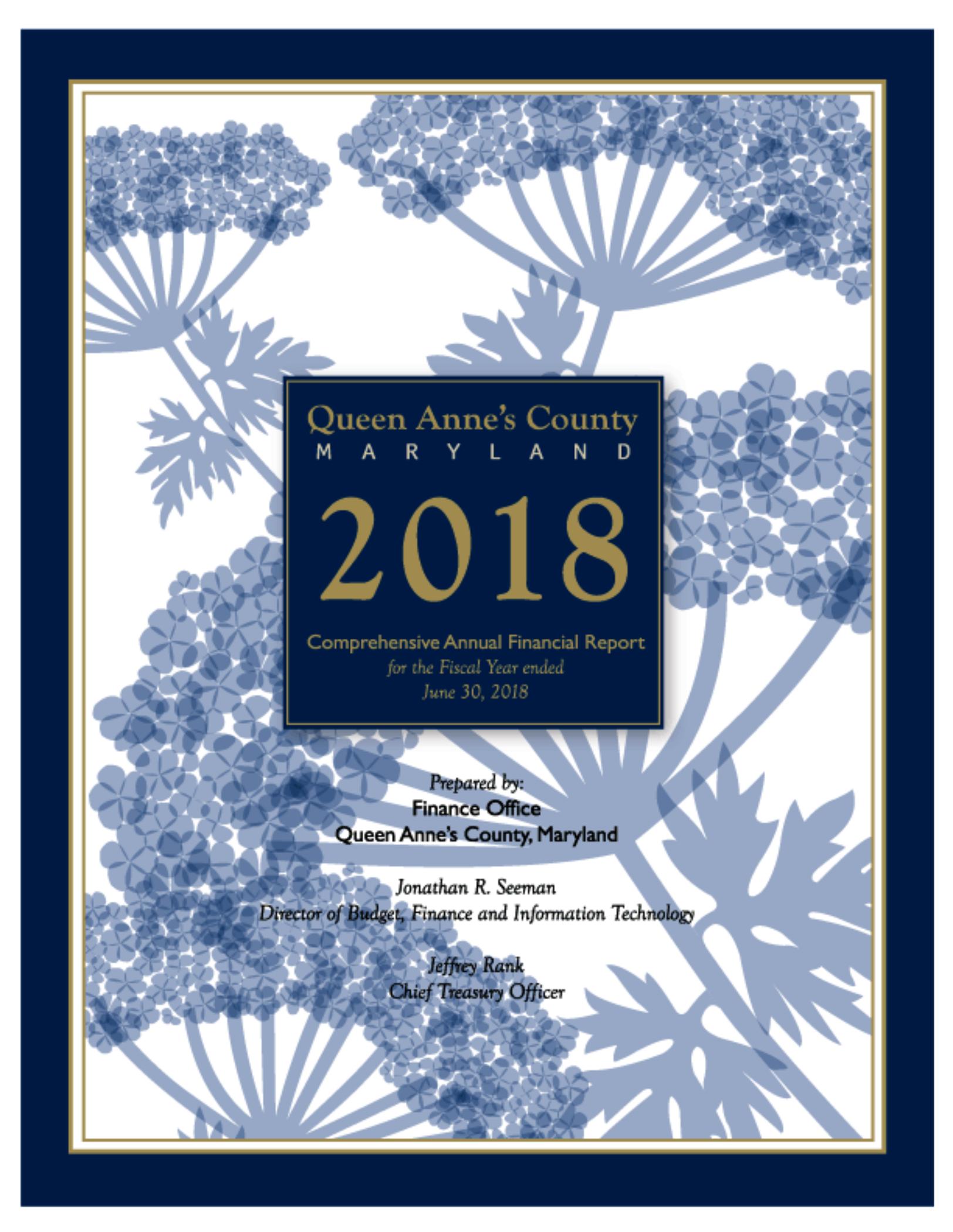
The cover features a repeating pattern of stylized hydrangea flowers in a light blue color against a darker blue background. The text is centered within a white rectangular box with a thin black border. The text is as follows:

Queen Anne's County
M A R Y L A N D

2018

Comprehensive Annual Financial Report
*for the Fiscal Year ended
June 30, 2018*

The cover features a repeating pattern of blue hydrangea flowers and leaves on a white background, framed by a thin gold border. A central dark blue rectangle contains the title and year in gold text. Below the rectangle, the preparer information is listed in black text.

Queen Anne's County
M A R Y L A N D

2018

Comprehensive Annual Financial Report
for the Fiscal Year ended
June 30, 2018

Prepared by:
Finance Office
Queen Anne's County, Maryland

Jonathan R. Seeman
Director of Budget, Finance and Information Technology

Jeffrey Rank
Chief Treasury Officer

**QUEEN ANNE'S COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2018
 TABLE OF CONTENTS**

	<u>Page(s)</u>
<u>INTRODUCTORY SECTION</u>	
Letter of Transmittal	1-5
Certificate of Achievement for Excellence in Financial Reporting	7
Organization Chart	8
Certain Elected and Other Officials	9
 <u>FINANCIAL SECTION</u>	
Independent Auditor's Report	11-13
Management's Discussion and Analysis (required supplementary information)	15-30
BASIC FINANCIAL STATEMENTS	31
Government-Wide Financial Statements	
Statement of Net Position	32-33
Statement of Activities	34-35
Governmental Fund Financial Statements	
Balance Sheet	36
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	37
Statement of Revenues, Expenditures and Changes in Fund Balances	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39
Enterprise Fund Financial Statements	
Statement of Net Position	40-41
Statement of Revenues, Expenses, and Changes in Net Position	42-43
Statement of Cash Flows	44-45
Fiduciary Fund Statements	
Statement of Fiduciary Net Position	46
Statement of Changes in Fiduciary Net Position	47
Notes to Financial Statements	49-118
 REQUIRED SUPPLEMENTARY INFORMATION	 119
Maryland State Retirement and Pensions Systems	
Schedule of the Proportionate Share of the Net Pension Liability	120
Schedule of Contributions	120
Actuarial Assumptions - Pension Plan	121
Other Post-Employment Benefits (OPEB) Trust	
Schedule of Changes in the Net OPEB Liability	122
Schedule of Actual Employer Contribution as a Percentage of Covered-Employee Payroll	123
Actuarial Assumptions - OPEB Plan	123
Budgetary Comparisons for General Fund	
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	124-126

**QUEEN ANNE'S COUNTY, MARYLAND
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2018
TABLE OF CONTENTS (CONTINUED)**

<u>FINANCIAL SECTION (CONTINUED)</u>	<u>Page(s)</u>
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (OTHER SUPPLEMENTARY INFORMATION)	128
Non-Major Governmental Funds	129-131
Combining Balance Sheet	132-134
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	136-138
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgetary Basis	140-147
Non-Major Enterprise Funds	149-150
Combining Statement of Net Position	151
Combining Statement of Revenues, Expenses, and Changes in Net Position	152
Combining Statement of Cash Flows	153
Fiduciary Funds	154-155
Other Post-Employment Benefit Trust Fund	
Combining Statement of Fiduciary Net Position	156
Combining Statement of Changes in Fiduciary Net Position	157
Agency Funds	
Statement of Assets and Liabilities	159
Statement of Changes in Assets and Liabilities	160-161
Community Partnerships for Children Special Revenue Fund	162
Combining Balance Sheets - By Grantor	163
Schedule of Revenues, Expenditures, and Changes in Fund Balances - By Community Partnership Agreements (CPA) and Non-Community Partnership Agreements (Non-CPA)	164-166
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budgetary Basis	168-169
 <u>STATISTICAL SECTION (UNAUDITED)</u>	 171
Table	
1 Net Position by Component - Government-Wide	172-173
2a Changes in Net Position - Government-Wide	174-177
2b General Tax Revenues - Governmental Activities	178
3 Fund Balances - Governmental Funds	179
4 Changes in Fund Balances - Governmental Funds	180-181
5 Assessed Value of Taxable and Exempt Property	183
6a Real Property Tax Rates - County Direct Rate	184
6b Real Property Tax Rates - County Special Taxing Districts	185
6c Real Property Tax Rates - Overlapping Governments - Towns	186-187
7 Ten Highest Commercial Property Taxpayers	188
8 Property Tax Levies and Collections	189
9 Ratios of Outstanding Debt by Type	190
10 Ratios of General Bonded Debt Outstanding	191
11 Computation of Net Direct and Overlapping Debt	193
12a Computation of Legal Debt Margin	194-195
12b Computation of Local Debt Limit	196-197
13 Principal Employers	198
14 Demographic Statistics	199
15 County Government Employees - Full-Time Equivalents	200
16 County Government Employees - Full-Time Only by Function	201
17 Operating Indicators by Function	202
18 Capital Asset Statistics by Function	203

Introductory Section





**Queen
Anne's
County**

**OFFICE OF BUDGET, FINANCE AND
INFORMATION TECHNOLOGY**

The Liberty Building
107 North Liberty Street
Centreville, Maryland 21617

Telephone: (410) 758-4064
Fax: (410) 758-3036

County Administrator: Gregg A. Todd
Director, Budget, Finance and IT: Jonathan R. Seeman
Chief Treasury Officer: Jeffrey A. Rank
Information Technology Manager: Megan DelGaudio

County Commissioners:

James J. Moran, At Large
Jack N. Wilson Jr., District 1
Stephen Wilson, District 2
Robert Charles Buckey, District 3
Mark A. Anderson, District 4

December 1, 2018

The Board of County Commissioners and
The Citizens of Queen Anne's County, Maryland

FORMAL TRANSMITTAL OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)

State law requires that all general-purpose governments publish a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Queen Anne's County, Maryland for the fiscal year ended June 30, 2018.

This report consists of management's representations concerning the finances of Queen Anne's County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, the management of Queen Anne's 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 Queen Anne's County's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, Queen Anne's County's comprehensive framework of internal controls has been designed to provide a 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.

Queen Anne's County's financial statements have been audited by TGM Group LLC, a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of Queen Anne's County, for the fiscal year ended June 30, 2018, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that Queen Anne's County's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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



GAAP requires that management provide a narrative introduction, overview, and analysis, entitled Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Queen Anne's County's MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE GOVERNMENT

Queen Anne's County is situated on the Eastern Shore of Maryland. It is bordered to the north by Kent County, to the east by the State of Delaware, to the south by Caroline and Talbot counties, and to the west by the Chesapeake Bay. Access to the western shore of Maryland is provided by the Chesapeake Bay Bridge. The County is 373 square miles in area and has approximately 48,904 citizens. The County seat is located in Centreville. The County Commissioners of Queen Anne's County are empowered to levy a property tax on both real and personal properties located within its boundaries.

Queen Anne's County was formed in 1706 and is governed by a five-member Board of County Commissioners. County code provides that one Commissioner be elected purely at large; the remaining four Commissioners must reside in specific districts, but are elected at large. The Commissioners operate under Maryland's Code Home Rule form of government. Both the executive and legislative functions of the County are vested with the Board of County Commissioners.

Queen Anne's County provides a full range of services including public safety (police, volunteer fire protection, emergency services, detention center, and animal control), highways and streets, solid waste, planning and zoning, economic development, culture and recreation, education, libraries, and general administrative services. In conjunction with the State, the County also operates services related to general community health and social services. In addition, the County operates a water and wastewater utility, an airport, a golf course, and public landings and marinas.

BUDGETARY CONTROLS

The annual budget serves as the foundation for the County's financial and budgetary controls to ensure compliance with legal provisions embodied in the annual appropriation resolution approved by the County Commissioners. The County budget is comprised of the budget message, current revenue and expense budgets and the capital budget and capital program. Activities of the general fund, certain special revenue funds, and the enterprise funds are included in the current budget.

The current operating budget includes appropriations for the full range of basic services. These services include county administration, public safety, education, public works, community services, parks, debt and other agencies. The capital budget includes funds to construct major governmental facilities such as the new County Courthouse, roads, schools, and water and sewer infrastructure. Capital projects usually take more than a year to complete, unlike the operating budget which covers only a year.

The budget process begins each fall when the County departments receive budget preparation instructions for the capital budget which is then followed by instructions for the operating budget. The budget preparation is directed by the Director of Budget, Finance, and Information Technology. After a thorough review of the departmental requests, a County Administrator's proposed budget is submitted to the County Commissioners in March. The County Commissioners then conduct a series of public hearings and work sessions to review the proposed budget. After its review, the County Commissioners finalize the budget and set tax rates, fees and charges needed to generate enough revenue to balance the budget. The budget must be adopted by the County Commissioners on or before the last day of the month of the fiscal year currently ending, although the Commissioners typically adopt the budget at the end of May.

The Office of Budget, Finance, and Information Technology is responsible for budgetary control. The appropriated budgets are prepared at the fund, function (e.g., public safety), and department (e.g., Detention Center) level. Expenditures/expenses may not legally exceed appropriations, based on the level at which they were adopted. For the General Fund, annual expenditure budgets are legally adopted at the departmental level. For all other Governmental

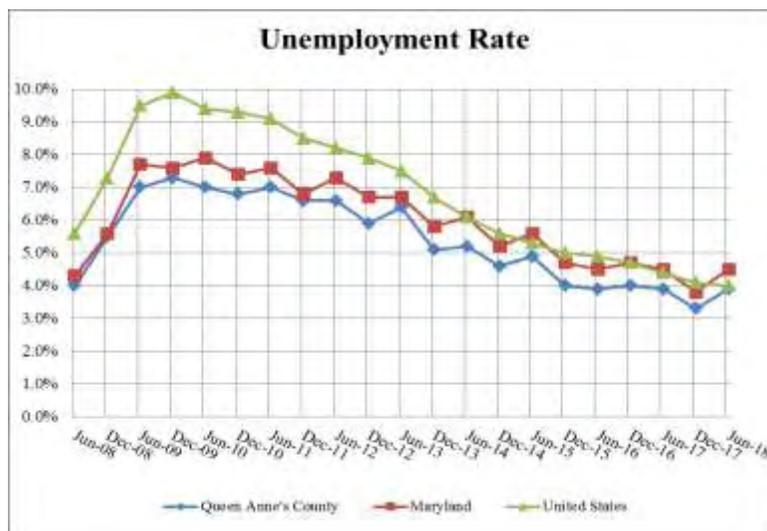
Funds, for which annual budgets are adopted, expenditure budgets are legally adopted at the fund level. Budgets for the General Capital Projects Fund and the Roads Capital Projects Fund reflect multi-year appropriations at the individual project level.

Department Heads may make transfers of appropriations within a department of up to \$10,000 with the approval of the County Administrator. Transfers of appropriations or appropriation of new revenues in excess of \$10,000 require the approval of the County Commissioners. Budget to actual comparisons are provided in this report for individual governmental funds for which an appropriated annual budget has been adopted. The budget comparisons for the general fund are presented as part of the Required Supplementary Information portion of this report. For non-major funds with appropriated annual budgets, budget to actual comparisons are presented in the Supplementary Information subsection of this report.

ECONOMIC OUTLOOK AND 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 Queen Anne’s County operates.

The unemployment rate for Queen Anne’s County is typically below the state and national averages, as shown in the chart below. The June 2018 rate for the County was 3.9%, compared to the state’s rate of 4.5% and the U.S.’s rate of 4.0%. The 2018 average rate for the County was 3.7%.



LOCAL ECONOMY

The local employment base is somewhat limited and centers on several stable manufacturers, as well as the agriculture, maritime, construction, retail, leisure, and hospitality industries. The three largest employers are governmental units, including the County, the Board of Education, and Chesapeake College. There is a small, but growing, base of specialty manufacturers. In addition, the County’s proximity to the Western Shore enables about 60% of the workforce to commute to locations outside the County, primarily to higher paying jobs in the Baltimore and Washington areas.

Property taxes increased in fiscal year 2018 by 2.2% to \$67.9 million due to an increase in assessable base. Property tax revenue is projected to increase by 2.1% into fiscal year 2019 with revenue projected to be approximately \$1.4 million above the 2018 fiscal year level. Local income tax is the County’s other main revenue source. Income tax collections increased by 6.7% in fiscal year 2018, from \$48.6 million in fiscal year 2017 to \$51.8 million in fiscal year 2018 as a result of increased employment and wage gains.

Recordation tax improved in fiscal year 2018 with an increase of 4.3% over fiscal year 2017, from \$5.5 million in fiscal year 2017 to \$5.7 million in fiscal year 2018. In addition to an increase in recordation tax revenue, the transfer

tax revenue also increased in fiscal year 2018 by 2.7%, from \$1.9 million in fiscal year 2017 to \$2.0 million in fiscal year 2018. Both the recordation and transfer tax revenue increases are a direct result of the continued improvement in the housing market.

LONG TERM FINANCIAL PLANNING

Rainy Day Fund – Ordinance No. 12-21 was adopted in January 2013 for the purpose of establishing and maintaining a Rainy Day Fund for contingencies of an emergency nature; requiring annual reports on such fund balance; providing for the appropriation of such funds to meet emergency needs; and requiring surplus revenues be used to maintain the Rainy Day Fund at a set minimum amount. Beginning in fiscal year 2017, County Ordinance No. 16-24 changed the minimum amount of the rainy day fund to 8% (previously 7%) of the following year’s budgeted general fund operating revenues, as recommended by the Spending Affordability Committee. The County funded the Rainy Day Fund with the required amount of \$10,906,358 in fiscal year 2018.

Revenue Stabilization Fund (Previously “Special Fund”) – Resolution No. 14-05 was adopted in March 2014 for the purpose of establishing and maintaining a Special Fund to set aside certain general funds of the County for certain unanticipated projects, initiatives, and other one-time expenses. Resolution No. 16-99 was adopted in December 2016 for the purpose of renaming the “Special Fund” to the Revenue Stabilization Fund and revising the maximum amount of such fund. The maximum amount of the Revenue Stabilization Fund shall not exceed 5% of budgeted general fund operating revenues and the transfer to the General Fund shall only be made after the requirements of the Rainy Day Fund have been met. The County funded the Revenue Stabilization Fund with \$1,000,000 in fiscal year 2018. The current balance of the Revenue Stabilization Fund is \$5,000,000.

