	12,372	12,372
EXPENDITURES				
Public safety	20,150	20,150	10,267	(9,883)
Net Change in Fund Balance	\$ (20,150)	\$ (20,150)	\$ 2,105	\$ 22,255

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND – RECREATION FACILITIES
For the Year Ended June 30, 2022**

	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 revenues	\$ 39,500	\$ 34,925	\$ (4,575)	\$ 230,000	\$ 272,071	\$ 42,071	\$ 269,500	\$ 306,996	\$ 37,496
Rents	8,000	6,200	(1,800)	65,000	84,077	19,077	73,000	90,277	17,277
Ice revenues	-	-	-	310,000	358,083	48,083	310,000	358,083	48,083
Pro shop and concessions	259,000	360,657	101,657	-	-	-	259,000	360,657	101,657
Cart rentals	50,000	16,047	(33,953)	-	-	-	50,000	16,047	(33,953)
Green fees	1,200,000	1,495,303	295,303	-	-	-	1,200,000	1,495,303	295,303
Other operating	-	-	-	26,500	61,022	34,522	26,500	61,022	34,522
Total operating revenues	1,556,500	1,913,132	356,633	631,500	775,253	143,753	2,188,000	2,688,385	500,385
OPERATING EXPENSES									
Salaries and related expenses	840,454	829,494	(10,960)	402,750	340,242	(62,508)	1,243,204	1,169,736	(73,468)
Professional fees	17,000	10,820	(6,180)	53,500	73,794	20,294	70,500	84,614	14,114
Office	50,150	58,893	8,743	2,000	2,659	659	52,150	61,552	9,402
Insurance	4,500	4,209	(291)	14,500	14,000	(500)	19,000	18,209	(791)
Repairs and maintenance	90,500	141,045	50,545	55,000	87,004	32,004	145,500	228,049	82,549
Utilities	59,000	50,146	(8,854)	206,200	255,997	49,797	265,200	306,143	40,943
Supplies and equipment	198,700	316,154	117,454	16,500	11,365	(5,135)	215,200	327,519	112,319
Lessons and programs	-	-	-	110,000	90,323	(19,677)	110,000	90,323	(19,677)
Pro shop and concessions	72,000	134,662	62,662	-	-	-	72,000	134,662	62,662
Other operating	2,000	-	(2,000)	60,000	83,407	23,407	62,000	83,407	21,407
Total operating expenses	1,334,304	1,545,423	(211,119)	920,450	958,791	(38,341)	2,254,754	2,504,214	(249,460)
Operating income (loss) before depreciation	222,196	367,709	567,752	(288,950)	(183,538)	182,094	(66,754)	184,171	749,845
Depreciation	-	426,287	426,287	-	584,125	584,125	-	1,010,412	1,010,412
Net operating income (loss)	222,196	(58,578)	141,465	(288,950)	(767,663)	(402,031)	(66,754)	(826,241)	(260,567)
NON-OPERATING REVENUES (EXPENSES)									
Transfers from general fund	1,875,095	1,875,095	-	416,575	416,575	-	2,291,670	2,291,670	-
Transfers from special revenue fund	-	-	-	65,000	65,000	-	65,000	65,000	-
Gain (loss) on disposal of capital assets	-	-	-	-	2,300	2,300	-	2,300	2,300
Net non-operating revenues (expenses)	1,875,095	1,875,095	-	481,575	483,875	2,300	2,356,670	2,358,970	2,300
Change in net position	2,097,291	1,816,517	(280,774)	192,625	(283,788)	(476,413)	2,289,916	1,532,729	(757,187)
OTHER BUDGETED EXPENSE									
Debt service	192,291	3,631	(188,660)	172,625	8,886	(163,739)	364,916	12,517	(352,399)
Capital outlay	1,905,000	-	(1,905,000)	20,000	-	(20,000)	1,925,000	-	(1,925,000)
Total other budgeted expenses	2,097,291	3,631	(2,093,660)	192,625	8,886	(183,739)	2,289,916	12,517	(2,277,399)
Budgeted net income (loss)	\$ -	\$ 1,812,886	\$ 1,812,886	\$ -	\$ (292,674)	\$ (292,674)	\$ -	\$ 1,520,212	\$ 1,520,212

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND – SANITARY DISTRICT
For the Year Ended June 30, 2022**

	St. Michaels District			Royal Oak District			Tilghman District		
	Revised Final Budget	Actual	Variance with Final Budget	Revised Final Budget	Actual	Variance with Final Budget	Revised Final Budget	Actual	Variance with Final Budget
OPERATING REVENUES									
Sewer service charges	\$ 1,114,000	\$ 1,122,874	\$ 8,874	\$ 291,250	\$ 277,075	\$ (14,175)	\$ 312,900	\$ 310,177	\$ (2,723)
Sewer connection charges	540,000	192,522	(347,478)	156,100	38,045	(118,055)	52,550	105,086	52,536
Miscellaneous	1,750	4,941	3,191	-	193	193	-	231	231
Total operating revenues	1,655,750	1,320,337	(335,413)	447,350	315,313	(132,037)	365,450	415,494	50,044
OPERATING EXPENSES									
Salaries and related expenses	531,015	487,414	(43,601)	129,087	112,184	(16,903)	185,511	155,246	(30,265)
Professional fees	500	-	(500)	500	-	(500)	-	-	-
Office	9,550	7,721	(1,829)	750	1,039	289	1,000	1,174	174
Insurance	-	-	-	-	-	-	-	-	-
Contracted services	181,000	134,720	(46,280)	60,000	22,451	(37,549)	25,000	54,679	29,679
Repairs and maintenance	115,135	67,186	(47,949)	66,513	57,046	(9,467)	71,739	75,163	3,424
Utilities	61,600	51,795	(9,805)	26,100	20,074	(6,026)	19,000	28,590	9,590
Supplies and equipment	228,950	265,401	36,451	60,750	72,005	11,255	59,700	58,826	(874)
Other operating	20,000	3,505	(16,495)	1,800	1,056	(744)	1,500	912	(588)
Total operating expenses	1,147,750	1,017,742	(130,008)	345,500	285,855	(59,645)	363,450	374,590	11,140
Operating income (loss) before depreciation	508,000	302,595	(205,405)	101,850	29,458	(72,392)	2,000	40,904	38,904
Depreciation	-	953,582	953,582	-	153,949	153,949	-	161,221	161,221
Net operating income (loss)	508,000	(650,987)	(1,158,987)	101,850	(124,491)	(226,341)	2,000	(120,317)	(122,317)
NON-OPERATING REVENUES (EXPENSES)									
Intergovernmental revenues	30,000	205,552	175,552	-	-	-	-	-	-
Interest income	-	-	-	12,700	1,667	(11,033)	3,000	1,141	(1,859)
Interest expense	-	(37,938)	-	-	(6,088)	(6,088)	-	-	-
Net non-operating revenues (expenses)	30,000	167,614	175,552	12,700	(4,421)	(17,121)	3,000	1,141	(1,859)
Change in net position	538,000	(483,373)	(1,021,373)	114,550	(128,912)	(243,462)	5,000	(119,176)	(124,176)
OTHER BUDGETED EXPENSE									
Debt service	523,000	-	(523,000)	104,550	-	(104,550)	-	-	-
Capital outlay	15,000	941	(14,059)	10,000	2,568	(7,432)	5,000	5,421	421
Total other budgeted expenses	538,000	941	(537,059)	114,550	2,568	(111,982)	5,000	5,421	421
Budgeted net income (loss)	\$ -	\$ (484,314)	\$ (484,314)	\$ -	\$ (131,480)	\$ (131,480)	\$ -	\$ (124,597)	\$ (124,597)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND – SANITARY DISTRICT
For the Year Ended June 30, 2022
(continued)**

	Unionville District			Bio-solids Utilization Facility			Onsite Sewage Disposal		
	Revised		Variance with	Revised		Variance with	Revised		Variance with
	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Final Budget</u>
OPERATING REVENUES									
Sewer service charges	\$ 129,350	\$ 134,550	\$ 5,200	\$ 530,000	\$ 569,450	\$ 39,450	\$ -	\$ -	\$ -
Sewer connection charges	120,000	2,877	(117,123)	-	-	-	-	-	-
Wind and solar renewable energy	-	-	-	42,000	13,923	(28,077)	-	-	-
Miscellaneous	500	2,165	1,665	-	-	-	-	-	-
Total operating revenues	249,850	139,592	(110,258)	572,000	583,373	11,373	-	-	-
OPERATING EXPENSES									
Salaries and related expenses	59,475	50,520	(8,955)	146,732	162,595	15,863	\$ 42,837	\$ 47,874	(5,037)
Professional fees	300	-	(300)	-	-	-	200	-	200
Office	3,250	3,656	406	4,100	4,043	(57)	-	-	-
Insurance	1,000	381	(619)	10,000	11,812	1,812	-	-	-
Contracted services	15,500	14,336	(1,164)	15,000	32,026	17,026	655,146	763,225	(108,079)
Repairs and maintenance	87,125	34,011	(53,114)	4,318	11,603	7,285	8,667	-	8,667
Utilities	16,700	20,155	3,455	34,250	44,859	10,609	-	-	-
Supplies and equipment	16,750	20,751	4,001	33,000	40,404	7,404	-	-	-
Other operating	1,750	2,034	284	2,150	8,055	5,905	100,150	44,400	55,750
Total operating expenses	201,850	145,844	(56,006)	249,550	315,397	65,847	807,000	855,499	(48,499)
Operating income (loss) before depreciation	48,000	(6,252)	(54,252)	322,450	267,976	(54,474)	(807,000)	(855,499)	(48,499)
Depreciation	-	155,419	155,419	-	492,641	(492,641)	-	-	-
Net operating income (loss)	48,000	(161,671)	(209,671)	322,450	(224,665)	(547,115)	(807,000)	(855,499)	(48,499)
NON-OPERATING REVENUES (EXPENSES)									
Intergovernmental revenues	-	2,522	2,522	-	-	-	807,000	891,571	84,571
Interest income	-	-	-	-	-	-	-	-	-
Interest expense	(6,000)	(4,219)	(1,164)	(102,400)	(102,177)	(223)	-	-	-
Net non-operating revenues (expenses)	(6,000)	(1,697)	4,303	(102,400)	(102,177)	223	807,000	891,571	84,571
Change in net position	42,000	(163,368)	(205,368)	220,050	(326,842)	(546,892)	-	36,072	36,072
OTHER BUDGETED EXPENSE									
Debt service	39,000	-	(39,000)	220,050	-	(220,050)	-	-	-
Capital outlay	3,000	941	(2,059)	-	462	462	-	-	-
Total other budgeted expenses	42,000	941	(41,059)	220,050	462	(219,588)	-	-	-
Budgeted net income (loss)	\$ -	\$ (164,309)	\$ (164,309)	\$ -	\$ (327,304)	\$ (327,304)	\$ -	\$ 36,072	\$ 36,072

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND – SANITARY DISTRICT
For the Year Ended June 30, 2022
(continued)**

	Martingham District			Combined Totals		
	Revised Final Budget	Actual	Variance with Final Budget	Revised Final Budget	Actual	Variance with Final Budget
OPERATING REVENUES						
Sewer service charges	\$ 253,800	\$ 234,165	\$ (19,635)	\$ 2,631,300	\$ 2,648,291	\$ 16,991
Sewer connection charges	24,000	-	(24,000)	892,650	338,530	(554,120)
Wind/solar renewable energy	-	-	-	42,000	13,923	(28,077)
Miscellaneous	200	247	47	2,450	7,777	5,327
Total operating revenues	278,000	234,412	(43,588)	3,568,400	3,008,521	(559,879)
OPERATING EXPENSES						
Salaries and related expenses	85,911	74,210	11,701	1,180,568	1,090,043	90,525
Professional fees	-	-	-	1,500	-	1,500
Office	3,850	4,194	(344)	22,500	21,827	673
Insurance	1,400	303	1,097	12,400	12,496	(96)
Contracted services	40,250	4,571	35,679	991,896	1,026,008	(34,112)
Repairs and maintenance	7,749	47,135	(39,386)	361,246	292,144	69,102
Utilities	32,690	64,502	(31,812)	190,340	229,975	(39,635)
Supplies and equipment	(21,700)	(15,173)	(6,527)	377,450	442,214	(64,764)
Other operating	1,850	982	868	129,200	60,944	68,256
Total operating expenses	152,000	180,724	(28,724)	3,267,100	3,175,651	91,449
Operating income (loss) before depreciation	126,000	53,688	(72,312)	301,300	(167,130)	(468,430)
Depreciation	-	202,800	(202,800)	-	2,119,612	(2,119,612)
Net operating income (loss)	126,000	(149,112)	(275,112)	301,300	(2,286,742)	(2,588,042)
NON-OPERATING REVENUES (EXPENSES)						
Intergovernmental revenues	-	-	-	837,000	1,099,645	262,645
Interest income	-	473	473	15,700	3,281	(12,419)
Interest expense	(49,600)	(30,550)	(19,050)	(158,000)	(180,972)	(26,525)
Net non-operating revenues (expenses)	(49,600)	(30,077)	(18,577)	694,700	921,954	223,701
Change in net position	76,400	(179,189)	(255,589)	996,000	(1,364,788)	(2,360,788)
OTHER BUDGETED EXPENSE						
Debt service	74,400	-	(74,400)	961,000	-	(961,000)
Capital outlay	2,000	941	(1,059)	35,000	11,274	(23,726)
Total other budgeted expenses	76,400	941	(75,459)	996,000	11,274	(984,726)
Budgeted net income (loss)	\$ -	\$ (180,130)	\$ (180,130)	\$ -	\$ (1,376,062)	\$ (1,376,062)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND – EASTON AIRPORT
For the Year Ended June 30, 2022**