Spending Affordability Committee – Ordinance No. 15-11 was adopted in November 2015 for the purpose of establishing a committee to provide recommendations and projections for the upcoming budget year. Specifically, the Committee is charged to review in detail the status and projections of revenues and expenditures for the County for the next budget year and subsequent five years; to review future County revenue levels and consider the impact of economic factors such as changes in personal income and assessable base growth; and to review future expenditure levels with consideration of County long-term obligations and any pressure for growth in costs.

The Committee’s recommendations help determine general expenditure guidelines based on projected revenue, and the amount of new County debt authorization for the upcoming fiscal year. The Committee recommends policy changes primarily regarding budgeting, debt, and fund balance. This Committee also assesses the County’s ability to repay bond debt, determines debt capacity using several debt measures, and provides general guidance regarding future capital budgets.

Capital Projects - The County Commissioners’ six-year capital program, starting with fiscal year 2019, prioritizes capital expenditures over these years to meet the County’s needs. The six-year program totals \$191.0 million and includes: \$42.5 million for various school related projects; \$41.1 million for various Sanitary District projects (includes the Southern Kent Island Sewer Service at \$22.3 million); \$19.0 million for the Detention Center (includes the Detention Center renovation); \$18.3 million for Roads Board capital projects; \$12.6 million for the Bay Bridge Airport; \$9.7 million for the Department of Emergency Services; \$9.6 million for Information Technology; \$9.6 million for Administration and General Services (includes \$1.5 million for the new courthouse); and \$7.5 million for Parks.

FINANCIAL POLICIES

Bond Ratings - The financial policies and management practices of Queen Anne’s County were recognized by three major rating agencies. Fitch Rating Service issued an AAA bond rating, Moody’s issued a rating of Aa1, and Standard & Poor’s also issued a AAA rating.

Debt Management Policy – In calendar year 2013, the County adopted Resolution 13-04, which revised the County’s Local Debt Policy. In accordance with this policy, the Director of Budget, Finance, and Information

Technology is responsible for following certain procedures to ensure that debt limits established by the Policy are not exceeded. A key element of the Policy is that prior to the issuance of any new bonded indebtedness, the Director must certify that existing and new General Obligation Debt will not exceed (1) 2.5% of the total taxable assessable base and (2) \$3,000 per capita. This policy also stipulates that although there is some flexibility as to the acceptable percentage of debt service to general fund expenditures, and no absolute limit has been established by the rating agencies or the Government Finance Officers Association, anything above 12% of total general fund expenditures would be a cause to carefully monitor debt service. In addition to the debt management policy, the Spending Affordability Committee recommended that the limit of debt service to general fund expenditures should be limited to 10% and the County Commissioners have adopted that as a limit.

For fiscal year 2018, Queen Anne's County general obligation debt was 1.7% of the total taxable assessable base, and the per capita debt measurement was \$2,772. The debt service was 8.8% of the general fund expenditures for the year. All thresholds are well below the policy limits.

Fund Balance Policy – Resolution 12-21 was adopted in calendar year 2012 for the purpose of establishing criteria in which year end fund balances can be used. There are five purposes for which using fund balance is permitted: (1) paygo for items/projects in the County Capital Improvement Plan, (2) as a supplement to the Rainy Day Fund if it is underfunded, (3) to pay down existing debt, (4) reserved for future non-operating expenses related to fiscal emergencies, and (5) as one time non-recurring expenditures of capital or non-capital items.

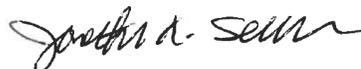
AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Queen Anne's County, Maryland for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017. 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, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

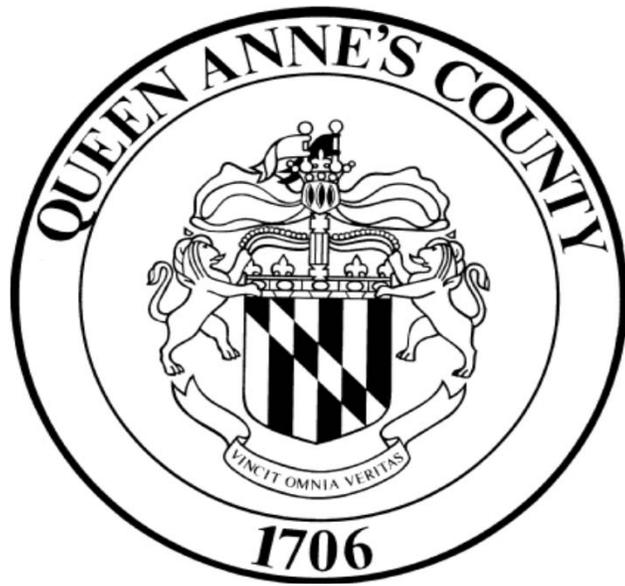
A Certificate of Achievement is valid for a period of one year only. Queen Anne's County, Maryland has received a Certificate of Achievement for the last nineteen consecutive years (fiscal years 1999-2017). We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the entire staff of the finance office. Each member of the department has my sincere appreciation for the contributions made in preparation of this report. Special recognition is given to members of the Audit Team: Nichole Hepfer, who is the principal staff member responsible for preparing the report, Teresa Ward, Lauren James, and Justine Franzen. Their dedication and professionalism in the preparation of Queen Anne's County financial statements has resulted in consistently accurate and transparent financial reporting.

Respectfully submitted,



Jonathan R. Seeman
Director of Budget, Finance and Information Technology





Government Finance Officers Association

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

Presented to

**Queen Anne's County
Maryland**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

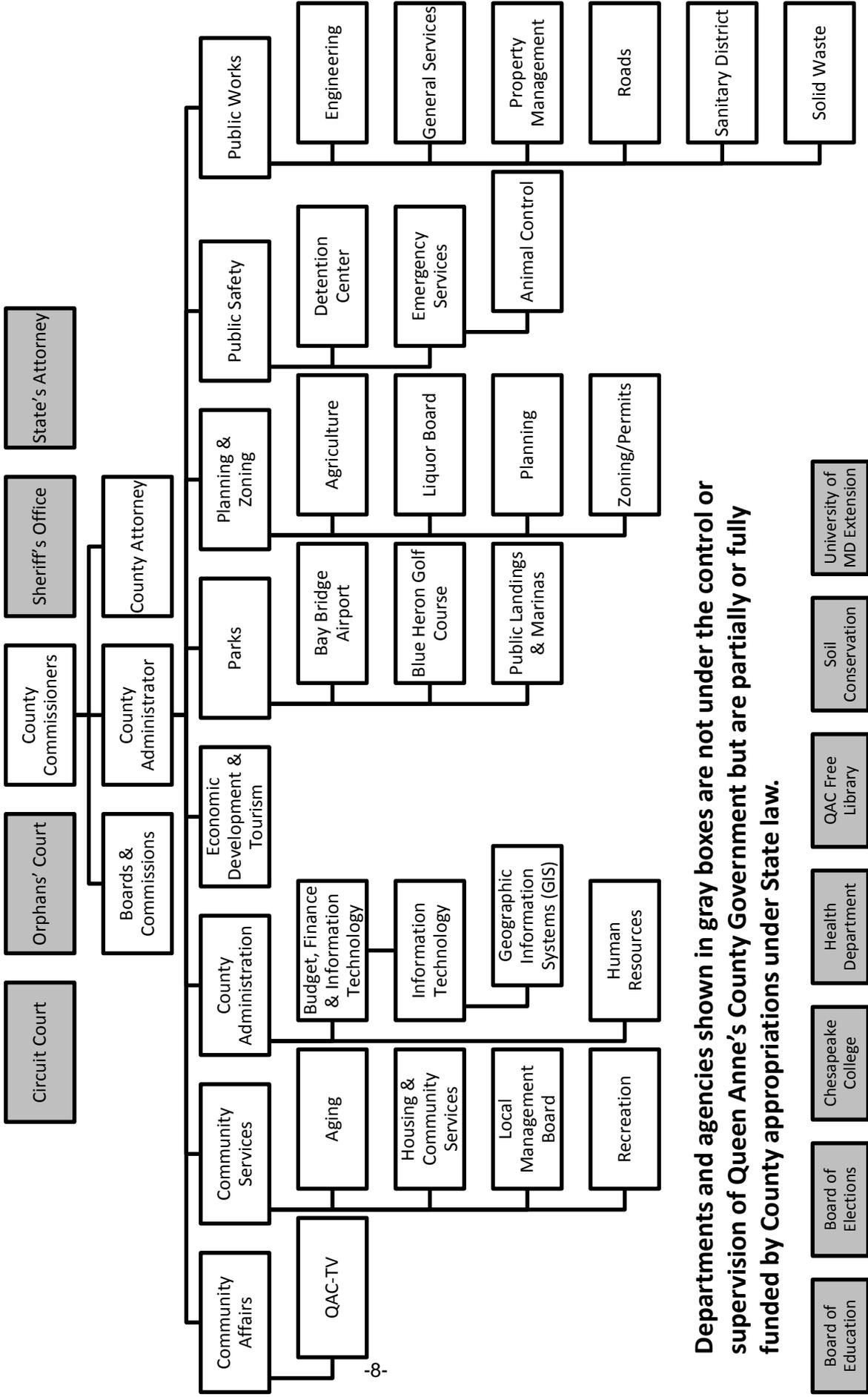
June 30, 2017

Christopher P. Morill

Executive Director/CEO

Queen Anne's County Government Organizational Chart

Queen Anne's County Voters



Departments and agencies shown in gray boxes are not under the control or supervision of Queen Anne's County Government but are partially or fully funded by County appropriations under State law.

Board of Education

Board of Elections

Chesapeake College

Health Department

QAC Free Library

Soil Conservation

University of MD Extension

**QUEEN ANNE’S COUNTY, MARYLAND
GOVERNMENTAL ORGANIZATION
CERTAIN ELECTED AND OTHER OFFICIALS
AS OF JUNE 30, 2018**

CERTAIN ELECTED OFFICIALS

County Commissioners

James J. Moran, At Large
Jack N. Wilson, Jr., District 1
Stephen Wilson, District 2
Robert Charles Buckey, District 3
Mark A. Anderson, District 4

State’s Attorney

Lance G. Richardson, Esq.

Sheriff

Raymond G. Hofmann

CERTAIN DEPARTMENT HEADS AND OTHER OFFICIALS

County Administrator

Gregg A. Todd

Director of Public Works
Director of County Administration
Director of Planning and Zoning
Director of Community Services

Todd R. Mohn
Gregg A. Todd
E. Michael Wisnosky
Catherine R. Willis

Director of Budget, Finance and Information Technology
Chief Treasury Officer

Jonathan R. Seeman
Jeffrey Rank

County Attorney

Patrick E. Thompson, Esq.

Independent Auditor

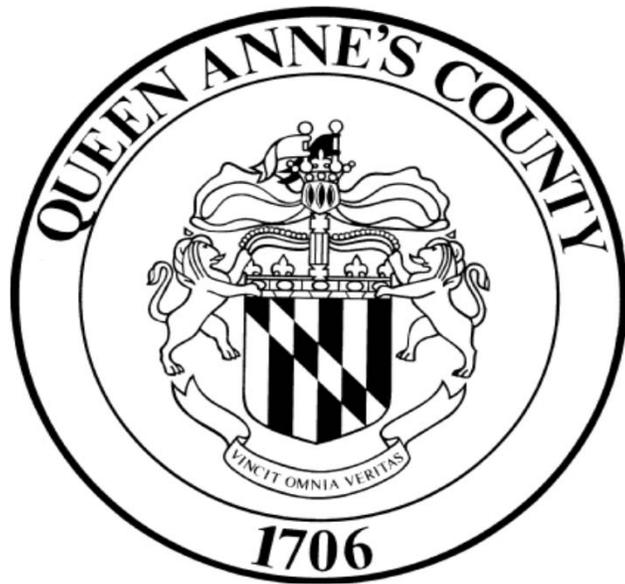
TGM Group LLC
Certified Public Accountants
Salisbury, Maryland

Bond Counsel

McKennon, Shelton
& Henn, LLP
Baltimore, Maryland

Financial Advisor

Public Advisory Consultants
Baltimore, Maryland





Queen Anne's County
M A R Y L A N D

2018

Comprehensive Annual Financial Report
for the Fiscal Year ended
June 30, 2018

Financial Section

Herbert J. Geary III
Corey N. Duncan
Roy J. Geiser
Chris A. Hall
Ronald W. Hickman
Charles M. Meenehan
Craig A. Walter
Mark A. Welsh



INDEPENDENT AUDITORS' REPORT

County Commissioners of
Queen Anne's County
Centreville, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Queen Anne's County, Maryland (the "County") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Queen Anne's County, Maryland, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, during the year ended June 30, 2018, the County adopted new guidance from Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, other

supplementary information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

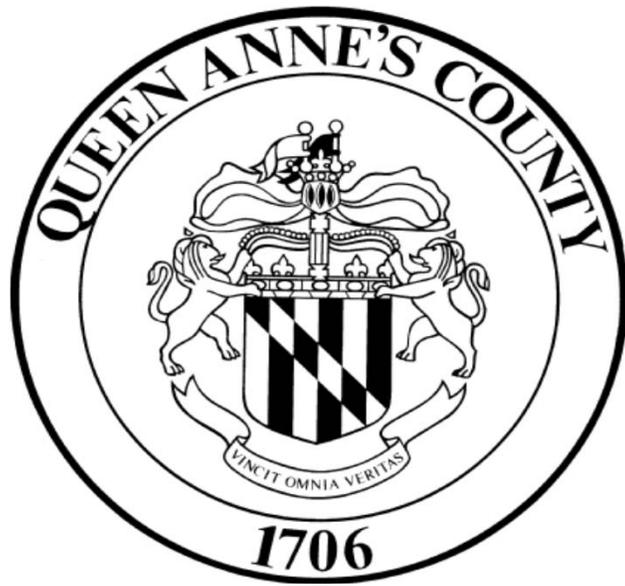
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

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

Salisbury, Maryland
November 30, 2018



Management's Discussion and Analysis

Introduction

This section of the Comprehensive Annual Financial Report of Queen Anne's County, Maryland (the County) presents a narrative overview and analysis of the financial activities of Queen Anne's County Government for the fiscal year ended June 30, 2018. We encourage readers to consider the discussion and analysis along with the other information in this report, including the transmittal letter, basic financial statements, and the notes to the financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Queen Anne's County Government's basic financial statements. The County's basic financial statements are comprised of three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Financial Statements

This report also 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 Queen Anne's County Government's finances, in a manner comparable to a private sector business.

The *statement of net position* presents information on all of Queen Anne's County Government's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position and condition of Queen Anne's County Government is improving or declining.

The *statement of activities* presents information showing how the government'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 are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Queen Anne's County Government that are principally supported by taxes and intergovernmental revenue (*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 Queen Anne's County Government include general government, public safety, public works, health, social services, education, library, conservation of natural resources, and economic and community development. The *business-type activities* of Queen Anne's County Government include water and sewer services, an airport, a golf course, and public landings and marinas.

The government-wide financial statements include not only Queen Anne's County Government itself (known as the *primary government*), but also legally separate component units. Queen Anne's County Government has the following discretely presented component units: Queen Anne's County Board of Education and the Queen Anne's County Free Library. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found in the basic financial statements section of this report.

Fund Financial Statements: A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Queen Anne’s County Government, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Queen Anne’s County Government can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements can be found throughout this report, as listed in the table of contents.

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, governmental fund financial statements focus on *near term inflows and outflows 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 *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 balance sheet and the statement of revenues, expenditures, and changes in fund balances for governmental funds provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These two reconciliations begin with *governmental fund* financial data; describe all transactions that are added or subtracted to yield *governmental activities*; and end with *governmental activities* financial data. These reconciliations can be found within this report, as listed in the table of contents.

Queen Anne’s County maintains three types of governmental funds: the general fund, a variety of special revenue funds, and five capital project funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all governmental funds. Fund type is identified for each fund.

Queen Anne’s County adopts an annual appropriated budget for its general fund (includes the roads board); school, fire, and parks impact fee capital projects funds; and the following special revenue funds: department of aging, housing and community services, grants fund, economic development incentive, BRIDGE fund, community partnerships for children, law library, inmate welfare, agricultural transfer, rural legacy, dredging special assessments, and Kent Narrows. A budgetary comparison statement has been provided for each of these funds, which can be found within this report, as listed in the table of contents.

Proprietary funds: Queen Anne’s County maintains *enterprise funds* to report the same functions presented as *business-type activities* in the government-wide financial statements. Queen Anne’s County Government uses enterprise funds to account for its water and sewer services, airport, golf course, and public landings and marinas. The basic proprietary fund financial statements can be found within this report, as listed in the table of contents.

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 Queen Anne’s County Government’s own programs. The County acts as a fiduciary for two trust and five agency funds. The accounting used for fiduciary funds is much like that used for proprietary funds except that the agency funds report only assets and liabilities and do not report net assets or changes therein. The basic fiduciary fund financial statements can be found within this report, as listed in the table of contents.

Notes to the financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found within this report, as listed in the table of contents.

Government-wide Financial Analysis

Statement of Net Position

A summary of government-wide assets, liabilities, and net position is as follows:

Summary of Net Position	Governmental Activities		Business Type Activities		Total	
	2018	2017 *	2018	2017 *	2018	2017 *
Current and Other Assets	\$ 103,188,755	\$ 90,809,875	\$ 21,600,111	\$ 21,279,057	\$ 124,788,866	\$ 112,088,932
Capital Assets	177,815,678	170,304,345	112,821,224	105,642,304	290,636,902	275,946,649
Total Assets	281,004,433	261,114,220	134,421,335	126,921,361	415,425,768	388,035,581
Total Deferred Outflows of Resources	7,703,714	8,813,258	673,112	755,904	8,376,826	9,569,162
Noncurrent liabilities	202,119,797	195,164,618	38,831,428	29,943,876	240,951,225	225,108,494
Other liabilities	11,429,918	8,779,579	2,095,483	5,106,714	13,525,401	13,886,293
Total Liabilities	213,549,715	203,944,197	40,926,911	35,050,590	254,476,626	238,994,787
Total Deferred Inflows of Resources	5,114,715	3,186,491	1,262,115	1,277,434	6,376,830	4,463,925
Net position:						
Net investment in capital assets	114,794,226	120,249,244	84,386,291	86,163,078	199,180,517	206,412,322
Restricted amounts	13,275,244	13,094,534	1,060,134	1,700,836	14,335,378	14,795,370
Unrestricted amounts (deficit)	(58,025,753)	(70,546,988)	7,458,996	3,485,327	(50,566,757)	(67,061,661)
Total Net Position	\$ 70,043,717	\$ 62,796,790	\$ 92,905,421	\$ 91,349,241	\$ 162,949,138	\$ 154,146,031

* Restated for prior period adjustment (see Note 19).