	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OPERATING REVENUES			
Charges - operations	\$ 1,256,520	\$ 1,335,416	\$ 78,896
Charges - fuel facility	1,571,930	3,932,157	2,360,227
Charges - hangars	585,250	591,119	5,869
Other operating	19,500	31,958	12,458
Total operating revenues	3,433,200	5,890,650	2,457,450
OPERATING EXPENSES			
Salaries and related expenses	474,486	561,457	86,971
Cost of sales - fuel	1,391,580	3,562,850	2,171,270
Office	49,000	30,629	(18,371)
Insurance	25,000	11,959	(13,041)
Repairs and maintenance	293,000	182,498	(110,502)
Utilities	254,000	247,730	(6,270)
Supplies and equipment	3,400	2,910	(490)
Other operating	669,837	801,037	131,200
Total operating expenses	3,160,303	5,401,070	2,240,767
Operating income (loss) before depreciation	272,897	489,580	216,683
Depreciation	180,417	2,481,517	(2,301,100)
Net operating income (loss)	92,480	(1,991,937)	(2,084,417)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	-	789,450	789,450
Gain (Loss) on sale of asset	-	3,581	3,581
Interest expense	(15,390)	(12,183)	(3,207)
Net non-operating revenues (expenses)	(15,390)	780,848	789,824
Change in net position	77,090	(1,211,089)	(1,288,179)
OTHER BUDGETED EXPENSE			
Debt service	77,090	-	(77,090)
Capital outlay	-	2,150	2,150
Total other budgeted expenses	77,090	2,150	(74,940)
Budgeted net income (loss)	\$ -	(1,213,239)	(1,213,239)

TALBOT COUNTY, MARYLAND

**SCHEDULE OF REVENUES AND EXPENSES
BUDGET AND ACTUAL
ENTERPRISE FUND – REPURPOSING FUND
For the Year Ended June 30, 2022**

	<u>Revised Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
OPERATING REVENUES			
Crushed Concrete Sales	\$ 750,000	\$ 185,503	\$ (564,497)
Total operating revenues	750,000	185,503	(564,497)
OPERATING EXPENSES			
Salaries and related expenses	286,523	143,420	(143,103)
Professional Fees	-	9,079	9,079
Office	16,500	4,396	(12,104)
Insurance	12,000	-	(12,000)
Repairs and maintenance	93,000	104,126	11,126
Utilities	115,000	51,920	(63,080)
Other operating	1,977	124,272	122,295
Total operating expenses	525,000	437,213	(87,787)
Operating income (loss) before depreciation	225,000	(251,710)	(476,710)
Depreciation		106,737	(106,737)
Net operating income (loss)	225,000	(358,447)	(583,447)
NON-OPERATING REVENUES (EXPENSES)			
Intergovernmental revenues	-	-	-
Gain (Loss) on sale of asset	-	-	-
Interest expense			-
Net non-operating revenues (expenses)	-	-	-
Change in net position	225,000	(358,447)	(583,447)
OTHER BUDGETED EXPENSE			
Debt service	225,000	9,790	215,210
Capital outlay	-	3,241	(3,241)
Total other budgeted expenses	225,000	13,031	(211,969)
Budgeted net income (loss)	\$ -	\$ (371,478.00)	\$ (371,478.00)

TALBOT COUNTY, MARYLAND

**COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
June 30, 2022**

	<u>Developmental Impact</u>	<u>Talbot Family Network</u>	<u>Narcotic Task Force</u>	<u>Total Other Governmental Funds</u>
REVENUE				
Intergovernmental:				
Federal	\$ -	\$ -	\$ -	\$ -
State	-	493,975	-	493,975
Licences and permits	1,087,289	-	-	1,087,289
Miscellaneous	-	-	68,222	68,222
Interest	2,304	-	-	2,304
Total Revenue	<u>1,089,593</u>	<u>493,975</u>	<u>68,222</u>	<u>1,651,790</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	22,214	22,214
Public works	-	-	-	-
Health and hospitals	-	-	-	-
Social services	-	493,986	-	493,986
Total Expenditures	<u>-</u>	<u>493,986</u>	<u>22,214</u>	<u>516,200</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,089,593</u>	<u>(11)</u>	<u>46,008</u>	<u>1,135,590</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,315,000)	-	-	(1,315,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,315,000)</u>	<u>-</u>	<u>-</u>	<u>(1,315,000)</u>
NET CHANGES IN FUND BALANCE	<u>(225,407)</u>	<u>(11)</u>	<u>46,008</u>	<u>(179,410)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>1,675,974</u>	<u>102,136</u>	<u>66,549</u>	<u>1,844,659</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,450,567</u>	<u>\$ 102,125</u>	<u>\$ 112,557</u>	<u>\$ 1,665,249</u>

TALBOT COUNTY, MARYLAND

**COMBINING SCHEDULE OF REVENUES AND EXPENDITURES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2022**

	<u>Developmental Impact</u>	<u>Talbot Family Network</u>	<u>Narcotic Task Force</u>	<u>Total Other Governmental Funds</u>
REVENUE				
Intergovernmental:				
Federal	\$ -	\$ -	\$ -	\$ -
State	-	493,975	-	493,975
Licences and permits	1,087,289	-	-	1,087,289
Miscellaneous	-	-	68,222	68,222
Interest	2,304	-	-	2,304
Total Revenue	<u>1,089,593</u>	<u>493,975</u>	<u>68,222</u>	<u>1,651,790</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	22,214	22,214
Public works	-	-	-	-
Health and hospitals	-	-	-	-
Social services	-	493,986	-	493,986
Total Expenditures	<u>-</u>	<u>493,986</u>	<u>22,214</u>	<u>516,200</u>
Excess (Deficiency) of Revenue Over Expenditures	<u>1,089,593</u>	<u>(11)</u>	<u>46,008</u>	<u>1,135,590</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	(1,315,000)	-	-	(1,315,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,315,000)</u>	<u>-</u>	<u>-</u>	<u>(1,315,000)</u>
NET CHANGES IN FUND BALANCE	<u>(225,407)</u>	<u>(11)</u>	<u>46,008</u>	<u>(179,410)</u>
FUND BALANCES - BEGINNING OF YEAR	<u>1,675,974</u>	<u>102,136</u>	<u>66,549</u>	<u>1,844,659</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,450,567</u>	<u>\$ 102,125</u>	<u>\$ 112,557</u>	<u>\$ 1,665,249</u>

TALBOT COUNTY, MARYLAND

NOTES TO OTHER SUPPLEMENTARY INFORMATION

Note 1. Budgetary Basis

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

Budgetary Comparison Schedules:

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

Combining Balance Sheet - Other Governmental Funds

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)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Governmental activities										
Net investment in capital assets	\$ 80,387,586	\$ 80,625,199	\$ 80,132,665	\$ 78,908,012	\$ 80,610,059	\$ 78,664,492	\$ 76,175,840	\$ 73,539,157	\$ 72,756,832	\$ 71,352,834
Restricted	144,869	94,239	94,396	95,943	96,616	97,869	99,877	166,275	168,705	230,555
Unrestricted	<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>	<u>16,697,479</u>	<u>29,778,660</u>
Total governmental activities net position	\$ 81,055,657	\$ 76,967,132	\$ 83,200,994	\$ 86,329,245	\$ 91,365,924	\$ 82,925,232	\$ 77,297,450	\$ 71,687,562	\$ 89,623,016	\$ 101,362,049
Business-type activities										
Net investment in capital assets	\$ 54,021,693	\$ 51,985,231	\$ 52,050,922	\$ 49,231,203	\$ 51,133,626	\$ 48,005,138	\$ 48,243,349	\$ 45,651,129	\$ 43,495,852	\$ 42,641,511
Unrestricted	<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>	<u>2,515,929</u>	<u>1,931,852</u>
Total business-type activities net position	\$ 53,880,777	\$ 51,883,279	\$ 51,529,212	\$ 48,796,460	\$ 47,939,289	\$ 44,557,004	\$ 43,261,477	\$ 46,122,912	\$ 46,011,781	\$ 44,573,363
Primary government										
Net investment in capital assets	\$ 134,409,279	\$ 132,610,430	\$ 132,183,587	\$ 128,139,215	\$ 131,743,685	\$ 126,669,630	\$ 124,419,189	\$ 119,190,286	\$ 116,252,684	\$ 113,994,345
Restricted	144,869	94,239	94,396	95,943	96,616	97,869	99,877	166,275	168,705	230,555
Unrestricted	<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>	<u>19,213,408</u>	<u>31,710,512</u>
Total primary government net position	\$ <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>	\$ <u>135,634,797</u>	\$ <u>145,935,412</u>

* FY 2014 net position was restated due to the implementation of Governmental Accounting Standards Board's Statement No. 68, *Accounting and Financial Reporting for Pensions*.
Fiscal years 2017 and prior have not been restated for GASB 75
Fiscal year 2018 reflects GASB 75

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Expenses										
Governmental activities:										
General government	\$ 9,358,236	\$ 9,551,119	\$ 10,360,176	\$ 11,224,921	\$ 11,325,690	\$ 12,144,928	\$ 14,456,714	\$ 14,183,030	\$ 18,181,279	\$ 17,104,866
Public safety	14,018,219	16,071,849	14,798,173	15,364,473	17,276,097	18,723,695	20,182,065	20,597,331	23,571,711	26,504,338
Public works	4,509,239	3,788,820	5,919,975	6,550,228	6,427,502	6,543,225	7,089,362	6,807,738	4,019,932	7,800,990
Health and hospitals	3,829,281	4,099,374	4,394,559	2,550,428	2,520,926	2,522,380	2,524,694	2,646,248	3,058,673	2,508,300
Social services	838,625	857,752	936,371	1,821,647	1,640,895	1,360,507	1,908,188	1,461,199	3,347,474	1,574,103
Education	38,491,514	41,640,092	39,518,549	41,025,371	42,249,348	43,745,918	52,481,151	66,549,527	48,364,006	51,984,991
Recreation	642,770	632,538	541,540	734,248	959,049	576,070	734,182	483,874	605,345	1,246,023
Conservation of natural resources	218,361	252,375	242,700	252,228	250,848	282,789	267,761	293,859	312,525	350,921
Interest on long-term debt	14,456	13,439	173,141	212,886	185,145	158,714	43,393	221,319	254,807	
Total governmental activities expenses	<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>	<u>101,715,752</u>	<u>109,074,532</u>
Business-type activities:										
Recreation facilities	2,624,390	2,652,143	2,647,744	2,676,732	2,888,465	3,080,314	3,145,530	2,828,428	2,981,709	3,524,777
Sanitary district	3,354,872	3,430,264	3,710,861	3,883,742	4,366,586	4,511,793	4,855,689	5,003,390	5,118,423	5,487,509
Airport	4,903,460	4,837,671	4,464,150	4,312,785	4,525,433	5,805,247	5,704,850	5,502,918	5,957,958	7,894,770
Repurposing Center										556,981
Total business-type activities expenses	<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>	<u>14,058,090</u>	<u>17,464,037</u>
Total primary government expenses	<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>	<u>\$ 115,773,842</u>	<u>\$ 126,538,569</u>