The County's total current and other assets increased by \$12.7 million, or 11.3 percent, to \$124.8 million. The County's total assets and deferred outflows of resources exceeded its total liabilities and deferred inflows of resources at the close of fiscal year 2018 by \$162.9 million.

Net position is divided into three categories: net investment in capital assets; restricted amounts; and unrestricted amounts. By far the largest portion, \$199.2 million, of the County's total net position reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, vehicles, and infrastructure), less any related and outstanding debt used to construct or acquire those assets. The County uses these capital assets to provide services to citizens; consequently, they are *not* available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay the debt must be provided from other sources since the 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, the school buildings are owned by each county's Board of Education. Ownership reverts to the county government only if the local Board determines a building is no longer needed for educational purposes. Therefore, while the County's financial statements include outstanding debt related to Board of Education capital assets, those statements do not include the capital assets funded by the debt. Debt outstanding for the Board of Education amounted to \$58.6 million at June 30, 2018. Absent the effect of this relationship, the County would have reported a positive unrestricted amount of \$8.1 million on its government-wide financial statements, rather than the negative unrestricted net assets of \$50.6 million reported herein. For a multi-year view of this calculation, see the Footnote presented in Table 1 of the Statistical Section.

An additional \$14.3 million of the County's total net position represents resources that are subject to restrictions on how they may be used. For governmental activities, this amount includes: \$11.3 million related to general government services; \$996 thousand for economic/community development; \$635 thousand for conservation of natural resources; and \$355 thousand for public safety. For business-type activities, this amount includes \$1.1 million restricted to meet Sanitary District debt covenants.

At the end of the current fiscal year, Queen Anne's County Government reports positive balances in two out of three categories of net position, both for the government as a whole, as well as for its separate governmental activities. Business-type activities reports positive balances in all net position categories.

Statement of Activities

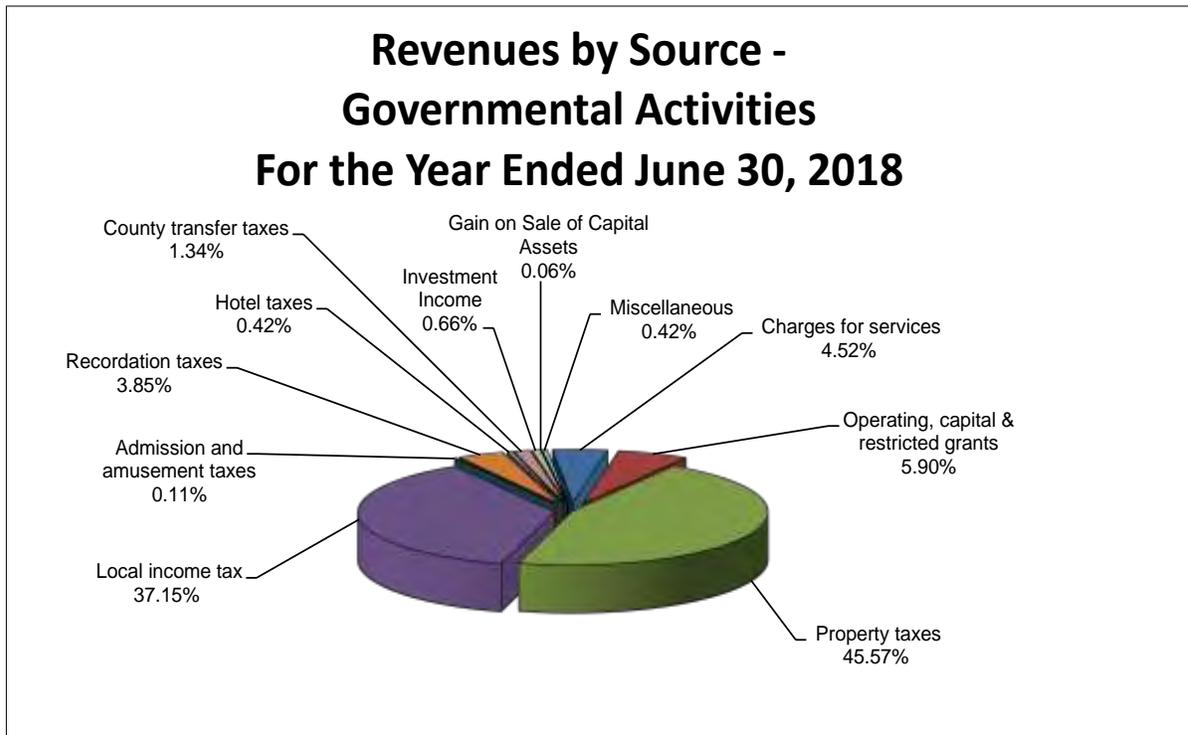
The following table summarizes changes in net position for governmental and business-type activities during the year:

Summary of Changes in Net Position	Governmental Activities		Business Type Activities		Total	
	2018	2017 *	2018	2017 *	2018	2017 *
Revenues:						
Program revenues:						
Charges for services	\$ 6,724,371	\$ 6,448,779	\$ 10,031,887	\$ 9,017,348	\$ 16,756,258	\$ 15,466,127
Operating grants and contributions	5,738,111	4,892,311	255,687	369,280	5,993,798	5,261,591
Capital grants and contributions	3,025,897	224,990	4,198,378	2,222,796	7,224,275	2,447,786
General revenues:						
Property taxes	67,736,404	66,487,004	-	-	67,736,404	66,487,004
Local income tax	55,211,695	48,624,679	-	-	55,211,695	48,624,679
Other local taxes						
Admission and amusement taxes	158,881	156,872	-	-	158,881	156,872
Recordation taxes	5,723,114	5,486,064	-	-	5,723,114	5,486,064
Hotel taxes	617,293	599,868	-	-	617,293	599,868
County transfer taxes	1,997,292	1,944,544	-	-	1,997,292	1,944,544
Investment income	978,955	444,063	439,716	361,840	1,418,671	805,903
Gain on sale of capital assets	87,734	53,936	-	-	87,734	53,936
Miscellaneous	630,895	2,065,465	865,879	809,211	1,496,774	2,874,676
Total Revenues	148,630,642	137,428,575	15,791,547	12,780,475	164,422,189	150,209,050
Expenses:						
Governmental Activities:						
General government	15,833,152	13,177,254	-	-	15,833,152	13,177,254
Public safety	27,130,890	27,997,262	-	-	27,130,890	27,997,262
Public works	17,665,141	20,753,117	-	-	17,665,141	20,753,117
Health	1,996,939	2,006,219	-	-	1,996,939	2,006,219
Social services	5,152,409	5,418,152	-	-	5,152,409	5,418,152
Education	62,296,920	59,211,517	-	-	62,296,920	59,211,517
Libraries	1,785,580	1,710,668	-	-	1,785,580	1,710,668
Conservation of natural resources	2,567,600	616,237	-	-	2,567,600	616,237
Economic and Community development	2,477,129	1,860,222	-	-	2,477,129	1,860,222
Interest and fiscal charges	4,294,929	4,150,101	-	-	4,294,929	4,150,101
Business-type Activities:						
Water and sewer	-	-	12,297,109	11,818,087	12,297,109	11,818,087
Airport	-	-	1,077,168	1,053,899	1,077,168	1,053,899
Golf course	-	-	509,150	540,504	509,150	540,504
Public landings and marinas	-	-	534,966	572,360	534,966	572,360
Total Expenses	141,200,689	136,900,749	14,418,393	13,984,850	155,619,082	150,885,599
Increase (Decrease) in Net Position before Transfers	7,429,953	527,826	1,373,154	(1,204,375)	8,803,107	(676,549)
Transfers in (out)	(183,026)	(335,499)	183,026	335,499	-	-
Increase (Decrease) in Net Position	7,246,927	192,327	1,556,180	(868,876)	8,803,107	(676,549)
Net Position, prior year	62,796,790	62,604,463	91,349,241	92,218,117	154,146,031	154,822,580
Net Position - current year	\$ 70,043,717	\$ 62,796,790	\$ 92,905,421	\$ 91,349,241	\$ 162,949,138	\$ 154,146,031

* Restated for prior period adjustment (see Note 19).

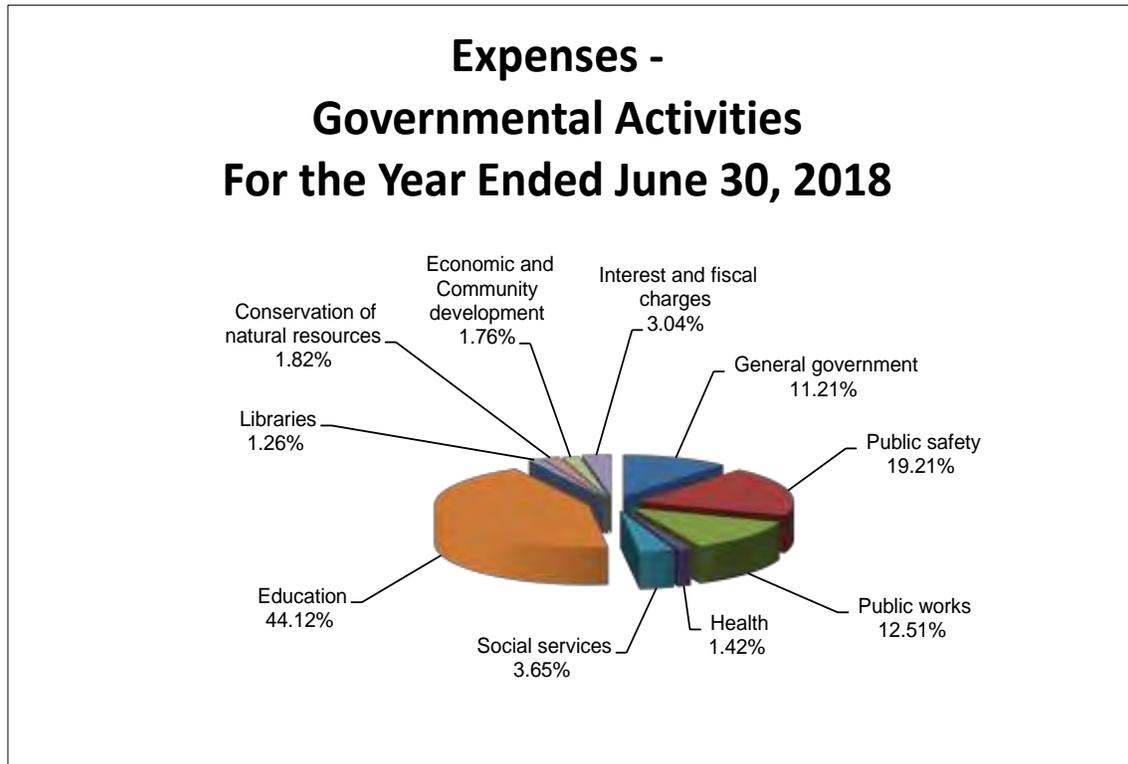
Governmental activities:

Revenues for governmental activities were \$148.6 million for fiscal year 2018. The following chart depicts revenues by source for governmental activities:



- Taxes comprise the largest source of County revenue, totaling \$131.4 million (88.4 percent) of total revenue for fiscal year 2018. Of that amount, property and local income tax together yielded \$122.9 million (82.7 percent) of all revenue. Each County sets its own property and income tax rates, within parameters established by the State. For fiscal year 2018, the County’s property tax rate remained constant at \$.8471 per \$100 of assessed value of real property, based on full cash value of that property. The County’s local income tax rate was set at 3.2 percent, effective January 1, 2012 and thereafter. There is no local sales tax in the State of Maryland.
- Charges for services, totaling \$6.7 million, reflect fees charged to County citizens. These primarily support public works (\$1.8 million or 26.5 percent), general government (\$1.7 million or 24.8 percent), public safety (\$1.5 million or 22.4 percent), and education (\$1.3 million or 18.9 percent).
- Operating grants and contributions, totaling \$5.7 million, reflect grants from Federal and State agencies that support specific County programs. Programs that benefitted the most were: social services (\$2.0 million or 35.2 percent), public safety (\$1.3 million or 22.6 percent), and public works (\$823 thousand or 14.3 percent).
- Capital grants and contributions, totaling \$3.0 million, reflect contributions from Federal and State agencies, as well as developers. Conservation of natural resources benefits the most from capital grants and contributions during the year (\$1.4 million or 47.6 percent). General government also benefited from capital grants and contributions during the year (\$1.1 million or 35.7 percent).

Expenses for all governmental activities were \$141.2 million for fiscal year 2018. The following chart depicts expenses by function for governmental activities:



As noted in the chart above and the table below, by far the County’s largest program and highest priority is education, with expenses totaling \$62.3 million (44.1 percent). The following table summarizes costs and program-related revenues for the same programs in order of priority, yielding net service costs:

Net Cost of Governmental Activities	Expenses		Program-Related Revenues		Net Cost of Services	
	2018	2017	2018	2017	2018	2017
Education	\$ 62,296,920	\$ 59,211,517	\$ 1,272,301	\$ 1,319,433	\$ (61,024,619)	\$ (57,892,084)
Public Safety	27,130,890	27,997,262	2,966,001	2,393,911	(24,164,889)	(25,603,351)
Public Works	17,665,141	20,753,117	2,883,893	2,613,823	(14,781,248)	(18,139,294)
General Government	15,833,152	13,177,254	3,410,185	2,115,180	(12,422,967)	(11,062,074)
Social Services	5,152,409	5,418,152	2,147,920	2,025,214	(3,004,489)	(3,392,938)
Economic and Community Development	2,477,129	1,860,222	1,126,819	851,360	(1,350,310)	(1,008,862)
Conservation of Natural Resources	2,567,600	616,237	1,681,260	247,159	(886,340)	(369,078)
Other	8,077,448	7,866,988	-	-	(8,077,448)	(7,866,988)
Total	\$ 141,200,689	\$ 136,900,749	\$ 15,488,379	\$ 11,566,080	\$ (125,712,310)	\$ (125,334,669)

Of the total cost of \$141.2 million for governmental activities, \$15.5 million (11.0 percent), of those costs were covered by program-related revenues paid by individuals and external governmental entities. Of these outside entities, individuals who benefited directly from County programs were charged user fees of \$6.7 million, while governments and other organizations that benefited indirectly from these programs contributed operating grants of \$5.7 million and capital grants of \$3.0 million.

County taxpayers paid for most of the remaining \$125.7 million in net program costs, through a variety of County taxes, for a total of \$131.4 million. Net program costs of services provided to the public, in order of net cost, were: \$61.0 million for education; \$24.2 million for public safety; \$14.8 million for public works; \$12.4 million for general government; \$3.0 million for social services; \$1.4 million for economic and community development; \$886 thousand for conservation of natural resources; and \$8.1 million for other services. See Changes in Net Position and General Fund Budgetary Highlights for further details.

Changes in net position: Government-wide revenues, less expenses, plus/minus transfers in/out, yield changes in net position. During fiscal year 2018, governmental activities increased the County's net position overall by \$7.2 million, compared to an increase of \$192 thousand in fiscal year 2017. The following discussion explains changes in net position relative to the prior fiscal year.

Revenues for governmental activities increased by \$11.2 million (8.2 percent). The following key revenues changed, when compared to the prior fiscal year:

- Income taxes increased by \$6.6 million (13.6 percent), from \$48.6 million in fiscal year 2017 to \$55.2 million in fiscal year 2018. Approximately half of the increase (\$3.3 million) was the result of increased receipts from the State for the County's portion of the income tax collections. The remaining increase resulted from an increase in the County's portion of the income tax reserve held by the State of Maryland.
- Capital grants and contributions increased by \$2.8 million, from \$225 thousand in fiscal year 2017 to \$3.0 million in fiscal year 2018. The key factor for this change is that conservation of natural resources increased by \$1.4 million due to grant funding received in fiscal year 2018 for the purchase of land conservation easements and no such activity occurred in fiscal year 2017. General governmental also increased by \$1.1 million due to capital grant funding received in the current fiscal year that was not received in the prior year. Of the \$1.1 million, \$975 thousand related to developer contributed capital from the Four Seasons development.
- Property taxes increased by \$1.2 million (1.9 percent), from \$66.5 million in fiscal year 2017 to \$67.7 million in fiscal year 2018 due to an increase in property assessments.
- Operating grants and contributions increased by \$846 thousand (17.3 percent), from \$4.9 million in fiscal year 2017 to \$5.7 million in fiscal year 2018. The majority of this increase was in Economic/Community development, which increased by \$579 thousand due to funding for the Chester Wye house project. Public Safety also increased by \$257 thousand.
- Miscellaneous revenue decreased by \$1.4 million (69.5 percent), from \$2.1 million in fiscal year 2017 to \$631 thousand in fiscal year 2018. Of this decrease, \$733 thousand related to the workmen's compensation adjustment resulting from the annual audit. The County charges workmen's compensation insurance based on insurance rates attributable to each class of worker and then undergoes an annual audit to determine if those rates are accurate. Public works also received an additional \$366 thousand in fiscal year 2017 for the energy savings incentive program but did not receive it in fiscal year 2018.