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

Program Revenues	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities:										
Charges for services										
General government	\$ 824,281	\$ 808,001	\$ 879,528	\$ 799,385	\$ 876,513	\$ 571,155	\$ 647,619	\$ 656,526	\$ 1,160,575	\$ 102,683
Public safety	1,687,609	1,594,468	1,716,348	1,700,062	2,409,072	2,442,331	2,626,903	2,778,631	2,291,858	2,914,158
Public works	30,938	228,548	416,507	262,496	245,783	474,198	381,148	615,746	420,065	263,647
Health and hospitals	130,705	133,248	115,961	110,303	95,011	98,104	102,131	124,446	111,852	-
Social Services	-	-	-	-	-	-	-	-	-	-
Education	80,295	151,045	99,143	105,745	410,781	224,423	267,625	177,107	592,627	-
Recreation	102,867	99,968	97,455	183,097	240,526	167,724	146,030	28,241	373,711	-
Conservation of natural resources	-	-	-	-	-	71,959	32,254	48,311	79,241	36,386
Operating/Capital grants and contributions	8,217,559	5,640,620	5,813,482	5,392,962	5,293,139	4,822,721	5,288,161	4,383,337	11,090,746	10,009,029
Total governmental activities program revenues	11,074,254	8,655,898	9,138,424	8,554,050	9,570,825	8,872,615	9,491,871	8,812,345	16,120,675	13,325,903
Business-type activities:										
Charges for services										
Recreation facilities	1,490,032	1,417,840	1,445,070	1,845,663	2,050,009	2,021,416	2,070,881	1,903,200	2,343,632	2,688,318
Sanitary district	2,166,256	2,328,288	2,440,190	2,203,946	3,473,144	2,528,753	2,894,922	3,003,501	3,260,677	3,008,521
Easton airport	3,216,518	3,351,214	2,992,658	2,527,763	2,524,209	3,099,955	3,235,994	2,936,884	3,947,586	5,890,650
Repurposing Center	-	-	-	-	-	-	-	-	-	185,503
Pool	116,353	109,084	108,506	-	-	-	-	-	-	-
Operating/Capital grants and contributions	1,453,759	1,315,605	3,098,649	1,223,632	2,300,676	1,496,336	3,680,423	7,743,927	3,619,694	1,889,095
Total business-type activities program revenues	8,442,918	8,522,031	10,085,073	7,801,004	10,348,038	9,146,460	11,882,220	15,587,512	13,171,589	13,662,087
Total primary government program revenues	\$ 19,517,172	\$ 17,177,929	\$ 19,223,497	\$ 16,355,054	\$ 19,918,863	\$ 18,019,075	\$ 21,374,091	\$ 24,399,857	\$ 29,292,264	\$ 26,987,990
Net (Expense)/Revenue										
Governmental activities	\$ (60,846,447)	\$ (68,251,460)	\$ (67,746,760)	\$ (71,182,380)	\$ (73,264,675)	\$ (77,185,611)	\$ (90,195,639)	\$ (104,431,780)	\$ (85,595,077)	\$ (95,748,629)
Business-type activities	(2,697,570)	(2,613,348)	(987,112)	(3,072,255)	(1,432,446)	(4,250,894)	(1,823,849)	2,252,776	(886,501)	(3,801,950)
Total primary government net expense	\$ (63,544,017)	\$ (70,864,808)	\$ (68,733,872)	\$ (74,254,635)	\$ (74,697,121)	\$ (81,436,505)	\$ (92,019,488)	\$ (102,179,004)	\$ (86,481,578)	\$ (99,550,579)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 32,741,855	\$ 33,660,872	\$ 34,726,851	\$ 35,280,376	\$ 36,531,210	\$ 38,574,339	\$ 41,646,643	\$ 44,544,065	\$ 45,726,005	\$ 47,954,457
Local income tax	23,140,754	27,108,102	28,562,934	26,568,636	28,007,970	25,767,710	29,514,546	41,118,063	35,503,912	37,815,496
Other local taxes	9,727,044	9,522,629	10,706,846	11,340,994	12,859,841	12,354,244	12,107,793	12,281,446	22,249,580	22,958,657
Interest	105,007	94,004	91,344	132,640	231,807	604,834	901,297	533,739	115,878	231,485
Miscellaneous	115,471	2,306,687	514,997	1,317,542	1,206,986	1,309,428	883,578	852,690	707,496	884,237
Transfers in (out)	(535,201)	(598,850)	(622,350)	(329,557)	(536,460)	(842,250)	(486,000)	(508,111)	(772,340)	(2,356,670)
Total governmental activities	65,294,930	72,093,444	73,980,622	74,310,631	78,301,354	77,768,305	84,567,857	98,821,892	103,530,531	107,487,662
Business-type activities:										
Gain on sale of asset	-	-	-	-	-	-	-	77,790	-	-
Interest	7,333	6,500	6,195	9,946	18,815	26,359	42,322	22,758	3,030	6,862
Miscellaneous	2,461	10,500	4,500	-	20,000	-	-	-	-	-
Transfers in (out)	535,201	598,850	622,350	329,557	536,460	842,250	486,000	508,111	772,340	2,356,670
Total business-type activities	544,995	615,850	633,045	339,503	575,275	868,609	528,322	608,659	775,370	2,363,532
Total primary government	\$ 65,839,925	\$ 72,709,294	\$ 74,613,667	\$ 74,650,134	\$ 78,876,629	\$ 78,636,914	\$ 85,096,179	\$ 99,430,551	\$ 104,305,901	\$ 109,851,194
Prior Period Restatement*	\$ -	\$ (7,930,509)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Position										
Governmental activities	\$ 4,448,483	\$ (4,088,525)	\$ 6,233,862	\$ 3,128,251	\$ 5,036,679	\$ 582,694	\$ (5,627,782)	\$ (5,609,888)	\$ 17,935,454	\$ 11,739,033
Business-type activities	(2,152,575)	(1,997,498)	(354,067)	(2,732,752)	(857,171)	(3,382,285)	(1,295,527)	2,861,435	(111,131)	(1,438,418)
Total primary government	\$ 2,295,908	\$ (6,086,023)	\$ 5,879,795	\$ 395,499	\$ 4,179,508	\$ (2,799,591)	\$ (6,923,309)	\$ (2,748,453)	\$ 17,824,323	\$ 10,300,615

* 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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-	-	-	-	-	-	-	-	-
Non spendable										
Prepaid	143,711	74,482	205,551	83,672	55,539	492,383	771,897	1,132,142	2,023,110	2,082,658
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	761,814	-	1,290,000	2,156,000	2,526,000	7,775,000	3,963,460	6,743,000	20,765,000	14,300,000
Unassigned	<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>	<u>40,524,241</u>	<u>51,990,945</u>
Total General Fund	<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>	<u>\$ 63,312,351</u>	<u>\$ 68,373,603</u>
All Other Governmental Funds										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved										
Designated - Capital Fund	-	-	-	-	-	-	-	-	-	-
Designated - Special Revenue Funds	-	-	-	-	-	-	-	-	-	-
Undesignated - Special Revenue Funds	-	-	-	-	-	-	-	-	-	-
Restricted	144,869	94,239	94,396	95,943	96,616	97,869	99,877	166,275	168,705	230,555
Committed	10,118,592	10,628,689	9,883,203	11,411,980	8,505,196	5,866,571	3,065,329	8,788,301	9,729,913	15,548,962
Assigned	910,000	300,000	437,950	246,000	320,000	1,553,000	435,000	685,000	-	-
Unassigned	<u>(1,289)</u>	<u>(1,289)</u>	<u>-</u>							
Total all other governmental funds	<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>	<u>\$ 9,898,618</u>	<u>\$ 15,779,517</u>
Total Governmental Funds	<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>	<u>\$ 73,210,969</u>	<u>\$ 84,153,120</u>