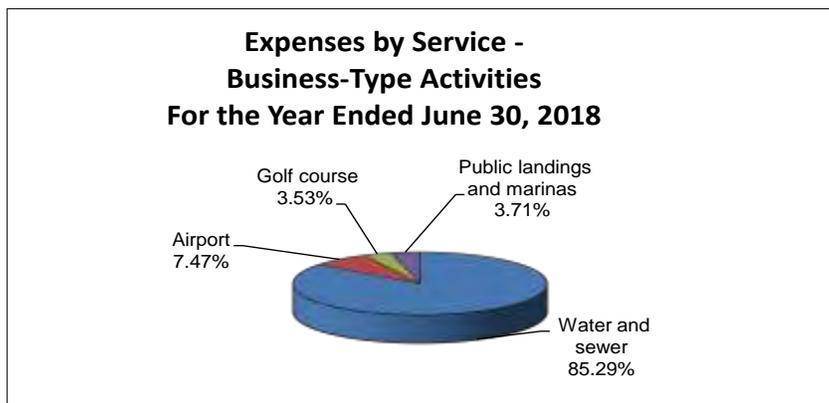
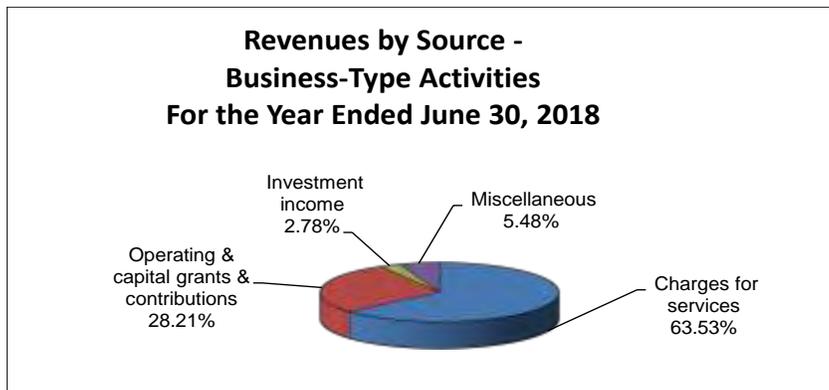
Expenses for governmental activities increased by \$4.3 million (3.1 percent) and transfers out to business-type activities decreased by \$152 thousand. Key positive and negative expense changes, in order of relative importance, are:

- Education expenses increased by \$3.1 million (5.2 percent). The increase resulted from \$2.5 million more in expenses for the renovation of Grasonville Elementary School in the current fiscal year, due to the timing of the project. The project was just beginning at the end of fiscal year 2017. In addition, the operating allocation to the Board of Education increased by \$1.3 million in fiscal year 2018. These increases were partially offset by decreases in some of the other Board of Education projects.
- General Government increased by \$2.7 million (20.2 percent), mainly as a result of increases in two specific areas. First, expenses for other post-employment benefits (OPEB) increased by \$2.1 million, which is mainly due to increased expense associated with recording the OPEB liability for the County. Secondly, miscellaneous expenses increased by \$754 thousand due to several different factors. Approximately half of the increase in miscellaneous expenses related to insurance and benefits.

- Conservation of Natural Resources increased by \$2.0 million (316.7 percent) due to increased easement acquisitions in fiscal year 2018. A total of \$1.8 million was spent on easements in fiscal year 2018, compared to no acquisitions in fiscal year 2017. Generally, the timing of easement purchases is affected by the evaluation process of the identified land, as well as the availability of State funds.
- Economic and Community Development increased by \$617 thousand (33.2 percent) as a result of the expenses for the Chester Wye house, which did not occur until the current fiscal year.
- Public Works decreased by \$3.1 million (14.9 percent). The majority of the reduction in public works expenses resulted from a decrease in donated property. In fiscal year 2017, the County donated land totaling 2.2 million to the Town of Centreville for roads, stormwater and utilities and \$219 thousand to the Maryland State Highway Administration for road improvements. There were no such donations in fiscal year 2018. In addition, the OPEB expense associated with public works decreased by \$540 thousand. Lastly, the pension expense associated with public works decreased by \$514 thousand as a result of the pension liability recorded at the County level, which decreased in fiscal year 2018.
- Public Safety decreased by \$866 thousand (3.1 percent) resulting from a decrease of \$1.8 million in the pension funding. The OPEB expense also decreased by \$972 thousand. Offsetting a portion of the decreases were increases in other areas, such as a \$630 thousand increase in emergency services from additional staff costs as well as other operational costs and an increase of \$867 thousand in depreciation expense due to the addition of the emergency services communication system in fiscal year 2017, which began depreciating in fiscal year 2018.

Business-type activities:

Revenues, transfers in, and expenses for business-type activities were \$15.8 million, \$183 thousand, and \$14.4 million, respectively, for fiscal year 2018. The following two charts depict revenues by source and expenses by service for business-type activities:



Business-type activities increased the County's net position altogether by \$1.6 million in fiscal year 2018, which is an increase of \$2.4 million compared to the prior year's decrease of \$869 thousand. The fiscal year 2018 change in net position resulted primarily from:

- Operating revenues before transfers increased by \$3.0 million (23.6 percent), from \$12.8 million in fiscal year 2017 to \$15.8 million in fiscal year 2018, for all business-type activities. Sanitary capital grants and contributions increased by \$2.0 million due to increased funding for the Four Seasons development. Charges for services increased by \$1.0 million due to increased revenue in Sanitary. In addition to increased revenue for the Sanitary District, the expenses also increased by \$479 thousand for Sanitary, mainly due to an increase in the cost of sales and services.

Financial Analysis of the Government's Funds

As noted earlier, Queen Anne's County Government uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. Detailed financial data based on the government's fund accounting can be found in the governmental fund statements in this report.

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

As of the end of the current fiscal year, Queen Anne's County Government's governmental funds reported combined ending fund balances of \$78.8 million, compared to \$72.1 million for the prior year. Approximately 14.1 percent of this total (\$11.1 million) constitutes *unassigned fund balance*, which is available for spending. The total *unassigned fund balance* of \$11.1 million is comprised of \$11.1 million of positive unassigned fund balance for the general fund, reduced by negative unassigned fund balances of \$49 thousand in the non-major governmental funds. Additional detail on the negative unassigned balances can be found in Note 15 of this report.

The *nonspendable fund balance* of \$8.6 million, at 10.9 percent of the total fund balance, is not available for spending and includes amounts related to inventory and loans receivable. *Restricted fund balance* of \$17.8 million (22.6 percent) includes amounts that can be spent only for specific purposes stipulated by external sources or legal restrictions. Included in the restricted fund balance is \$10.9 million for the rainy day fund.

Committed fund balance of \$20.2 million (25.6 percent) represents those amounts that can be used only for the specific purposes of the government's highest level of decision-making authority. Included in the committed fund balance is \$5.0 million for the revenue stabilization fund.

The remaining 26.8 percent of fund balance (\$21.1 million) constitutes *assigned fund balances*. These amounts are intended to be used by the government for the specific purposes of each fund.

The General Fund is the chief operating fund of Queen Anne's County Government. At the end of the current fiscal year, the General Fund had a total fund balance of \$29.7 million, which is an increase of \$3.4 million from the fiscal year 2017 balance of \$26.2 million.

Of the total \$29.7 million in fund balance, \$11.1 million is unassigned, meaning that there are no constraints on how the funds can be spent. Beginning in fiscal year 2017, County Ordinance No. 16-24 changed the minimum amount of the rainy day fund to 8.0 percent (previously 7.0 percent) of budgeted general fund operating revenues as recommended by the Spending Affordability Committee. As a result of that Ordinance, \$10.9 million of rainy day funds are included in the General Fund's restricted fund balance of \$11.0 million for

fiscal year 2018. The remaining fund balance is comprised of \$1.0 million in nonspendable, \$5.0 million in committed, and \$1.5 million of assigned.

For further explanations of General Fund revenues and expenditures, see the General Fund Budgetary Highlights section of this MD&A.

The General Capital Projects Fund accounts for all capital projects related to governmental funds, except those accounted for in the Roads Capital Projects Fund, which is discussed below.

As of June 30, 2018, the General Capital Projects Fund has a total fund balance of \$26.6 million, compared to \$24.8 million at the end of the prior fiscal year. The \$26.6 million in total fund balance is comprised of \$2.2 million of nonspendable fund balance, \$4.8 million in restricted fund balance, mainly for unspent bond proceeds, \$2.6 million of fund balance committed for specific projects, and \$17.0 million of assigned fund balance.

The Roads Capital Projects Fund accounts for financial resources used for the construction of County Road infrastructure, as well as other large multi-year projects that relate to capital assets.

As of June 30, 2018, the Roads Capital Projects Fund has a total fund balance of \$2.7 million, compared to \$2.1 million at the end of the prior fiscal year. Of this total \$2.7 million fund balance, \$2.1 million has been assigned to fund ongoing projects, while \$615 thousand has been contributed by local developers and is committed to fund specific infrastructure improvements.

Proprietary funds: Queen Anne's County Government's enterprise fund statements provide the same type of information found in the government-wide financial statements, but in more detail. Also, *due to/due from other funds* are combined in the government-wide statements and reported as Internal Balances between governmental and business-type activities, which net to zero.

Total *unrestricted net position* of the Sanitary District Enterprise Funds at the end of fiscal year 2018 amounted to \$9.4 million, which is \$3.4 million more than the prior year. The increase in unrestricted net position is partially offset by a decrease of \$1.5 million in net investment in capital assets. In addition, the restricted amount for capital projects decreased by \$753 thousand to a zero balance, due to the Four Seasons development moving forward.

Total net position of the Sanitary District amounted to \$71.8 million at the end of fiscal year 2018, which increased by \$1.3 million when compared to the prior year.

The *unrestricted net position* of the Bay Bridge Airport Enterprise Fund at year end amounted to negative \$1.6 million compared to a negative \$1.5 million at the end of the prior fiscal year, reflecting a decrease of \$49 thousand. The investment in capital assets for the Bay Bridge Airport also decreased by \$329 thousand in the current fiscal year.

Total net position of the Bay Bridge Airport amounted to \$15.0 million at the end of fiscal year 2018, which is a decrease of \$378 thousand from the prior year amount of \$15.4 million.

A discussion of Enterprise Fund capital assets and long-term debt can be found in those sections presented later in this MD&A.

General Fund Budgetary Comparisons

The County adopts an operating budget for the General Fund as of July 1 each year and amends that budget throughout the year in response to actual expenditures. The Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual can be found as part of Required Supplemental Information, which is located after the Notes. The Schedule reports original and final budgets, as well as the variance between actual expenditures and final budgets.

Original to Final Budget Comparisons. The final expenditure budget for the General Fund, including transfers out, totaled \$137.3 million. Amendments increased spending authority by \$3.5 million during fiscal year 2018, when compared to the original budget of \$133.8 million.

Major components of these expenditure budget increases are as follows:

- Budgeted Transfers Out to General Capital Projects increased by \$2.7 million during the year. There are several capital projects in which the County plans to move aggressively on, and will rely on fund balance available in the General Capital Projects fund to cover a portion of the costs.
- Budgeted Public Safety increased by \$456 thousand, due to an increase in grant funding for the Sheriff's Office and also the hiring of five additional deputies for the new Circuit Courthouse (\$231 thousand) and Emergency Services (\$225 thousand) as the result of increased grant funding.

Budget to Actual Comparisons. Actual revenues for the General Fund, including other financing sources and before appropriated fund balance were more than final budgetary estimates by \$275 thousand. Actual expenditures, and other financing uses, were less than final budgetary appropriations by \$4.3 million. The net effect of these two disparities was a positive variance of actual to final budget of \$4.6 million.

The most noteworthy differences between final budgeted amounts and actual amounts are summarized as follows:

Revenues:

- Charges for Current Services revenue was \$422 thousand more than the final budget (17.4 percent) mainly due to increased revenue for Road's inspection fees, mosquito control, and Emergency Services.
- Income tax revenue was \$397 thousand more than the final budget (0.8 percent). Income tax revenue has generally outperformed the County's estimates, which are largely based on estimates from the Comptroller for State revenue growth.
- Investment Income revenue was \$263 thousand more than the final budget (70.1 percent) due to increased cash on hand during the year and also an increase in the interest rates at MLGIP.
- Transfers In were \$1.1 million less than the final budget (100 percent), as a result of transfer in from School Impact fees not being made in the fiscal year. Management determined that it was more advantageous to leave the funds in the Impact Fee Fund in anticipation of future Board of Education projects.

Expenditures:

- Final Budgeted Salaries and Benefits were \$37.5 million for the year, while actual costs were \$36.1 million. They were underspent at year-end by \$1.4 million (3.8 percent). The Sheriff's Office was underspent by \$581 thousand, roads department by \$326 thousand, volunteer fire and rescue by \$284 thousand (workmen's compensation savings), and emergency services by \$247 thousand. This was due to the number of vacant positions during the fiscal year and the lapsed funds associated with the recruitment of staff.
- Final Budgeted Other Operating Charges were \$99.8 million for the year, while actual costs were \$96.9 million. These costs were lower than budget at year end by \$2.9 million (2.9 percent). Operating Charges include contracted services, supplies, other charges, debt service, and transfers out.

- Contracted Services were underspent by \$467 thousand, with the largest savings realized by the detention center (\$195 thousand), information technology (\$79 thousand), legal (\$77 thousand), and contingency (\$62 thousand).
- Supplies were underspent by \$600 thousand, largely due to savings by roads (\$429 thousand) and solid waste (\$140 thousand).
- Other Charges were underspent by \$1.3 million. Of this amount, non-departmental had savings of \$455 thousand resulting from a variety of sources. The health department realized savings of \$310 thousand, which represents the unspent portion of their allocation that was returned to the County in fiscal year 2018. In addition, contingency also realized savings of \$187 thousand. The remaining savings for other charges were spread throughout the General Fund.
- Debt Service was underspent by \$17 thousand, which resulted from estimating the debt service payments for the recent bonds before the final schedules were available.
- Transfers Out were underspent by \$592 thousand, due to savings realized by the Department of Aging (\$341 thousand), Housing and Community Services (\$89 thousand) and the Golf Course Enterprise Fund (\$128 thousand), which allowed these departments to forgo this portion of their appropriation.

Capital Assets and Debt Administration

Capital assets: Queen Anne’s County Government’s investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounted to \$290.6 million (net of accumulated depreciation). This investment in capital assets includes land and land improvements, intangible rights, construction in progress, buildings, improvements other than buildings, infrastructure, autos, machinery, and equipment.

Capital asset activities, net of depreciation, are summarized as follows:

Capital Assets, Net of Depreciation	Governmental Activities		Business Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land and Land Improvements	\$ 86,654,575	\$ 86,654,575	\$ 15,632,770	\$ 15,632,770	\$ 102,287,345	\$ 102,287,345
Intangible Rights - Easements	821,819	821,819	6,140	6,140	827,959	827,959
Construction in Progress	20,382,545	10,896,408	18,612,368	11,987,450	38,994,913	22,883,858
Buildings	32,473,236	32,679,764	6,575,399	7,154,870	39,048,635	39,834,634
Improvements other than Buildings	7,574,887	7,711,059	9,440,097	9,894,719	17,014,984	17,605,778
Infrastructure	10,360,916	10,748,316	52,799,809	50,517,345	63,160,725	61,265,661
Auto, Machinery, and Equipment	19,547,700	20,792,404	9,754,641	10,449,010	29,302,341	31,241,414
Total	\$ 177,815,678	\$ 170,304,345	\$ 112,821,224	\$ 105,642,304	\$ 290,636,902	\$ 275,946,649

Queen Anne’s County’s total investment in capital assets for the current fiscal year, net of depreciation, increased by 5.3 percent, or \$14.7 million. Of this amount, governmental investment in capital assets increased by \$7.5 million, while business-type investment in capital assets increased by \$7.2 million.

Changes in the County’s capital assets, with depreciation shown separately, are summarized as follows. Note that completed projects that were reclassified from construction in progress (CIP) to other asset accounts during the year net to zero and are reported in the same column.

Governmental Activities					
Changes in Capital Assets	2017	Additions	Transfers	Retirements	2018
Land and Land Improvements	\$ 86,654,575	\$ -	\$ -	\$ -	\$ 86,654,575
Intangible Rights - Easements	821,819	-	-	-	821,819
Construction in Progress	10,896,408	9,979,602	(170,406)	(323,059)	20,382,545
Buildings	47,283,043	686,116	170,406	-	48,139,565
Improvements other than Buildings	10,556,328	276,589	-	-	10,832,917
Infrastructure	19,236,142	-	-	-	19,236,142
Auto, Machinery, and Equipment	36,859,158	1,602,559	-	(1,169,345)	37,292,372
Total Assets before depreciation	212,307,473	12,544,866	-	(1,492,404)	223,359,935
Less Depreciation	(42,003,128)	(4,622,315)	-	1,081,186	(45,544,257)
Total Assets after depreciation	\$ 170,304,345	\$ 7,922,551	\$ -	\$ (411,218)	\$ 177,815,678

Business-Type Activities					
Changes in Capital Assets	2017	Additions	Transfers	Retirements	2018
Land and Land Improvements	\$ 15,632,770	\$ -	\$ -	\$ -	\$ 15,632,770
Intangible Rights - Easements	6,140	-	-	-	6,140
Construction in Progress	11,987,450	7,001,266	-	(376,348)	18,612,368
Buildings	16,101,695	64,134	-	-	16,165,829
Improvements other than Buildings	15,037,220	73,713	-	-	15,110,933
Infrastructure	82,047,628	4,198,378	-	-	86,246,006
Auto, Machinery, and Equipment	24,878,599	532,061	-	-	25,410,660
Total Assets before depreciation	165,691,502	11,869,552	-	(376,348)	177,184,706
Less Depreciation	(60,049,198)	(4,314,284)	-	-	(64,363,482)
Total Assets after depreciation	\$ 105,642,304	\$ 7,555,268	\$ -	\$ (376,348)	\$ 112,821,224

Noteworthy capital asset events during the current fiscal year for governmental activities included the following:

- Construction in Progress (CIP) increased by a net amount of \$9.5 million. The following factors contributed to this increase:

Major additions to Construction in Progress include: (a) Construction and site work for the new Courthouse (\$9.4 million); (b) Emergency Services public network (\$125 thousand); (c) Detention Center roof replacement (\$122 thousand); (d) Chesapeake Heritage Visitor Center renovations (\$95 thousand); and (e) Design and site work for the Cross County Connect Trail (\$92 thousand).

Costs reclassified from Construction in Progress include the Centreville Library renovations (\$170 thousand).

Retirements from Construction in Progress of \$323 thousand include write-offs of costs incurred in: (a) Roads Route 8 improvement project (\$312 thousand) and (b) Detention Center Gpod replacement project (\$11 thousand) due to the projects not moving forward or not resulting in an asset.

- Buildings increased by an amount of \$857 thousand and included: (a) New General Services warehouse (\$411 thousand); (b) Renovations to the Centreville Library (\$240 thousand); (c) Upgrades to the Emergency Operations Center (\$103 thousand); and (d) New roof at the Centreville Transfer Station (\$102 thousand).
- Improvements other than buildings increased by an amount of \$277 thousand and major additions included: (a) Paving of White Marsh Park parking lot (\$98 thousand); (b) Tennis courts at Old Love

Point Park (\$60 thousand); (c) Paving projects (\$82 thousand); (d) Vinyl fence and gate at the Health Department (\$12 thousand); and (e) Wood fence at the Liberty Building (\$10 thousand).

- Auto, Machinery and Equipment increased by a net amount of \$433 thousand. The following factors contributed to this net increase:

Additions totaled \$1.6 million and included departmental vehicles and equipment replacement for the following: (a) Emergency Services (\$379 thousand); (b) Sheriff's Office (\$313 thousand); (c) Roads (\$243 thousand); (d) Parks (\$217 thousand); (e) Information Technology (\$193 thousand); (f) General Services (\$79 thousand); (g) Detention Center (\$55 thousand); and (h) QACTV (\$47 thousand).

Retired assets of \$1.2 million included the following, the majority of which were fully depreciated: (a) Sheriff's Office vehicles sold as part of replacement program (\$481 thousand); (b) Aging vehicles sold (\$190 thousand); (c) Obsolete computer software, hardware and other office equipment sold or discarded (\$113 thousand); (d) Solid Waste equipment and vehicles sold or discarded (\$112 thousand); (e) QACTV equipment and vehicles sold or discarded (\$58 thousand); (f) Planning and Zoning equipment and vehicles sold or discarded (\$38 thousand); and (g) Parks vehicles sold (\$30 thousand).

Noteworthy capital asset transactions during the current fiscal year for business-type activities included the following:

- Construction in Progress increased by a net amount of \$6.6 million. The following factors contributed to this increase:

Major additions to Construction in Progress include planning, design and construction work for the Southern Kent Island (SKI) sewer system (\$7.0 million).

Retirements from Construction in Progress of \$376 thousand include write-offs of costs incurred in Southern Kent Island (SKI) sewer system project for the Sanitary District due to those specific expenses not qualifying as an asset.

- Buildings increased by \$64 thousand. The increase resulted from lighting upgrades at the Sanitary District Wastewater Treatment Plant.
- Improvements other than buildings increased by \$74 thousand. The increase resulted from paving at the Shipping Creek Marina (\$48 thousand) and the Goodhands Creek Marina (\$26 thousand).
- Infrastructure increased by \$4.2 million as a result of various water and sewer infrastructure contributed by commercial developers to be maintained by the County. Of the \$4.2 million, \$3.5 million was related to the Four Seasons development.
- Auto, Machinery and Equipment increased by an amount of \$532 thousand and major additions included: (a) New sewer pumps, well pumps and other sanitation equipment (\$508 thousand) and (b) New pay machines at Public Landings (\$24 thousand).

Additional information on the County's capital assets can be found in Note 6 of this report.

Long-term debt: At the end of the current fiscal year, Queen Anne's County Government had total bonded debt, loans, capital leases, other post-employment benefit obligations, net pension liability, and compensated absence obligations of \$241.0 million for its governmental and business-type activities.

The full faith, 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 bonded debt.

Of this \$241.0 million in debt, \$38.8 million is considered to be self-supporting, in that obligations of the County’s enterprise funds will be funded through charges and assessments related to the operations of those funds. In addition, the Sanitary District’s Debt Service Fund holds total assets of \$1.1 million, which are restricted to payment of the Sanitary District’s subsequent year’s debt. See Note 10 for restricted assets and subsequent year debt service obligations.

Debt activities are summarized as follows:

Bonded Debt, Loans, Other Post-Employment Benefit Obligation, Net Pension Liability, and Compensated Absences	Governmental Activities		Business Type Activities		Total	
	2018	2017 *	2018	2017 *	2018	2017 *
	Bonds, Notes, and Premiums	\$ 133,984,765	\$ 125,217,582	\$ 28,461,016	\$ 19,514,223	\$ 162,445,781
Other Post-Employment Benefit Obligation	41,211,334	39,947,286	7,688,150	7,506,949	48,899,484	47,454,235
Net Pension Liability	24,362,611	27,446,255	2,299,155	2,553,815	26,661,766	30,000,070
Compensated Absences	2,561,087	2,553,495	383,107	368,889	2,944,194	2,922,384
Total Long-term Debt	\$ 202,119,797	\$ 195,164,618	\$ 38,831,428	\$ 29,943,876	\$ 240,951,225	\$ 225,108,494

* Restated for prior period adjustment (see Note 19).

During the 2018 fiscal year, the County’s total net debt increased by \$15.8 million (7.0 percent). Of this amount, governmental debt increased by \$7.0 million (3.6 percent), while business-type debt increased by \$8.9 million (29.7 percent). In fiscal year 2018, the County issued the public facilities bonds of 2018 totaling \$16.0 million. The Sanitary District continued borrowing funds through the Maryland Water Quality Administration for the Southern Kent Island (SKI) project. The total amount borrowed for this project in fiscal year 2018 was \$10.1 million. In addition, the total Other Post-Employment Benefit Obligations increased by \$1.4 million and the net pension liability decreased by \$3.3 million. Offsetting these increases were changes in accruals, plus the County’s repayment of existing debt in accordance with established repayment schedules for bonds, notes, and capital lease agreements.

Additional information on the County’s long-term debt can be found in Note 9 of this report.

The public local laws of Queen Anne’s County limit the amount of general obligation debt to no more than \$8.0 million, beyond any bonded indebtedness of the County. Currently, approximately \$6.6 million of this authority is available. All other debt has been authorized under specific legislation. Additional information on the computation of the legal debt margin can be found in Table 12 of the Statistical Section of this report.

During fiscal year 2018, Queen Anne’s County Government received “AAA” bond ratings from both Fitch Rating Service and Standard & Poor’s and an “Aa1” bond rating from Moody’s Investors Service.

Economic Factors and Next Year’s Budget and Rates

The following economic factors were considered in preparing Queen Anne’s County Government’s operating and capital budgets for the 2019 fiscal year:

- Property assessments are projected to increase by 3.13 percent over the previous year, based on State Assessment Office values used to compute the Constant Yield rate.
- Income tax revenue was projected at \$51.5 million for the 2019 budget.

The following are a few of the highlights from the fiscal year 2019 budget:

- Other Post-Employment Benefits shall continue to be funded in accordance with the approved ten year plan;
- The Board of Education will be funded at Maintenance of Effort in fiscal year 2019;
- The County employees will receive a two percent cost of living allowance as of July 1, 2018; and

- The County has instituted an On the Spot Awards Program, providing a cash bonus for extraordinary performance such as completing a special project or implementing a new process.

Requests for information

This financial report is designed to provide a general overview of Queen Anne's County Government's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Queen Anne's County Finance Office, 107 N. Liberty Street, Centreville, Maryland 21617. This report can also be found on the County's website, <http://www.qac.org> (see Government, Departments, Budget, Finance, and IT, Accounting section, Link to 2018 Comprehensive Annual Financial Report (CAFR)).

Basic Financial Statements

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018

	PRIMARY GOVERNMENT		TOTAL
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
ASSETS			
Equity in Pooled Cash and Investments	\$ 61,728,781	\$ 13,128,136	\$ 74,856,917
Cash and Cash Equivalents	-	-	-
Taxes Receivable (Net)	551,867	-	551,867
Accounts and Loans Receivable (Net)	7,546,801	616,055	8,162,856
Special Assessments (Net)	1,008,342	-	1,008,342
Internal Balances	1,953,396	(1,953,396)	-
Due from Primary Government	-	-	-
Due from Other Governments	18,382,883	70,553	18,453,436
Bond Interest Reimbursement Receivable - Build America Bond	82,405	3,373	85,778
Inventories	967,201	712,974	1,680,175
Prepaid Items	34,409	-	34,409
Endowment Fund	-	-	-
Restricted Assets:			
Equity in Pooled Cash and Investments	10,932,670	8,048,255	18,980,925
Accounts Receivable (Net)	-	5,603	5,603
Special Assessments Receivable (Net)	-	968,558	968,558
Capital Assets:			
Nondepreciable Assets	107,858,939	34,251,278	142,110,217
Depreciable Assets, Net	69,956,739	78,569,946	148,526,685
Total Assets	<u>281,004,433</u>	<u>134,421,335</u>	<u>415,425,768</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows related to Other Post-Employment Benefit Obligation	222,281	31,863	254,144
Deferred Outflows related to Pensions	6,393,763	615,166	7,008,929
Deferred Charge on Refunding	1,087,670	26,083	1,113,753
Total Deferred Outflows of Resources	<u>7,703,714</u>	<u>673,112</u>	<u>8,376,826</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	8,249,184	1,684,467	9,933,651
Accrued Interest Payable	1,528,283	119,909	1,648,192
Due to Component Units	564,851	-	564,851
Due to Other Governmental Agencies	343,584	-	343,584
Unearned Revenue	744,016	197,835	941,851
Escrow Deposits	-	93,272	93,272
Noncurrent Liabilities:			
Due within One Year	10,508,556	1,415,630	11,924,186
Due in More than One Year	191,611,241	37,415,798	229,027,039
Total Liabilities	<u>213,549,715</u>	<u>40,926,911</u>	<u>254,476,626</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows related to Pensions	3,127,324	293,557	3,420,881
Deferred Inflows related to Other Post-Employment Benefit Obligations	-	-	-
Deferred Assessments	1,008,342	968,558	1,976,900
Deferred Fees	979,049	-	979,049
Total Deferred Inflows of Resources	<u>5,114,715</u>	<u>1,262,115</u>	<u>6,376,830</u>
NET POSITION			
Net Investment in Capital Assets	114,794,226	84,386,291	199,180,517
Amounts Restricted for:			
General Government	11,285,435	-	11,285,435
Economic/Community Development	996,114	-	996,114
Public Safety	355,101	-	355,101
Conservation of Natural Resources	635,032	-	635,032
Social Services	3,562	-	3,562
Debt Service	-	1,060,134	1,060,134
Capital Projects	-	-	-
Other Purposes	-	-	-
Unrestricted Amounts (Deficit)	(58,025,753)	7,458,996	(50,566,757)
Total Net Position	<u>\$ 70,043,717</u>	<u>\$ 92,905,421</u>	<u>\$ 162,949,138</u>

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2018

(CONTINUED)

COMPONENT UNITS	
BOARD OF EDUCATION	FREE LIBRARY
\$ -	\$ -
13,775,576	602,372
-	-
319,164	15,000
-	-
-	-
564,851	-
1,606,146	-
-	-
40,287	-
-	27,279
-	156,251
-	-
-	-
-	-
10,693,812	29,850
154,181,184	1,341,413
<u>181,181,020</u>	<u>2,172,165</u>
-	2,230
1,211,479	-
-	-
<u>1,211,479</u>	<u>2,230</u>
11,385,502	89,808
-	-
-	-
32,951	-
936,006	-
-	-
359,924	-
178,772,458	463,470
<u>191,486,841</u>	<u>553,278</u>
586,217	-
23,170,628	1,729
-	-
-	-
<u>23,756,845</u>	<u>1,729</u>
162,791,940	1,371,263
-	-
-	-
-	-
-	-
-	-
359,884	-
65,921	23,002
(196,068,932)	225,123
<u>\$ (32,851,187)</u>	<u>\$ 1,619,388</u>

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	PRIMARY GOVERNMENT				
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL REVENUE
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 15,833,152	\$ 1,669,311	\$ 660,790	\$ 1,080,084	\$ 3,410,185
Public Safety	27,130,890	1,505,267	1,294,733	166,001	2,966,001
Public Works	17,665,141	1,779,206	822,659	282,028	2,883,893
Health	1,996,939	-	-	-	-
Social Services	5,152,409	71,131	2,018,289	58,500	2,147,920
Education	62,296,920	1,272,301	-	-	1,272,301
Library	1,785,580	-	-	-	-
Conservation of Natural Resources	2,567,600	110,655	131,321	1,439,284	1,681,260
Economic/Community Development	2,477,129	316,500	810,319	-	1,126,819
Interest and Fiscal Charges	4,294,929	-	-	-	-
Total Governmental Activities	141,200,689	6,724,371	5,738,111	3,025,897	15,488,379
Business-type Activities					
Water and Sewer	12,297,109	9,214,383	90,000	4,198,378	13,502,761
Airport	1,077,168	25,857	60,858	-	86,715
Golf Course	509,150	340,123	-	-	340,123
Public Landings and Marinas	534,966	451,524	104,829	-	556,353
Total Business-type Activities	14,418,393	10,031,887	255,687	4,198,378	14,485,952
Total Primary Government	\$ 155,619,082	\$ 16,756,258	\$ 5,993,798	\$ 7,224,275	\$ 29,974,331
COMPONENT UNITS					
Board of Education	\$ 120,835,746	\$ 1,486,182	\$ 19,479,172	\$ -	\$ 20,965,354
Free Library	2,344,860	5,277	311,217	-	316,494
Total Component Units	\$ 123,180,606	\$ 1,491,459	\$ 19,790,389	\$ -	\$ 21,281,848
General Revenues					
Local Property Tax					
Local Income Tax					
Other Local Taxes					
Admission and Amusement Taxes					
Recordation Taxes					
Hotel Taxes					
County Transfer Taxes					
Grants and Contributions Not Restricted to Specific Programs					
Investment Income					
Gain on Sale of Capital Assets					
Miscellaneous					
Transfers In (Out)					
Total General Revenues and Transfers					
Change in Net Position					
Net Position - Beginning of Year					
Adjustment to Beginning Net Position					
Net Position - Beginning of Year					
Net Position - End of Year					

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

(CONTINUED)

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION					
PRIMARY GOVERNMENT			COMPONENT UNITS		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	BOARD OF EDUCATION	FREE LIBRARY	
\$ (12,422,967)	\$ -	\$ (12,422,967)	\$ -	\$ -	
(24,164,889)	-	(24,164,889)	-	-	
(14,781,248)	-	(14,781,248)	-	-	
(1,996,939)	-	(1,996,939)	-	-	
(3,004,489)	-	(3,004,489)	-	-	
(61,024,619)	-	(61,024,619)	-	-	
(1,785,580)	-	(1,785,580)	-	-	
(886,340)	-	(886,340)	-	-	
(1,350,310)	-	(1,350,310)	-	-	
(4,294,929)	-	(4,294,929)	-	-	
<u>(125,712,310)</u>	<u>-</u>	<u>(125,712,310)</u>	<u>-</u>	<u>-</u>	
-	1,205,652	1,205,652	-	-	
-	(990,453)	(990,453)	-	-	
-	(169,027)	(169,027)	-	-	
-	21,387	21,387	-	-	
<u>-</u>	<u>67,559</u>	<u>67,559</u>	<u>-</u>	<u>-</u>	
<u>\$ (125,712,310)</u>	<u>\$ 67,559</u>	<u>\$ (125,644,751)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (99,870,392)	\$ -	
-	-	-	-	(2,028,366)	
-	-	-	(99,870,392)	(2,028,366)	
67,736,404	-	67,736,404	-	-	
55,211,695	-	55,211,695	-	-	
158,881	-	158,881	-	-	
5,723,114	-	5,723,114	-	-	
617,293	-	617,293	-	-	
1,997,292	-	1,997,292	-	-	
-	-	-	89,540,701	1,920,235	
978,955	439,716	1,418,671	43,420	7,820	
87,734	-	87,734	-	-	
630,895	865,879	1,496,774	172,950	31,799	
(183,026)	183,026	-	-	-	
<u>132,959,237</u>	<u>1,488,621</u>	<u>134,447,858</u>	<u>89,757,071</u>	<u>1,959,854</u>	
<u>7,246,927</u>	<u>1,556,180</u>	<u>8,803,107</u>	<u>(10,113,321)</u>	<u>(68,512)</u>	
<u>66,154,436</u>	<u>91,980,214</u>	<u>158,134,650</u>	<u>105,876,751</u>	<u>870,992</u>	
<u>(3,357,646)</u>	<u>(630,973)</u>	<u>(3,988,619)</u>	<u>(128,614,617)</u>	<u>816,908</u>	
<u>62,796,790</u>	<u>91,349,241</u>	<u>154,146,031</u>	<u>(22,737,866)</u>	<u>1,687,900</u>	
<u>\$ 70,043,717</u>	<u>\$ 92,905,421</u>	<u>\$ 162,949,138</u>	<u>\$ (32,851,187)</u>	<u>\$ 1,619,388</u>	

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

QUEEN ANNE'S COUNTY, MARYLAND
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

	MAJOR FUNDS			NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	GENERAL CAPITAL	ROADS CAPITAL		
ASSETS					
Cash and Cash Equivalents	\$ 27,946,000	\$ 16,296,392	\$ 2,806,250	\$ 14,680,139	\$ 61,728,781
Prepaid Items	34,409	-	-	-	34,409
Receivables					
Taxes Receivable (Net)	551,867	-	-	-	551,867
Accounts and Loans Receivable	183,856	961,074	2,466	6,399,405	7,546,801
Special Assessments (Net)	-	-	115,922	892,420	1,008,342
Due from Other Governments	13,306,798	28,000	7,274	931,119	14,273,191
Due from Other Funds	784,055	1,251,318	-	-	2,035,373
Inventory	967,201	-	-	-	967,201
Restricted					
Restricted Equity in Pooled Cash	-	10,932,670	-	-	10,932,670
Total Assets	<u>\$ 43,774,186</u>	<u>\$ 29,469,454</u>	<u>\$ 2,931,912</u>	<u>\$ 22,903,083</u>	<u>\$ 99,078,635</u>
LIABILITIES					
Accrued Liabilities	\$ 5,124,544	\$ 2,285,725	\$ 82,077	\$ 591,857	\$ 8,084,203
Due to Other Funds	-	-	-	81,977	81,977
Due to Component Units	-	564,851	-	-	564,851
Due to Other Governmental Agencies	-	-	-	343,584	343,584
Unearned Revenue	548,023	48,655	-	147,338	744,016
Total Liabilities	<u>5,672,567</u>	<u>2,899,231</u>	<u>82,077</u>	<u>1,164,756</u>	<u>9,818,631</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Income Taxes	7,857,585	-	-	-	7,857,585
Unavailable Property Taxes	161,984	-	-	-	161,984
Unavailable Inter-County Bonds Receivable	426,585	-	-	-	426,585
Unavailable Benefit Assessments	-	-	115,922	892,420	1,008,342
Unavailable Fees	-	-	-	979,049	979,049
Total Deferred Inflows	<u>8,446,154</u>	<u>-</u>	<u>115,922</u>	<u>1,871,469</u>	<u>10,433,545</u>
FUND BALANCES					
Nonspendable	1,001,610	2,182,392	-	5,401,161	8,585,163
Restricted	10,999,800	4,825,532	-	1,989,809	17,815,141
Committed	5,027,897	2,571,804	615,450	12,014,961	20,230,112
Assigned	1,483,827	16,990,495	2,118,463	509,685	21,102,470
Unassigned	11,142,331	-	-	(48,758)	11,093,573
Total Fund Balances	<u>29,655,465</u>	<u>26,570,223</u>	<u>2,733,913</u>	<u>19,866,858</u>	<u>78,826,459</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 43,774,186</u>	<u>\$ 29,469,454</u>	<u>\$ 2,931,912</u>	<u>\$ 22,903,083</u>	<u>\$ 99,078,635</u>

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

QUEEN ANNE'S COUNTY, MARYLAND
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds **\$ 78,826,459**

Amounts reported for Governmental activities in the Statement of Net Position are different because:

Receivables not included in the governmental funds because they relate to debt.