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues										
Property tax	\$ 32,741,855	\$ 33,660,872	\$ 34,726,851	\$ 35,280,376	\$ 36,531,210	\$ 38,574,339	\$ 41,646,643	\$ 44,544,065	\$ 45,726,005	\$ 47,954,457
Income tax	23,140,754	27,108,102	28,562,934	26,568,636	28,007,970	25,767,710	29,514,546	41,118,063	35,503,912	37,815,496
Other local taxes	9,727,044	9,522,629	10,706,846	11,340,994	12,859,841	12,354,244	12,107,793	12,281,446	22,249,580	22,958,657
Licenses and permits	709,104	1,064,650	1,197,384	1,131,327	1,534,397	1,242,676	1,202,274	1,466,293	2,126,584	2,165,232
Intergovernmental:								-		
Federal	2,458,706	2,611,375	2,711,862	1,806,977	1,969,264	908,238	1,770,003	1,066,782	6,394,743	4,069,577
State	2,618,853	2,980,645	3,096,220	3,585,985	3,323,875	3,914,482	3,337,691	3,302,240	4,696,003	3,754,724
Contributions/Cost Sharing	1,500,000	-	-	-	-	-	-	-	-	-
Other Grants	6,268	48,600	5,400	-	-	-	-	-	-	-
Service charges	2,135,969	1,939,522	2,124,798	2,026,744	2,741,847	2,778,123	2,940,620	2,870,422	2,903,345	3,336,370
Fines and forfeitures	5,354	11,106	2,760	3,017	1,442	29,094	60,815	25,872	20,812	27,408
Miscellaneous	115,471	2,306,687	514,997	1,317,542	1,206,986	1,309,430	1,064,046	933,426	686,684	856,829
Interest Income	105,007	94,004	91,344	132,640	231,807	604,834	901,297	642,874	115,878	231,485
Total revenues	<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>108,251,483</u>	<u>120,423,546</u>	<u>123,170,235</u>
Expenditures										
General Government	5,846,871	6,070,668	6,350,740	7,642,163	8,802,050	9,300,739	9,330,699	8,722,903	13,871,821	15,121,846
Public Safety	12,240,008	13,799,168	20,277,465	17,363,993	17,499,498	16,961,686	18,493,023	21,302,987	21,881,480	24,008,382
Public Works*	5,059,652	5,229,765	5,833,477	7,006,063	7,982,257	6,203,408	6,826,823	5,977,886	4,802,216	6,041,847
Health and hospitals	3,823,021	4,093,114	4,416,125	2,544,168	2,520,926	2,522,380	2,524,694	2,655,831	3,058,673	2,508,300
Social services	838,625	857,752	936,371	1,821,647	1,640,895	1,360,507	1,908,188	1,450,117	3,347,474	1,574,103
Education*	40,802,775	44,015,863	42,060,240	43,247,006	44,193,888	46,535,733	54,696,071	66,549,524	50,709,864	55,085,588
Recreation	550,994	389,354	490,067	601,223	909,747	617,321	624,825	483,874	807,726	1,026,398
Conservation of natural resources	218,361	252,375	242,700	252,228	250,848	266,938	267,761	293,859	312,525	350,921
Employee Benefits	3,247,384	5,695,880	4,038,964	1,695,449	825,003	1,037,594	1,010,251	1,161,280	949,926	1,315,373
Miscellaneous	95,150	79,206	101,568	74,127	130,261	110,226	132,842	167,164	269,318	260,795
Intergovernmental	822,434	874,438	1,068,923	948,472	964,560	1,203,193	1,176,405	877,568	1,107,959	1,528,832
Debt service interest*	14,456	13,439	173,141	212,886	185,145	158,714	43,393	122,095	92,284	62,000
Debt service principal*	48,355	48,645	50,680	799,855	835,569	861,726	889,579	917,703	947,294	977,796
Debt issuance costs	-	-	-	124,648	-	-	-	109,134	-	-
Contingencies	97,297	214,355	41,972	81,219	114,433	22,990	34,030	69,069	355	9,233
Total expenditures	<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>	<u>102,158,915</u>	<u>109,871,414</u>
Excess of revenues over (under) expenditures	<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>(2,609,511)</u>	<u>18,264,631</u>	<u>13,298,821</u>
Other Financing Sources (Uses)										
Proceeds from long-term debt	-	2,057,740	6,750,209	15,243,760	-	-	-	21,775,000	-	-
Payment to refunded debt escrow agent	-	-	-	(16,410,830)	-	-	-	-	-	-
Bond premium	-	-	-	1,327,418	4,158	-	-	3,144,540	-	-
Proceeds from Sale of Land	-	-	-	3,510,650	-	-	-	-	-	-
Transfers in (out)										
Pools	(142,231)	(113,850)	(107,950)	(191,030)	-	-	-	-	-	-
Recreation	(392,970)	(485,000)	(514,400)	(597,790)	(536,460)	(842,250)	(486,000)	(508,111)	(772,340)	(13,606,670)
Total other financing sources (uses)	<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>	<u>(772,340)</u>	<u>(2,356,670)</u>
Net change in fund balances	\$ 1,023,801	\$ 1,173,060	\$ 3,786,822	\$ 1,661,269	\$ 1,021,257	\$ (522,235)	\$ (3,898,856)	\$ 21,801,918	\$ 17,492,291	\$ 10,942,151

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

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Total expenditures (Schedule 4)	73,705,383	81,634,022	86,082,433	84,415,147	86,855,080	87,163,155	97,958,584	110,860,994	102,158,915	109,871,414
Less Capital Outlay Expenditures	<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>	<u>5,635,262</u>	<u>3,128,783</u>
Non-Capital Expenditures	69,988,620	77,771,399	75,867,643	79,738,881	81,721,850	84,962,298	96,409,083	109,394,039	96,523,653	106,742,631
Debt Service Expenditures (Schedule 4)										
Principal	2,282,292	2,390,431	2,562,706	3,554,365	3,539,009	3,651,541	3,151,738	3,229,435	3,293,152	4,078,393
Interest	<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>	<u>943,186</u>	<u>1,198,909</u>
Total Debt Service Expenditures	3,481,391	3,523,814	3,762,771	4,482,146	4,524,670	4,518,867	3,750,319	3,863,181	4,236,338	5,277,302
Debt service as a percentage of Non-capital expenditures	4.97%	4.53%	4.96%	5.62%	5.54%	5.32%	3.89%	3.53%	4.39%	4.94%

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	
2022	\$ 8,784,257,157	\$ 8,784,257,157	0.6565	0.6060	\$ 79,285,930	\$ 79,285,930	1.6413	\$ 8,863,543,087
2021	8,637,351,695	8,637,351,695	0.6372	0.5907	76,088,700	76,088,700	1.5930	8,713,440,395
2020	8,499,252,532	8,499,252,532	0.6372	0.5851	72,264,220	72,264,220	1.5930	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

Source: Talbot County Finance Office

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
2022	0.6565	0.5235	0.5385	0.5964	0.5295	0.5585	0.6060	0.520	0.3187	0.180	0.490	0.330	0.6565	1.0435	0.8572	0.7764	1.0195	0.8885
2021	0.6372	0.5042	0.5192	0.5771	0.5102	0.5329	0.5907	0.520	0.3047	0.180	0.524	0.330	0.6372	1.0242	0.8239	0.7571	1.0342	0.8629
2020	0.6372	0.5042	0.5192	0.5771	0.5102	0.5392	0.5572	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	0.5214	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	0.4990	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	0.4884	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	0.4805	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	0.4660	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	0.4470	0.520	0.2438	0.180	0.450	0.290	0.4910	0.8810	0.6398	0.6320	0.8360	0.7150
2013	0.4910	0.3610	0.3770	0.4330	0.3670	0.4060	0.4050	0.520	0.2438	0.180	0.520	0.290	0.4480	0.8390	0.6208	0.6130	0.8870	0.6960

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 Real Property Tax Payers,
Current Year and Ten Years Ago