A portion of the County's 2014 Bond offering related to debt issued on behalf of Chesapeake College. Although Queen Anne's County will submit the payments to the lender for the bonds, there are five Counties total that will share the expense of the debt service for the Chesapeake College project. A receivable is booked in Government-Wide in order to offset the debt recorded on the books related to the portion of the Chesapeake College project that the other Counties are responsible for.

ADD Accounts Receivable - Related to Chesapeake College Debt 4,109,692

A portion of the County's 2009 Bond offering was issued using Build America Bonds. As an incentive to use these bonds, the Federal government offered an interest reimbursement grant, which offsets the County's debt service for interest expense. At year end, a receivable is booked for the interest reimbursement due, but not yet received, which relates to the interest expense not paid yet.

ADD Bond Interest Reimbursement Receivable - Build America Bond 82,405

Capital assets used in governmental fund activities are not current financial resources and therefore are not reported in the funds.

ADD Nondepreciable capital assets		
Land and Land Improvements	\$ 43,585,531	
Infrastructure	43,890,863	
Construction in Progress	20,382,545	107,858,939

ADD Depreciable capital assets		
Buildings	48,139,565	
Improvements other than Buildings	10,832,917	
Machinery and Equipment	24,374,250	
Vehicles	12,918,122	
Infrastructure	19,236,142	
Less Accumulated depreciation	(45,544,257)	69,956,739

Revenues that are deferred in the governmental funds because they do not provide current financial resources are recognized as revenues in the Statement of Activities.

ADD Property Taxes deferred in governmental funds	161,984	
ADD Income Taxes deferred in governmental funds	7,857,585	
ADD Loans receivable deferred in governmental funds	426,585	8,446,154

Long-term liabilities related to governmental fund activities are not due and payable in the current period and therefore are not reported in the funds.

SUBTRACT Accrued Interest Payable (1,528,283)

SUBTRACT Liability for Retirement Incentive (164,981)

SUBTRACT Long-Term Liabilities Due within One Year		
Accrued Compensated Absences	(1,601,944)	
Bonds and Notes Payable	(8,906,612)	(10,508,556)

SUBTRACT Long-Term Liabilities Due in More than One Year		
Other Post-Employment Benefit Obligation	(41,211,334)	
Net Pension Liability	(24,362,611)	
Accrued Compensated Absences	(959,143)	
Bonds and Notes Payable	(125,078,153)	(191,611,241)

ADD / SUBTRACT Deferred Inflows and Outflows		
Deferred Inflows - Maryland State Pension	(3,127,324)	
Deferred Outflows- Other Post-Employment Benefit Obligations	222,281	
Deferred Outflows - Maryland State Pension	6,393,763	
Deferred Charge On Refunding	1,087,670	4,576,390

Total Net Position - Governmental Activities **\$ 70,043,717**

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	MAJOR FUNDS			NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	GENERAL CAPITAL	ROADS CAPITAL		
REVENUES					
Taxes					
Local Property Tax	\$ 67,907,999	\$ -	\$ -	\$ 36,731	\$ 67,944,730
Local Income Tax	51,834,189	-	-	-	51,834,189
Admission and Amusement Taxes	158,881	-	-	-	158,881
Recordation Taxes	5,550,291	-	-	172,823	5,723,114
Hotel Taxes	617,293	-	-	-	617,293
County Transfer Taxes	1,997,292	-	-	-	1,997,292
State Shared Taxes	768,800	-	-	67,877	836,677
Franchise Fee	488,334	-	-	-	488,334
Licenses and Permits	625,285	53,825	-	-	679,110
Intergovernmental	2,128,380	1,921,834	50,255	3,438,583	7,539,052
Bond Interest Reimbursement - Build America Bond	334,858	-	-	-	334,858
Charges for Current Services	2,845,264	27,071	60,908	2,365,458	5,298,701
Fines and Forfeitures	95,394	-	-	162,832	258,226
Investment Income	639,388	172,419	28,882	138,266	978,955
Donations	1,801	-	-	55,834	57,635
Miscellaneous	370,402	165,471	-	95,022	630,895
Total Revenues	136,363,851	2,340,620	140,045	6,533,426	145,377,942
EXPENDITURES					
Current					
General Government	8,838,705	1,138,284	-	30,057	10,007,046
Public Safety	23,911,335	684,680	-	453,416	25,049,431
Public Works	9,273,925	166,491	1,901,696	74,804	11,416,916
Health	1,971,460	-	-	-	1,971,460
Social Services	350,383	-	-	3,778,751	4,129,134
Education	57,377,211	4,974,835	-	-	62,352,046
Library	1,765,190	-	-	-	1,765,190
Conservation of Natural Resources	575,039	211,413	-	1,791,283	2,577,735
Economic/Community Development	809,247	719,767	-	904,157	2,433,171
Parks	3,642,267	175,921	-	-	3,818,188
Recreation	633,019	-	-	-	633,019
Intergovernmental	484,263	-	-	-	484,263
Miscellaneous	4,864,305	-	-	-	4,864,305
Capital Outlay	-	12,040,649	243,005	27,897	12,311,551
Debt Service					
Principal	7,105,112	-	-	44,425	7,149,537
Debt Issuance Costs	-	229,894	-	-	229,894
Interest and Fiscal Charges	4,280,553	-	-	-	4,280,553
Total Expenditures	125,882,014	20,341,934	2,144,701	7,104,790	155,473,439
Excess of Revenues Over (Under) Expenditures	10,481,837	(18,001,314)	(2,004,656)	(571,364)	(10,095,497)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	13,679,451	2,320,549	-	16,000,000
Bond Premiums	-	908,973	-	-	908,973
Proceeds of Capital Asset Disposals	41,547	12,550	-	-	54,097
Insurance Proceeds	35,175	-	-	4,765	39,940
Transfers In	-	5,253,577	360,000	2,606,624	8,220,201
Transfers Out	(7,113,354)	(67,461)	-	(1,222,412)	(8,403,227)
Other Financing Sources (Uses)	(7,036,632)	19,787,090	2,680,549	1,388,977	16,819,984
Net Increase in Fund Balances	3,445,205	1,785,776	675,893	817,613	6,724,487
Fund Balances, July 1	26,210,260	24,784,447	2,058,020	19,049,245	72,101,972
Fund Balances, June 30	\$ 29,655,465	\$ 26,570,223	\$ 2,733,913	\$ 19,866,858	\$ 78,826,459

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

QUEEN ANNE'S 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, 2018

Change in Fund Balances - Total governmental funds, per Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds **\$ 6,724,487**

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

Capital outlay expenditures are reported in Governmental Funds during the year. However, in the Statement of Activities, costs for capital asset purchases are allocated over the estimated useful lives of those assets and reported as depreciation expense over a number of years. Therefore, the change in assets differs from the change in fund balance by the amount of capital asset purchases that will be capitalized and depreciated over a number of years, less the offsetting depreciation expense for the current year.

Proceeds received on disposal of capital assets are reported in Governmental Funds as current financial resources. In the Statement of Activities, only the gain or (loss) realized on disposal of capital assets is reported. Thus, the change in net assets differs from the change in fund balance by the cost of capital assets sold, net of accumulated depreciation (i.e., book value). In addition, developer contributions of capital assets (primarily infrastructure) are not reported in Governmental Funds because they do not represent current financial resources available to cover this year's expenditures. Thus, the change in net assets differs from the change in fund balance by the capital assets received.

Donated Capital Assets are not reported in Governmental Funds because they are not current financial resources. However, in the Statement of Activities, they are recognized as capital contributions and as capital assets.

The following is a summary of the net increase in capital assets, which is detailed in Note 6 - Capital Assets - Primary Government.

ADD capital assets acquired as capital outlay	\$	260,941	
ADD capital assets resulting from general capital projects		12,040,920	
ADD capital assets resulting from roads capital projects		243,005	
SUBTRACT capital asset donations and transfers		(19,086)	
SUBTRACT book value of disposed capital assets, net of accumulated depreciation		(392,132)	
SUBTRACT current year depreciation expense		(4,622,315)	
		7,511,333	
Net Increase in Capital Assets			7,511,333

Receivables not included in the governmental funds because they relate to debt.

A portion of the County's 2014 Bond offering related to debt issued on behalf of Chesapeake College. Although Queen Anne's County will submit the payments to the lender for the bonds, there are five Counties that will share the expense of the debt service for the Chesapeake College project. A receivable is booked in Government-Wide in order to offset the debt recorded on the books related to the portion of the Chesapeake College project that the other Counties are responsible for.

CHANGE in bond receivable related to 2014 bonds (181,152)

Liability for retirement incentive

As part of the retirement incentives offered in fiscal year 2018, retirees were given a certain period of health insurance at no cost, rather than the normal premium. The maximum period of no cost health insurance was five years. The liability for the benefit offered to the retirees is included in the government wide statements and adjusted each year until the benefit period is over.

CHANGE in liability for the retirement incentive (164,981)

A portion of the County's 2009 Bond offering was issued using Build America Bonds. As an incentive to use these bonds, the Federal government offered an interest reimbursement grant, which offsets the County's debt service for interest expense. Therefore, at year end, a receivable is booked for the interest reimbursement due, but not yet received.

CHANGE in bond interest reimbursement receivable - Build America Bond (4,214)

Revenues that are earned but not collected within sixty days after the end of the fiscal year are not considered to

be "available" to meet current cash requirements and are deferred in the Governmental Funds to the following year. However, these revenues are recognized in the Statement of Activities. The amount by which this type of deferred inflows increased or (decreased) relative to the prior year is as follows:

CHANGE in Property Tax Deferred Inflows		(208,326)	
CHANGE in Income Tax Deferred Inflows		3,377,508	

Issuance of long-term debt (e.g., bonds, notes, and capital leases) provides current financial resources

to Governmental Funds, while repayment of principal due for long-term debt consumes current resources. In the Statement of Net Assets, issuing debt increases long term liabilities, while repayment reduces those liabilities.

ADD retirements and repayments made on long term debt	8,141,790		
SUBTRACT proceeds of debt	(16,908,973)		
SUBTRACT College reimbursement received	(203,379)		
ADD County's allocation to College for debt	55,124		
SUBTRACT Deferred Refunding Costs	(211,377)		
		(9,126,815)	

Some accrued expenses, reported in the Statement of Activities, do not require the use of current financial resources and are not reported as expenditures in the Governmental Funds.

CHANGE in:			
Accrued Interest Payable		(58,559)	
Accrued Other Post Employment Benefit Obligation		(1,264,048)	
Net pension liability - Maryland State Pension		3,083,644	
Accrued Compensated Absences		(7,592)	
Deferred outflow of resources - Other Post-Employment Benefit Obligations		222,281	
Deferred outflow of resources - Maryland State Pension (see Note 12)		(1,120,448)	
Deferred inflow of resources - Maryland State Pension (see Note 12)		(1,536,191)	

Change in Net Position - governmental activities, per Statement of Activities **\$ 7,246,927**

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2018

	SANITARY DISTRICT		
	SEWER OPERATIONS	WATER OPERATIONS	RESTRICTED FUND
ASSETS			
Current Assets			
Unrestricted			
Equity in Pooled Cash	\$ 7,953,070	\$ 4,353,939	\$ -
Accounts Receivable (Net)	320,289	211,444	-
Due from Other Governments	-	-	-
Bond Interest Reimbursement Receivable - Build America Bond	-	-	-
Inventories	682,710	-	-
Restricted			
Restricted Equity in Pooled Cash	-	-	6,988,210
Restricted Accounts Receivable (Net)	-	-	5,514
Total Current Assets	8,956,069	4,565,383	6,993,724
Noncurrent Assets			
Restricted			
Special Assessments Receivable (Net)	-	-	968,558
Capital Assets			
	115,285,813	29,291,693	-
Less Accumulated Depreciation	(47,674,430)	(10,108,213)	-
Total Capital Assets, Net of Depreciation	67,611,383	19,183,480	-
Total Noncurrent Assets	67,611,383	19,183,480	968,558
Total Assets	76,567,452	23,748,863	7,962,282
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow for Other Post-Employment Benefit Obligation	23,519	6,849	-
Deferred Outflow for Pension Contributions	424,937	123,988	-
Deferred Charge on Refunding	-	-	-
Total Deferred Outflows of Resources	448,456	130,837	-
LIABILITIES			
Current Liabilities			
Payable from Unrestricted Assets			
Accounts Payable	1,458,122	115,043	36,766
Accrued Interest Payable	82,857	-	-
Escrow Deposits	75,272	-	-
Due to Other Funds	-	-	-
Unearned Revenue	195,565	-	-
Current Portion of Compensated Absences	147,754	53,820	-
Current Portion of Bonds/Notes Payable	924,815	-	-
Total Current Liabilities	2,884,385	168,863	36,766
Noncurrent Liabilities			
Payable from Unrestricted Assets			
Compensated Absences	88,466	32,224	-
Other Post-Employment Benefit Obligation	5,485,806	1,627,532	-
Net Pension Liability	1,590,547	462,910	-
Bonds/Notes Payable	24,560,006	-	-
Total Noncurrent Liabilities	31,724,825	2,122,666	-
Total Liabilities	34,609,210	2,291,529	36,766
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow for Pension Contributions	202,633	59,219	-
Unavailable Water and Sewer Assessments	-	-	968,558
Total Deferred Inflows of Resources	202,633	59,219	968,558
NET POSITION			
Net Investment in Capital Assets	42,126,562	19,183,480	-
Amounts Restricted for:			
Debt Service	-	-	-
Unrestricted Amounts (Deficit)	77,503	2,345,472	6,956,958
Total Net Position	\$ 42,204,065	\$ 21,528,952	\$ 6,956,958

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
JUNE 30, 2018

(CONTINUED)

SANITARY DISTRICT			NON-MAJOR ENTERPRISE FUNDS	TOTAL PRIMARY GOVERNMENT ENTERPRISE FUNDS
DEBT SERVICE FUND	TOTAL	BAY BRIDGE AIRPORT		
\$ -	\$ 12,307,009	\$ -	\$ 821,127	\$ 13,128,136
-	531,733	28,575	55,747	616,055
-	-	58,553	12,000	70,553
-	-	533	2,840	3,373
-	682,710	24,493	5,771	712,974
1,060,045	8,048,255	-	-	8,048,255
89	5,603	-	-	5,603
<u>1,060,134</u>	<u>21,575,310</u>	<u>112,154</u>	<u>897,485</u>	<u>22,584,949</u>
-	968,558	-	-	968,558
-	144,577,506	23,305,188	9,302,012	177,184,706
-	(57,782,643)	(4,759,834)	(1,821,005)	(64,363,482)
-	86,794,863	18,545,354	7,481,007	112,821,224
-	87,763,421	18,545,354	7,481,007	113,789,782
<u>1,060,134</u>	<u>109,338,731</u>	<u>18,657,508</u>	<u>8,378,492</u>	<u>136,374,731</u>
-	30,368	301	1,194	31,863
-	548,925	17,227	49,014	615,166
-	-	12,984	13,099	26,083
-	579,293	30,512	63,307	673,112
-	1,609,931	9,740	64,796	1,684,467
-	82,857	24,592	12,460	119,909
-	75,272	18,000	-	93,272
-	-	1,305,335	648,061	1,953,396
-	195,565	-	2,270	197,835
-	201,574	10,956	27,101	239,631
-	924,815	114,628	136,556	1,175,999
-	3,090,014	1,483,251	891,244	5,464,509
-	120,690	6,559	16,227	143,476
-	7,113,338	274,974	299,838	7,688,150
-	2,053,457	62,733	182,965	2,299,155
-	24,560,006	1,808,002	917,009	27,285,017
-	33,847,491	2,152,268	1,416,039	37,415,798
-	36,937,505	3,635,519	2,307,283	42,880,307
-	261,852	8,143	23,562	293,557
-	968,558	-	-	968,558
-	1,230,410	8,143	23,562	1,262,115
-	61,310,042	16,635,708	6,440,541	84,386,291
1,060,134	1,060,134	-	-	1,060,134
-	9,379,933	(1,591,350)	(329,587)	7,458,996
<u>\$ 1,060,134</u>	<u>\$ 71,750,109</u>	<u>\$ 15,044,358</u>	<u>\$ 6,110,954</u>	<u>\$ 92,905,421</u>

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	SANITARY DISTRICT		
	SEWER OPERATIONS	WATER OPERATIONS	RESTRICTED FUND
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 5,874,451	\$ 2,341,447	\$ 998,485
Intergovernmental	90,000	-	-
Bond Interest Reimbursement - Build America Bond	-	-	-
Material Sales	60,688	12,567	-
Miscellaneous Revenues	21,675	146,136	-
Total Operating Revenues	6,046,814	2,500,150	998,485
<u>OPERATING EXPENSES</u>			
Cost of Sales and Services			
Collection	2,784,845	-	-
Distribution	-	304,224	-
Treatment	1,534,746	1,361,861	-
Shop	251,515	78,574	-
Airport	-	-	-
Recreation	-	-	-
Total Cost of Sales and Services	4,571,106	1,744,659	-
Administration and Inspection	922,849	578,076	-
Other Post-Employment Benefit Contributions	110,229	32,101	-
Pension Liability Adjustment	(6,842)	771	-
Depreciation	3,100,986	611,021	-
Total Operating Expenses	8,698,328	2,966,628	-
Operating Income (Loss)	(2,651,514)	(466,478)	998,485
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Investment Income	115,684	96,379	220,512
Interest Expense	(280,804)	-	-
(Loss) on Disposal of Capital Assets	(351,349)	-	-
Total Non-Operating Revenues (Expenses)	(516,469)	96,379	220,512
Income (Loss) Before Contributions and Transfers	(3,167,983)	(370,099)	1,218,997
Capital Contributions, Fees and Grants	1,746,166	2,452,212	-
<u>TRANSFERS</u>			
Transfers In	1,059,710	-	61,872
Transfers Out	(5,000)	(5,000)	(1,227,444)
Net Transfers In (Out)	1,054,710	(5,000)	(1,165,572)
Change in Net Position	(367,107)	2,077,113	53,425
Total Net Position - Beginning of Year, as Previously Reported	43,021,023	19,585,362	6,903,533
Adjustments to Restate Beginning Net Position	(449,851)	(133,523)	-
Total Net Position - Beginning of Year	42,571,172	19,451,839	6,903,533
Total Net Position - End of Year	\$ 42,204,065	\$ 21,528,952	\$ 6,956,958

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(CONTINUED)

SANITARY DISTRICT			NON-MAJOR ENTERPRISE FUNDS	TOTAL PRIMARY GOVERNMENT ENTERPRISE FUNDS
DEBT SERVICE FUND	TOTAL	BAY BRIDGE AIRPORT		
\$ -	\$ 9,214,383	\$ 25,857	\$ 791,647	\$ 10,031,887
-	90,000	58,718	93,434	242,152
-	-	2,140	11,395	13,535
-	73,255	160,171	46,595	280,021
-	167,811	401,844	16,203	585,858
-	9,545,449	648,730	959,274	11,153,453
-	2,784,845	-	-	2,784,845
-	304,224	-	-	304,224
-	2,896,607	-	-	2,896,607
-	330,089	-	-	330,089
-	-	536,426	-	536,426
-	-	-	821,045	821,045
-	6,315,765	536,426	821,045	7,673,236
-	1,500,925	-	-	1,500,925
-	142,330	1,414	5,595	149,339
-	(6,071)	(1,236)	3,362	(3,945)
-	3,712,007	436,859	165,418	4,314,284
-	11,664,956	973,463	995,420	13,633,839
-	(2,119,507)	(324,733)	(36,146)	(2,480,386)
6,736	439,311	405	-	439,716
-	(280,804)	(103,705)	(48,696)	(433,205)
-	(351,349)	-	-	(351,349)
6,736	(192,842)	(103,300)	(48,696)	(344,838)
6,736	(2,312,349)	(428,033)	(84,842)	(2,825,224)
-	4,198,378	-	-	4,198,378
1,227,444	2,349,026	73,284	119,742	2,542,052
(1,121,582)	(2,359,026)	-	-	(2,359,026)
105,862	(10,000)	73,284	119,742	183,026
112,598	1,876,029	(354,749)	34,900	1,556,180
947,536	70,457,454	15,422,075	6,100,685	91,980,214
-	(583,374)	(22,968)	(24,631)	(630,973)
947,536	69,874,080	15,399,107	6,076,054	91,349,241
\$ 1,060,134	\$ 71,750,109	\$ 15,044,358	\$ 6,110,954	\$ 92,905,421

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	SANITARY DISTRICT		
	SEWER OPERATIONS	WATER OPERATIONS	RESTRICTED FUND
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers and users	\$ 5,687,648	\$ 2,310,364	\$ 1,035,795
Receipts from other operating sources	172,363	158,703	-
Receipts from bond interest reimbursement - Build America Bond	-	-	-
Payments to suppliers	(5,017,022)	(1,188,150)	-
Payments to employees and on behalf of employees	(3,355,202)	(1,136,041)	-
Net Cash Provided (Used) by Operating Activities	<u>(2,512,213)</u>	<u>144,876</u>	<u>1,035,795</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Transfers in from other funds	1,059,710	-	61,872
Receipts from interfund loans	-	-	-
Transfers to other funds	(5,000)	(5,000)	(1,227,444)
Principal paid on interfund loans	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,054,710</u>	<u>(5,000)</u>	<u>(1,165,572)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Proceeds from the disposition of capital assets	25,000	-	-
Principal paid on capital debt	(915,658)	-	-
Receipts from state loan	10,103,735	-	-
Interest paid on capital debt	(243,715)	-	-
Acquisition and construction of capital assets	(7,338,083)	(229,925)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>1,631,279</u>	<u>(229,925)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net Cash Provided by Investing Activities - Investment Income	<u>115,684</u>	<u>96,379</u>	<u>220,512</u>
Net Increase in Cash and Cash Equivalents	289,460	6,330	90,735
Balances - Beginning of the year	<u>7,663,610</u>	<u>4,347,609</u>	<u>6,897,475</u>
Balances - End of the year	<u>\$ 7,953,070</u>	<u>\$ 4,353,939</u>	<u>\$ 6,988,210</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ (2,651,514)	\$ (466,478)	\$ 998,485
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	3,100,986	611,021	-
Effect of changes in operating assets and liabilities:			
Accounts receivable, net	2,860	(31,083)	544
Special assessments receivable, net	-	-	160,293
Operating grants receivable	-	-	-
Build America Bonds Interest receivable	-	-	-
Inventories and Prepaid Expenses	(23,250)	-	-
Vendor accounts payable	(2,864,442)	(3,276)	36,766
Compensated absences	9,423	1,820	-
Other Post-Employment Benefit Obligation	110,229	32,101	-
Pension Obligation	(6,842)	771	-
Escrow deposits payable	22,755	-	-
Deferred revenue collected in advance	(212,418)	-	(160,293)
Net Cash Provided (Used) by Operating Activities	<u>\$ (2,512,213)</u>	<u>\$ 144,876</u>	<u>\$ 1,035,795</u>
<u>Noncash investing, capital and financing activities:</u>			
Donation of capital assets (infrastructure) by developers	<u>\$ 1,746,166</u>	<u>\$ 2,452,212</u>	<u>\$ -</u>

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(CONTINUED)

SANITARY DISTRICT			BAY BRIDGE AIRPORT	NON-MAJOR ENTERPRISE FUNDS	TOTAL PRIMARY GOVERNMENT ENTERPRISE FUNDS
DEBT SERVICE FUND	TOTAL				
\$ 2	\$ 9,033,809	\$ 34,821	\$ 776,779	\$ 9,845,409	
-	331,066	608,125	165,838	1,105,029	
-	-	2,168	11,540	13,708	
-	(6,205,172)	(404,843)	(492,679)	(7,102,694)	
-	(4,491,243)	(131,247)	(351,899)	(4,974,389)	
2	(1,331,540)	109,024	109,579	(1,112,937)	
1,227,444	2,349,026	73,284	119,742	2,542,052	
-	-	1,305,335	648,061	1,953,396	
(1,121,582)	(2,359,026)	-	-	(2,359,026)	
-	-	(1,275,420)	(583,544)	(1,858,964)	
105,862	(10,000)	103,199	184,259	277,458	
-	25,000	-	-	25,000	
-	(915,658)	(102,500)	(121,553)	(1,139,711)	
-	10,103,735	-	-	10,103,735	
-	(243,715)	(110,128)	(52,829)	(406,672)	
-	(7,568,008)	-	(103,166)	(7,671,174)	
-	1,401,354	(212,628)	(277,548)	911,178	
6,736	439,311	405	-	439,716	
112,600	499,125	-	16,290	515,415	
947,445	19,856,139	-	804,837	20,660,976	
<u>\$ 1,060,045</u>	<u>\$ 20,355,264</u>	<u>\$ -</u>	<u>\$ 821,127</u>	<u>\$ 21,176,391</u>	
\$ -	\$ (2,119,507)	\$ (324,733)	\$ (36,146)	\$ (2,480,386)	
-	3,712,007	436,859	165,418	4,314,284	
2	(27,677)	8,064	(14,621)	(34,234)	
-	160,293	-	-	160,293	
-	-	(12,608)	9,606	(3,002)	
-	-	28	145	173	
-	(23,250)	594	(648)	(23,304)	
-	(2,830,952)	(4,777)	(21,341)	(2,857,070)	
-	11,243	4,519	(1,544)	14,218	
-	142,330	1,414	5,595	149,339	
-	(6,071)	(1,236)	3,362	(3,945)	
-	22,755	900	-	23,655	
-	(372,711)	-	(247)	(372,958)	
<u>\$ 2</u>	<u>\$ (1,331,540)</u>	<u>\$ 109,024</u>	<u>\$ 109,579</u>	<u>\$ (1,112,937)</u>	
<u>\$ -</u>	<u>\$ 4,198,378</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,198,378</u>	

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST, OTHER POST-EMPLOYMENT BENEFIT TRUST, AND AGENCY FUNDS
JUNE 30, 2018

	PRIVATE PURPOSE TRUST FUND	OTHER POST-EMPLOYMENT BENEFIT TRUST FUND	AGENCY FUNDS
	TAX SALE DEPOSITS		
ASSETS			
Cash and Cash Equivalents	\$ 46,302	\$ 1,586,737	\$ 563,536
Investments, at Fair Value			
Debt Securities	-	1,227,549	-
Fixed Income Fund	-	244,636	-
Mutual and Global Funds	-	2,109,987	-
International	-	786,330	-
Total Investments	-	4,368,502	-
Total Assets	<u>46,302</u>	<u>5,955,239</u>	<u>\$ 563,536</u>
LIABILITIES			
Accrued Expenses	-	7,573	\$ 1,500
Due to Other Governments	-	157,645	41,274
Deposits and Escrows	-	-	520,762
Total Liabilities	<u>-</u>	<u>165,218</u>	<u>\$ 563,536</u>
NET POSITION			
Held in Trust	<u>\$ 46,302</u>	<u>\$ 5,790,021</u>	

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

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE PURPOSE TRUST AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2018

	PRIVATE PURPOSE TRUST FUND
	TAX SALE DEPOSITS
ADDITIONS	
Total Additions - Tax Sale Collections in Excess of Tax Due	\$ 3,368
DEDUCTIONS	
Distributions to Property Holders	215,727
Change in Assets	(212,359)
NET POSITION HELD IN TRUST	
Net Position-Beginning of Year	258,661
Net Position-End of Year	\$ 46,302
	OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
ADDITIONS	
CONTRIBUTIONS	
Employers	\$ 4,853,116
Members	1,149,571
Total Contributions	6,002,687
Investment Earnings	
Interest	118,838
Net Increase in the Fair Value of Investments	113,050
Total Investment Gain	231,888
Less Investment Expenses	(2,196)
Net Investment Gain	229,692
Total Additions	6,232,379
DEDUCTIONS	
Claims Paid	4,769,245
Administrative Expenses	18,925
Total Deductions	4,788,170
Change in Assets	1,444,209
NET POSITION HELD IN TRUST	
Net Position-Beginning of Year	4,345,812
Net Position-End of Year	\$ 5,790,021

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

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
INDEX

Note		
1	Summary of Significant Accounting Policies	49-60
2	Budgets and Budgetary Accounting	60-61
3	Cash, Investments and Investment Income	62-66
4	Accounts Receivable	67-68
5	Unearned Revenue	69
6	Capital Assets	70-74
7	Interfund Receivables and Payables	75
8	Interfund Transfers	76
9	Noncurrent Liabilities	77-86
10	Restricted Assets and Liabilities and Fund Balances	87-89
11	Risk Management	90
12	Retirement Plans	91-100
13	Deferred Compensation Plan	100
14	Other Post-Employment Benefits	100-113
15	Deficit Equity Balances	114
16	Commitments and Contingencies	114-116
17	Joint Venture	116
18	Pollution Remediation Obligations	117
19	Prior Period Restatement	118

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County conform to accounting principles generally accepted in the United States of America (GAAP) applicable to local government entities. The following is a summary of significant policies.

A. REPORTING ENTITY

Queen Anne's County, Maryland (the County) was founded in 1706. The County is governed by five Commissioners who are elected to serve four-year terms. This board assumes responsibilities conferred upon them by the Maryland General Assembly under Code Home Rule and provides the following services: public safety, public facility/infrastructure maintenance and improvements, sanitation, health and social services, education, recreation and culture, library, conservation of natural resources, economic and community development, and general administrative services.

As required by GAAP, these financial statements present the primary government and its component units, which are entities for which the primary government is considered financially accountable. The decision to include a potential component unit in the financial reporting entity was made by applying the criteria set forth in the Government Accounting Standards Board (GASB) Statements No. 14 and 39. Blended component units, although separate entities, are in substance, part of the government's operations. However, each discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for descriptions) to emphasize that it is legally separate from the government.

Blended Component Units

The Queen Anne's County Sanitary District serves citizens of the government and is governed by a board comprised of the government's elected Commissioners. The rates for user charges and bond issuance authorizations are approved by the Board of Commissioners and the legal liability for the general obligation portion of the District's debt remains with the government. The Sanitary District is reported as an enterprise fund.

The Queen Anne's County Roads Board serves all the citizens of the government and is governed by a board comprised of the government's elected Commissioners. All operations of the Roads Board are approved by the Board of Commissioners and the legal liability for any debt remains with the government. The Roads Operating Fund is included in with the General Fund.

Discretely Presented Component Units

Component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units within the County's reporting entity include whether:

- the organization is legally separate
- the County Commissioners appoint a voting majority of the organization's board
- the County Commissioners have the ability to impose their will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- the organization is fiscally dependent on the County

Based on the application of these criteria, the following organizations are considered component units of Queen Anne's County Government. Their financial data is discretely presented in separate columns in the government-wide financial statements. Both discretely presented component units have a June 30 year end.

The Board of Education of Queen Anne's County is a five-member body responsible for the operation of Queen Anne's County Schools. Beginning with the November 2008 election, the members were elected by the County voters. The Board of Education is a component unit of Queen Anne's County, Maryland by virtue of the Board's fiscal dependency on the County through the County's responsibility for levying taxes, issuing debt, and its budgetary control over the Board of Education.

The Queen Anne's County Free Library is a component unit of the Queen Anne's County Government by virtue of the Library's fiscal dependency on the County. The County levies taxes and approves the Library's budget. The Library Board of Trustees governs the Library. Vacancies on the Board of Trustees are filled by vote of the remaining members of that Board.

QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. REPORTING ENTITY (CONTINUED)

Discretely Presented Component Units (continued)

Complete financial statements of the discretely presented component units can be obtained from their respective administrative offices listed below:

**Board of Education of
Queen Anne’s County**
202 Chesterfield Avenue
Centreville, Maryland 21617

**Queen Anne’s County
Free Library**
121 S. Commerce Street
Centreville, MD 21617

Joint Venture

The operation of the Midshore Regional Landfill is considered a joint venture of the County. Disclosure of the County’s participation in this joint venture is presented in Note 17.

Complete financial statements can be obtained at the joint ventures’ administrative office listed below:

Maryland Environmental Service
259 Najoles Road
Millersville, Maryland 21108

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements – The government-wide financial statements report information on all of the non-fiduciary activities of the Primary Government and its component units. Since, by definition, assets of fiduciary funds are held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

Interfund activity within the primary government’s governmental activities and business-type activities has been eliminated from the government-wide statements. Interfund services provided and used are not eliminated in the process of consolidation. Residual balances between the governmental and business-type categories are presented on the Statement of Net Position as “Internal balances”.

Governmental activities of the Primary Government, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Statement of Net Position – This statement is designed to display the financial position of the reporting entity as of year-end. Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Position and report depreciation expense, the cost of “using up” capital assets, in the Statement of Activities. Net position is divided into three categories: 1) net investment in capital assets; 2) restricted amounts; and 3) unrestricted amounts. *Net Investment in capital assets* consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those capital assets. *Restricted amounts* are assets for which constraints are placed due to restrictions that are either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of the government, or (2) imposed by law through constitutional provisions or enabling legislation. *Unrestricted amounts* consist of net assets that do not meet the definition of restricted or invested in capital assets.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Statement of Activities – This statement demonstrates the degree to which the direct expenses of a given function for the fiscal year are offset by program revenues. Therefore, this statement reflects both the gross and net costs per functional category (general government; public safety; public works; health; social services; education; library; conservation of natural resources; and economic/community development) that are otherwise supported by general revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. The operating grants and contributions column includes operating-specific and discretionary (either operating or capital) grants, while the capital grants and contributions column reflects capital-specific grants. Taxes and other items not properly included among program revenues are reported as general revenues. The County does not allocate indirect expenses.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

In the fund financial statements, financial transactions and accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise assets, liabilities, fund balance/net assets, revenues, and expenditures/expenses.

Governmental Fund Budget-to-Actual Comparison Statements – Demonstrating compliance with the legally adopted budget is an important component of government's accountability to the public. The County provides a budget-to-actual comparison of the General Fund as part of the required supplementary information section located after the Notes to the basic financial statements. A budget-to-actual comparison is provided for the General Fund on a departmental level as required supplementary information, and for all non-major governmental funds with legally adopted budgets in the supplementary information section.

The County and many other governments revise their original budgets over the course of the year for a variety of reasons; the County's amended budget is reflected in a separate column in the budget-to-actual comparison statements. Variances are calculated based on final budgets.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Measurement Focus and Basis of Accounting

Full Accrual Basis Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Capital assets and related depreciation are recorded in these statements, as well as debt, accrued compensated absences, other post-employment benefits, and other accruals.

Modified Accrual Basis Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Revenues are recorded as soon as they are susceptible to accrual (i.e., when they are both measurable and available). Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment has matured and is due. Similarly, expenditures related to claims, judgments, compensated absences, and other post-employment benefits are recorded only to the extent that they are expected to be liquidated with expendable available financial resources. Capital assets, and related depreciation, as well as long-term liabilities are not recorded in these statements.

In applying the susceptible to accrual concept to income taxes (distributed by the State), property taxes, and inter-governmental revenues other than grants, the County defines "available" as received within 60 days after year-end.