Taxpayer	Fiscal Year 2022			Fiscal Year 2013		
	Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Assessed Value	Rank	Percentage of Total Taxable Assessed Value
RDC Inn at Perry Cabin LLC	\$ 21,613,800	1	0.25%			
Easton Shoppes Business Trust	16,056,600	2	0.19%	\$ 13,332,000	3	0.14%
Remco Properties, LLC	16,037,300	3	0.19%	10,138,600	7	0.11%
Intergrace, Inc	12,969,200	4	0.15%			
Tred Avon LLC	12,036,400	5	0.14%	8,735,000	9	0.09%
Lowe's Home Centers, Inc.	11,200,100	6	0.13%	12,799,300	4	0.14%
Target Corporation	10,920,000	7	0.13%	10,143,400	6	0.11%
Tidewater Inn LLC	10,844,900	8	0.13%			
Wal Mart Real Estate Business Trust	10,669,000	9	0.12%	8,902,500	8	0.10%
Easton Medical Properties, LLC	10,635,200	10	0.12%			
William Hill Manor, Inc				15,424,100	1	0.17%
Perry Cabin Acquisitions Corp.				14,086,400	2	0.15%
Individual				11,447,600	5	0.12%
Individual				8,517,300	10	0.09%
Total	\$ 132,982,500		1.56%	\$ 113,526,200		1.22%

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
2022	\$ 48,156,384	\$ 48,118,404	99.92%	-	\$ 48,118,404	99.92%
2021	45,555,340	45,542,257	99.97%	(23,016)	45,519,241	99.92%
2020	44,839,529	43,533,445	97.09%	(65,074)	43,468,371	96.94%
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	99.77%	(3,756)	33,022,333	99.85%
2013	32,194,472	32,120,054	99.86%	(10,659)	29,375,974	99.83%

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 \$999 Net Taxable Income	\$1,000 to \$1,999 Net Taxable Income	\$2,000 to \$2,999 Net Taxable Income	\$3,000 to \$99,999 Net Taxable Income	\$100,000 to \$124,999 Net Taxable Income	\$125,000 to \$149,999 Net Taxable Income	\$150,000 to \$249,999 Net Taxable Income	In excess of \$250,000 Net Taxable Income
2021	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%
2020	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%
2019	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%
2018	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%
2017	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%
2016	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%
2015	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%
2014	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%
2013	2.00%	3.00%	4.00%	4.75%	5.00%	5.25%	5.50%	5.75%
2012	N/A	N/A	N/A	4.75%	5.00%	5.25%	5.50%	5.75%

Tax Year	Talbot County Income Tax Direct Rate
2021	2.40%
2020	2.40%
2019	2.40%
2018	2.40%
2017	2.40%
2016	2.40%
2015	2.40%
2014	2.40%
2013	2.40%
2012	2.25%

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

Notes:
 *Individual Filing Status

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

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

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
2020	14,862	\$ 1,570,674,579	\$ 1,363,628,077	\$ 63,320,705	\$ 31,584,604	\$ 94,905,309	2.40%
2019	14,917	1,587,698,110	1,369,915,139	62,880,943	31,964,480	94,845,423	2.40%
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 2020						
	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	297	2.0%	\$ 421,743,040	30.9%	\$ 9,462,946	30.0%
\$250,000 - 499,999	1,045	7.0%	281,305,253	20.6%	6,688,821	21.2%
\$100,000 - 249,999	2,448	16.5%	294,856,330	21.6%	7,039,812	22.3%
\$50,000 - 99,999	3,901	26.2%	222,776,678	16.3%	5,328,986	16.9%
\$25,000 - 49,999	4,335	29.2%	113,499,934	8.3%	2,451,999	7.8%
\$5,000 - 24,999	2,776	18.7%	29,340,426	2.2%	609,605	1.9%
Under \$5,000	60	0.4%	106,416	0.0%	2,435	0.0%
Totals	14,862	100.0%	\$ 1,363,628,077	100.0%	\$ 31,584,604	100.0%

Tax Year 2011						
	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	206	1.5%	\$ 323,573,921	31.9%	\$ 7,280,412	32.3%
\$250,000 - 499,999	708	5.0%	177,818,423	17.5%	4,000,915	17.8%
\$100,000 - 249,999	1,899	13.5%	203,507,224	20.1%	4,578,915	20.3%
\$50,000 - 99,999	3,606	25.6%	182,686,593	18.0%	4,110,146	18.2%
\$25,000 - 49,999	4,134	29.4%	95,184,650	9.4%	1,995,051	8.9%
\$5,000 - 24,999	3,448	24.5%	31,139,439	3.1%	566,505	2.5%
Under \$5,000	67	0.5%	109,454	0.0%	2,262	0.0%
Totals	14,068	100.0%	\$ 1,014,019,704	100.0%	\$ 22,534,206	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			Total Primary Government
	General Obligation Bonds	Notes Payable	Capital Leases	
2022	\$ 34,358,947	\$ 1,008,020	\$ -	35,366,967
2021	37,844,840	1,933,186	-	39,778,026
2020	40,574,249	2,829,595	-	43,403,844
2019	18,191,020	3,698,158	-	21,889,178
2018	20,629,359	4,539,757	47,239	25,216,355
2017	23,590,266	5,355,258	97,811	29,043,335
2016	26,464,933	6,141,299	147,393	32,753,625
2015	28,310,754	6,861,049	196,003	35,367,806
2014	30,894,025	119,940	243,661	31,257,626
2013	31,549,341	118,300	-	31,667,641

Fiscal Year	Business-Type Activities			Total Business Type Activities	Total Primary Government	Ratios	
	General Obligation Bonds	Notes Payable	Capital Leases			Debt to Personal Income (a)	Outstanding Debt Per Capita (a)
2022	\$ 11,159,528	2,392,543	\$ 1,980,450	15,532,521	50,899,488	1.60%	1,352
2021	11,856,157	2,912,311	297,638	15,066,106	54,844,132	1.72%	1,458
2020	12,532,031	3,437,063	356,429	16,325,523	59,729,367	2.11%	1,592
2019	12,019,254	3,675,961	149,448	15,844,663	37,733,841	1.36%	1,015
2018	12,413,393	4,511,607	242,299	17,167,299	42,383,654	1.57%	1,146
2017	11,277,933	5,044,069	324,066	16,646,068	45,689,403	1.73%	1,231
2016	3,232,573	5,573,527	151,602	8,957,702	41,711,327	1.67%	1,119
2015	3,541,302	6,099,800	193,364	9,834,466	45,202,272	1.86%	1,205
2014	3,880,238	6,623,101	48,875	10,552,214	41,809,840	1.76%	1,111
2013	3,971,225	7,143,515	95,555	11,210,295	42,877,936	1.85%	1,130

a See Schedule 17 for personal income and population data, which are used in calculating these ratios.

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
2022	\$ 45,518,475	\$ 8,863,543,087	0.51%	37,636	\$ 1,209
2021	49,700,997	8,713,440,395	0.57%	37,626	1,321
2020	53,106,280	8,571,516,752	0.62%	37,526	1,415
2019	30,210,274	8,454,094,031	0.36%	37,181	813
2018	33,042,752	8,430,129,867	0.39%	36,968	894
2017	34,868,199	8,432,769,892	0.41%	37,103	940
2016	29,697,506	8,417,243,821	0.35%	37,278	797
2015	31,852,056	8,556,230,658	0.37%	37,512	849
2014	34,774,263	8,868,790,040	0.39%	37,643	924
2013	35,520,566	9,338,031,144	0.38%	37,931	936

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, 2022

	Gross Debt
Talbot County:	
County Government	
Total Net direct Debt (a)	<u>35,366,967</u>
Towns:(b)	
Easton (100%)	12,450,000
Oxford (100%)	-
Queen Anne (100%)	-
St. Michaels (100%)	-
Trappe (100%)	<u>104,019</u>
Total Net Overlapping Debt	<u>12,554,019</u>
Total Net Direct and Overlapping Debt	47,920,986

a: Net direct debt of the County includes Governmental Activities general obligation bonds, notes payable and capital leases. capital leases. See schedule 13. overlapping debt is the debt of other governmental entities located within the County that is payable in whole or part by taxpayers of the County.

b: Debt information reported by Municipalities

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Taxable Real Property Assessable Base *	\$ 9,278,557	\$ 8,812,185	\$ 8,494,001	\$ 8,354,091	\$ 8,367,983	\$ 8,365,734	\$ 8,384,994	\$ 8,499,253	\$ 8,637,352	\$ 8,784,257
Debt Limit, 15% of Assessable Base	1,391,784	1,321,828	1,274,100	1,253,114	1,255,197	1,254,860	1,257,749	1,274,888	1,295,603	1,317,639
Amount of Debt Applicable to Limit										
General Obligation Bonds	31,668	31,258	35,368	32,754	29,043	25,216	21,889	43,404	39,778	35,367
Legal Debt Margin	<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>\$ 1,231,484</u>	<u>\$ 1,255,825</u>	<u>\$ 1,282,272</u>
Total net debt applicable to the limit as a percentage of debt limit	2.28%	2.36%	2.78%	2.61%	2.31%	2.01%	1.74%	3.40%	3.07%	2.68%

Source:

* Talbot County Finance Office

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	
2022	37,636	a	*	*	4,533	4.7%
2021	37,626		3,186,725	84,695	4,524	4.6%
2020	37,526		2,829,386	76,528	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%

Sources:

^a Maryland Department of Commerce - 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 Ten Years Ago

Employer	2022			2013		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Univ. of MD/Shore Regional Health	1,340	1	8.02%			
Inn at Perry Cabin	250	2	1.50%			
Genesis Healthcare/The Pines	200	3	1.20%	250	3	1.43%
Qlarant	196	4	1.17%			
Target	175	5	1.05%	150	9	0.86%
Shore United Bank	165	6	0.99%			
Walmart	163	7	0.97%	205	5	1.17%
Shore Bancshares	161	8	0.96%	177	7	1.01%
Eurofins EAG Easton	160	9	0.96%			
APG Media	160	10	0.96%			
Shore Health Systems/EMH				1,641	1	9.40%
Harim USA				408	2	2.34%
William Hill Manor				220	4	1.26%
Quality Health Strategies				180	6	1.03%
Chesapeake Building Components				156	8	0.89%
Wildlife International				150	10	0.86%
	<u>2,970</u>		<u>17.77%</u>	<u>3,537</u>		<u>20.26%</u>

Source: Maryland Department of Commerce

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

<u>Function/Program</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>	<u>2021</u>	<u>2022</u>
General Government	61.1	63.8	65.8	65.4	66.8	65.7	68.9	65.9	72.5	68.0
Public Safety	151.2	156.3	161.7	170.2	161.3	164.2	177.4	213.3	209.8	212.5
Public Works	41.2	40.8	41.9	44.7	46.1	46.8	46.9	46.5	44.9	46.9
Social Services	-	-	-	-	-	-	-	-	-	-
Recreation	33.0	35.1	35.9	35.6	38.0	37.2	34.9	24.2	28.0	27.3
Airport	<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>	<u>5.5</u>	<u>6.2</u>
Total	<u>288.1</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>355.3</u>	<u>360.7</u>	<u>360.9</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Government										
Building Permits issued	261	245	239	259	294	299	408	493	690	445
Value of new construction (000's)	28,540	24,379	28,289	34,149	58,099	38,235	34,598	40,477	65,511	60,792
Public Safety										
Detention Center										
Avg. daily population	81	72	63	67	75	69	72	72	99	88
Bookings	954	880	804	775	727	626	935	961	855	669
Police Protection										
Sworn Officers										
9-1-1 Calls Answered										
Fire	2,034	1,917	2,112	2,523	3,338	2,070	2,088	2,067	1,954	1,985
Emergency Medical Services	4,551	4,358	4,774	4,682	3,894	5,897	5,973	5,726	5,946	6,714
Sheriff	12,165	13,139	13,397	14,896	16,879	20,167	26,083	23,733	22,175	23,210
Other Police	11,533	12,040	11,184	11,834	32,403	29,852	33,902	29,329	33,927	35,399
Education										
Students	4,570	4,537	4,630	4,625	4,593	4,646	4,674	4,703	4,524	4,533
Teachers Instructional	321	321	321	326	327	325	326	336	341	333
Recreation Facilities										
Boat ramp permits	6,443	6,185	6,034	5,886	3,957	3,581	3,540	3,531	3,745	3,189
Golf rounds	28,439	29,057	26,889	35,998	37,903	31,140	29,838	31,282	30,684	38,474
Public Works										
Centerline miles of road maintained	374	374	374	373	373	373	373	373	378	370
Wastewater treated (mgd)	0.483	0.460	0.363	0.428	0.401	0.382	0.552	0.304	0.542	0.401
Airport										
Based aircraft	176	220	216	229	233	224	225	203	206	195
Gallons of fuel sold	581,342	642,726	648,140	660,362	642,921	748,246	709,282	591,963	820,519	1,067,598

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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Public Safety										
Detention center capacity	145	145	145	145	145	145	145	145	148	148
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	5	5
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	2	2	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	14	14	14	14	14	14	14	14	14	14
Park acreage	293	293	293	293	293	293	293	293	293	293
Public Landings & Wharves	30	30	30	30	30	30	30	29	29	26
Boat Slips	136	136	136	136	136	136	136	136	136	126
Public Pools	2	2	2	2	2	2	2	2	2	2
Public Works										
Centerline miles of county roads	374	374	374	373	373	373	373	373	378	370
Bridges	9	9	9	9	9	9	9	9	9	9
Wastewater Treatment Plants	3	3	3	3	2	2	2	2	2	2
Miles of mains	38	40	40	40	42	42	43	43	44	44
Pump stations	12	12	12	12	12	12	12	12	12	12
Airport										
Number of Runways	2	2	2	2	2	2	2	2	4	4

Sources: Talbot County Finance Office and applicable County Departments.



Talbot County, Maryland

www.talbotcountymd.gov