In the State of Maryland, the State has assumed responsibility for the collection of all income taxes and for distributing those collections to the respective counties. The counties set their individual tax rates within limits provided by State law. However, collection and pursuit of delinquent taxes are the responsibility of the State. The County records estimated receivables relating to income taxes when the underlying income is earned. Amounts not received within 60 days are reported as deferred inflows of resources. At year-end, deferred revenue relating to income taxes primarily includes the final fiscal year distribution (which is normally received in September after the fiscal year-end) and amounts related to late filers, delinquent returns and audits, and unallocated withholding, all of which are not received within the County's availability period. Most deferred inflows are expected to be received from the State within the next fiscal year; however, collections related to delinquent returns and audits as well as unallocated withholding may not be remitted to the County for several years.

In applying the susceptible to accrual concept to operating and capital grants, which are classified with intergovernmental revenues in the fund financial statements, the County records receivables when the applicable eligibility requirements including time requirements are met. Related revenues are recognized to the extent that cash is expected to be received within one year of year-end. Resources received before the eligibility requirements are met are reported as unearned revenue.

Licenses and permits, charges for services, and miscellaneous revenues (except earnings on investments) are generally recorded as revenues when received in cash during the year. At year-end, receivables are recorded for significant amounts due. If such amounts are received in cash after year-end within the County's 60-day availability period, they are recognized as revenue. Benefit assessment receivables not billed at year end are reported as deferred inflows of resources.

Fiduciary Funds – The County's trust fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as is used by proprietary funds. Agency funds report only assets and liabilities; they do not report changes in net position. Therefore, agency funds are reported using the accrual basis of accounting to recognize receivables and payables. Activity during the year is accounted for as additions to and deductions from asset and liability accounts (for Agency Funds) and Net Position (for Private Purpose and Other Post-Employment Benefit Trust Funds). Since fiduciary funds are, by their very nature, independent of the County, they are omitted from all government-wide statements.

Financial Statement Presentation - The County reports the following major governmental and proprietary funds, as well as fiduciary funds.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

General Fund – This fund is the general operating fund of the County. It is used to account for all financial resources except those required or recommended, by GAAP, to be accounted for in another fund.

Capital Projects Funds –

General Capital Projects - This fund accounts for financial resources to be used for the acquisition or construction of major capital facilities, as well as other large multi-year projects that relate to capital assets, that are financed from general governmental resources.

Roads Capital Projects - This fund accounts for financial resources to be used for the construction of County Road infrastructure, as well as other large multi-year projects that relate to capital assets, that are financed from grants received from State and Federal Governments, Highway User Tax funds, and general governmental resources.

Non-Major Governmental Funds – There are nineteen non-major governmental funds, which are used to account for and report the proceeds of specific revenue sources. Included in the nineteen non-major governmental funds are sixteen special revenue funds and three capital project funds.

Major Enterprise Funds - Enterprise Funds are used to account for those activities of the Primary Government that are financed and operated in a manner similar to private business enterprises in that all costs and expenses, including depreciation, are recovered primarily or partially through user charges. The Sanitary District Funds are intended to be self-supporting as a whole, while the Airport is intended to be only partially self-supporting. The County reports the following major enterprise funds:

Sanitary District -

Sewer Operations - This fund is used to account for the operation of the sewer system serving approximately 7,490 customers.

Water Operations - This fund is used to account for the operation of the water supply system serving approximately 4,430 customers.

Restricted Fund - This fund is used to account for the proceeds of sewer and water capacity charges (one-time allocation fees) and is used to fund capital and debt service expenses.

Debt Service Fund - This fund is used to account for the collection of special benefit assessments, and financial resources from other sources, to fund debt associated with construction of water and sewer facilities in accordance with debt covenants.

Bay Bridge Airport – This fund is used to account for the operation of the County's airport that serves small, private aircraft.

QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Non-Major Enterprise Funds – Non-major Enterprise Funds account for activities which are commercial in nature and are primarily or partially intended to be self-supporting. The County has two non-major enterprise funds, neither of which is meant to be fully self-supporting. These funds include the Golf Course and Public Landings and Marinas.

Fiduciary Funds – Fiduciary Funds are used to report assets held in a trustee or agency capacity for entities other than the County. The County reports the following fiduciary fund types:

Private-Purpose Trust Fund – This fund accounts for an arrangement under which monies received at tax sale, in excess of taxes due, are legally held in trust for property owners who have not been located within a legally-defined time frame.

Other Post-Employment Benefit Trust Fund– This fund accounts for the funding of retiree benefit plans of Queen Anne’s County and other participating agencies, which are the Queen Anne’s County Board of Education and Queen Anne’s County Free Library. Other agencies and political subdivisions have the right to participate in this Trust Fund also, as an investment vehicle for their Other Post-Employment Benefit Plan through the pooling of investment resources.

Agency Funds - These funds are used to account for assets held in a purely custodial capacity where the County receives, temporarily invests, and remits such resources to individuals, private organizations or other governments. These monies include escrow deposits for tax ditches, zoning deposits, state and town tax collections, motor vehicle administration deposits, and abandoned property.

Certain amounts in the prior years’ financial statements have been reclassified to conform to the current year’s presentation.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the County’s accounting policies are described below.

In the process of aggregating data for the Statement of Net Position and the Statement of Activities, some amounts reported as interfund activity and balances in the funds should be eliminated or reclassified. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. The effect of interfund services provided and used between functions has not been eliminated in the Statement of Activities, since to do so would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1) **Cash and Investments**

Cash and Cash Equivalents – For Statement of Cash Flows reporting purposes, the County has defined “cash equivalents” as short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near their maturity that they present an insignificant risk of changes in value because of changes in interest rates. Generally, only investments with maturities of three months or less at time of purchase meet this definition. The balance sheet classification for “cash and cash equivalents” in the Statement of Cash Flows includes the following: “Equity in pooled cash and investments,” “Cash and cash equivalents,” and “Restricted Equity in pooled cash and investments.”

2) **Receivables and Payables**

Due To/From Other Funds and Internal Balances – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are current and are referred to as “due to/from other funds.” On the Statement of Net Position, these balances are referred to as “internal balances” and are reported as positive and negative “assets” that net to zero for the primary government as a whole.

Trade Accounts Receivable – Trade and other receivables are shown net of an allowance for uncollectible accounts. The allowance for uncollectible accounts is calculated based on historical collection data and, in some cases, specific account analysis.

3) **Inventories, Prepaids, and Other Assets**

Inventories consisting of materials, parts and supplies are stated at the lower of cost or market with cost determined by the first-in, first-out method. For budgetary purposes, the cost is recorded as an expenditure at the time individual inventory items are purchased (purchase method). The consumption method is used for financial reporting purposes whereby expense is recognized as the items are used (consumed). Reported inventories are equally offset by a fund balance reserve. Inventories in the Proprietary Funds are also recorded using the consumption method.

Prepaid items are payments made to vendors for services that will benefit periods beyond the end of the fiscal year.

4) **Capital Assets**

Capital assets, which include property, plant, equipment, intangibles, and infrastructure assets (e.g. roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value or functionality of the asset, or materially extend asset lives, are not capitalized.

Land and other inexhaustible assets such as intangible property easements and other land usage rights are capitalized but not depreciated, as these assets are expected to have indefinite useful lives.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)

4) Capital Assets (continued)

Major outlays for capital assets and improvements are capitalized as the projects are constructed. Interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense, incurred from the date of the borrowing until completion of the project, with interest earned on invested proceeds over the same period. Capital projects that are under construction and not yet ready for their intended use at year-end are classified as "construction in progress" (CIP).

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and structures	20 - 50
Improvements other than buildings	15 - 50
Infrastructure	20 - 50
Machinery and equipment	5 - 20
Office furniture, fixtures and equipment	5 - 15
Vehicles	7 - 10

5) Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources until that time.

6) Other Post-Employment Benefit Obligation (OPEB)

Primary Government – The Queen Anne's County post-employment plan provides medical insurance benefits to retirees and their eligible dependents. The Plan's financial information is prepared based on full accrual accounting. Expenses are recognized on the accrual basis as retirees' insurance costs are incurred. Typically, OPEB liabilities are liquidated in the following governmental funds: the General Fund, Department of Aging, Housing and Community Services, and Community Partnerships for Children. OPEB liabilities are also liquidated in the following enterprise funds: Sanitary Sewer, Sanitary Water, Bay Bridge Airport, Golf Course, and Public Landings and Marinas. Additional details regarding other post-employment benefits can be found in Notes 9 and 14.

In both the government-wide and enterprise funds, liability for other post-employment benefits is adjusted at the end of the fiscal year. For the year ended June 30, 2018, the net other post-employment benefit obligation amounted to \$48,899,484, including both governmental (\$41,211,334) and business-type activities (\$7,688,150).

Component Unit - Board of Education – For the year ended June 30, 2018, the net other post-employment benefit obligation for the Board of Education amounted to \$171,829,758.

Component Unit – Free Library – For the year ended June 30, 2018, the net other post-employment benefit obligation for the Library amounted to \$463,470.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)

7) **Net Pension Liability**

Primary Government – The Queen Anne's County government participates in the Maryland State Retirement and Pension Systems. Beginning in fiscal year 2015, the County was required to report the net pension liability associated with this system. Typically, pension liabilities are liquidated in the following governmental funds: the General Fund, Department of Aging, Housing and Community Services, and Community Partnerships for Children. Pension liabilities are also liquidated in the following enterprise funds: Sanitary Sewer, Sanitary Water, Bay Bridge Airport, Golf Course, and Public Landings and Marinas. Additional details regarding retirement benefits can be found in Notes 9 and 12. For the year ended June 30, 2018, the net pension liability amounted to \$26,661,766, including both governmental (\$24,362,611) and business-type activities (\$2,299,155).

Component Unit - Board of Education – For the year ended June 30, 2018, the net pension liability for the Board of Education amounted to \$4,399,321.

8) **Compensated Absences**

Primary Government – The County's policy is to pay employees for any unused vacation time, up to a maximum of 65 days, upon termination of employment. Compensated absences are reported in governmental funds only if they have matured, such as payments upon termination of employment, vacation, and compensatory time paid as they are used during the year. Such time is paid as regular wages. Compensated absences are reported in enterprise funds as they are accrued. In the government-wide statements, the liability for compensated absences is adjusted at the end of each fiscal year to current salary costs. Accumulated unpaid leave of the County amounted to \$2,944,194 at June 30, 2018, including both governmental (\$2,561,087) and business-type activities (\$383,107).

Component Unit - Board of Education – Accumulated unpaid annual leave is accrued when earned in the Unrestricted Current Expense Fund using the modified accrual basis of accounting. In fiscal year 1992, the Board adopted the practice of paying for any unused vacation time, up to the maximum number of days that employees can carry over from one year to the next, upon termination of employment. Maximum number of days varies from 20 to 30 days, depending on classification. Liabilities for compensated absences are inventoried at the end of each fiscal year and adjusted to current salary costs. Accumulated compensated absences as of June 30, 2018 amounted to \$818,927. Because payment of sick leave is contingent upon employees' future illness or retirement, the Board of Education expects its commitment to provide sick leave to be met during the normal course of activities over the working lives of its present employees. Any accumulated unused sick leave at retirement will ultimately be taken into consideration and paid through retirement benefits by the State of Maryland.

9) **Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums are deferred and amortized over the life of the bonds using the bonds outstanding method. Bonds payable in the proprietary fund financial statements and noncurrent liabilities in the government-wide financial statements are reported net of the applicable bond premium or discount. Bond issuance costs are reported in the period in which they have been incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. When debt is refunded in an advance refunding, payments to the Bond Refunding Agent and associated bond issuance costs are reported as other financing uses. When debt is refunded in a current refunding, the principal on refunded debt is reported as other financing uses.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)

10) Net Position/Fund Equity

In the government-wide financial statements, the County has reported an unrestricted net deficit of \$50,566,757. This deficit is due to the fact that the County issues general obligation bonded debt for purposes of capital construction on behalf of the Queen Anne's County Board of Education. The capital assets constructed with the proceeds of this debt are reported on the financial statements of Queen Anne's County Board of Education. This amount is also classified as net investment in capital assets in the Board of Education column of the Component Units section of the County's government-wide Statement of Net Position. Since the Board of Education is not authorized to borrow funds, they do not have any debt.

Since the issuance of such debt has not resulted in capital assets owned by the Primary Government, the effect of this debt is reflected in a deficit balance in unrestricted net assets in the Governmental Activities column of the government-wide Statement of Net Position. At June 30, 2018, the County has reported outstanding general obligation debt related to assets held by the Board of Education amounting to \$58,625,356 (of which \$57,168,629 has been spent and the remaining \$1,456,727 relates to unspent bond proceeds). Absent the effect of this relationship, the County would have reported unrestricted net assets of governmental activities in the amount of \$8,058,599.

The County reports a portion of its net position in its government-wide financial statements as restricted. In this context, restricted means that, as of June 30, 2018, this portion of net position was restricted for a particular purpose either by external parties; by provision of the County Charter; or by enabling legislation. Net position restricted by enabling legislation represents legislative restrictions that a party external to the government can compel the government to honor. For the County, such amounts represent primarily accumulated net position attributed to revenue streams that are restricted for specified purposes in the County Code. This generally includes the Rainy Day Fund, Capital Projects Fund impact fee collections and developer exactions on hand for outside entities; restricted amount for special revenue funds; and ending restricted net assets of the Sanitary District and other enterprise funds. Such amounts, which are restricted in the government-wide statement of Net Position, are as follows at year-end:

<u>Restricted Amounts</u>		
Governmental activities	\$	13,275,244
Business-type activities:		
Debt Service		<u>1,060,134</u>
Total Restricted Amounts	\$	<u><u>14,335,378</u></u>

Note that unspent bond proceeds of \$4,539,897 are included in restricted fund balance for the General Capital Projects Fund. At the Government-Wide level, the unspent bond proceeds are offset by the liability.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)

10) Net Position/Fund Equity (continued)

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

Nonspendable – amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. Nonspendable fund balances for the County include inventory, prepaid items, and loans receivable.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Queen Anne's County Commissioners. The Commissioners are the highest level of decision-making authority for the County. Commitments may be established, modified, or rescinded only through formal actions such as a County Ordinance approved by the County Commissioners.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The assignment of funds rests with the County Commissioners. In addition, GASB 54 requires all positive residual amounts in special revenue funds to be reported as assigned.

Unassigned – all other spendable amounts; however, the General Fund is the only fund permitted to have a positive unassigned fund balance. Negative unassigned fund balances may occur in other governmental funds.

The County typically uses restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

11) Property Tax

The County's real property tax is levied each July 1 on the assessed values certified as of that date for all taxable real property located in the County. The levy functions as a lien against the property. Assessed values are established by the Maryland State Department of Assessments and Taxation at estimated market value. A revaluation of all property is required to be completed every three years. Taxes are then billed to property owners and collected by the County. Property represented by delinquent taxes is sold at a public auction in May of the following calendar year, with title transferring after foreclosure proceedings have been completed.

For small businesses that meet certain criteria and also principal residences, an installment plan is offered whereby total tax is paid in two equal installments. The first installment is due by September 30. Beginning October 1, a 1% penalty is charged on the first day of each month that the installment remains unpaid. This 1% penalty is based on the amount of the first installment only. The second installment is due by December 31. Beginning January 1, the 1% penalty would then include all outstanding balances. The County accepts partial payments.

For non-principal residences, payment is due in full by September 30. Beginning October 1, a penalty is charged for each month that taxes remain unpaid. For new construction, completed and assessed between July 1 and December 31, a supplementary tax is levied equal to half of the full-year levy. Payment in full is due by March 31. Beginning April 1, a penalty is charged for each month that taxes remain outstanding.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY (CONTINUED)

11) Property Tax (continued)

Real and personal property taxes are levied at rates enacted by the County Commissioners in the annual budget on the assessed value as determined by the Maryland Department of Assessments and Taxation. The rates of levy cannot exceed the constant yield rate furnished by the Maryland Department of Assessments and Taxation without public notice and only after public hearings. The County tax rate for the fiscal year ended June 30, 2018 was \$0.8471 per \$100 of assessed value.

E. NEW ACCOUNTING PRONOUNCEMENTS

The County adopted the provisions of the following Governmental Accounting Standards Board Statements:

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions; GASB Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14; GASB Statement No. 81, Irrevocable Split-Interest Agreements; GASB Statement No. 85, Omnibus 2017; and GASB Statement No. 86, Certain Debt Extinguishment Issues .

The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

GASB Statement No. 83, Certain Asset Retirement Obligations; GASB Statement No. 84, Fiduciary Activities; and GASB Statement No. 87, Leases.

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING

Pursuant to the Code of Public Local Laws of Queen Anne's County, the County Commissioners adopt an annual operating budget and real property tax rate prior to July 1 each year. This action, taken after public hearings, provides the spending authority for the fiscal year beginning on July 1. Unexpended and unencumbered appropriation authority expires the following June 30, except in the case of Capital Projects where appropriations lapse only upon completion or cancellation of each project by the County Commissioners. The appropriated budgets are prepared at the fund, function, and departmental level. Expenditures/expenses may not legally exceed appropriations, based on the level at which they were adopted. For the General Fund, annual expenditure budgets are legally adopted at the departmental level. For all other Governmental Funds, for which annual budgets are adopted, expenditure budgets are legally adopted at the fund level.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

During the fiscal year, the Commissioners may adopt supplemental appropriations. For the year ended June 30, 2018, supplemental appropriations were as follows:

Supplemental Appropriations	Original Budget	Final Budget	Increase
General Fund - expenditures and transfers	\$ 133,800,975	\$ 137,343,207	\$ 3,542,232
Special Revenue Funds that adopt annual budgets			
Non-Major Funds that adopt annual budgets -			
Department of Aging - expenditures and transfers	\$ 2,704,822	\$ 2,821,660	\$ 116,838
Housing & Community Services - expenditures	1,974,582	1,977,247	2,665
Grants Fund - expenditures	-	143,505	143,505
Economic Development Incentive- expenditures	-	278,496	278,496
BRIDGE Fund - transfers	-	1,209,000	1,209,000
Community Partnerships for Children - expenditures	1,054,916	1,250,453	195,537
Agricultural Transfer - expenditures	40,000	300,000	260,000
Rural Legacy - expenditures	-	1,507,956	1,507,956
Kent Narrows - expenditures	38,000	150,500	112,500
Total Special Revenue Funds that adopt annual budgets	\$ 5,812,320	\$ 9,638,817	\$ 3,826,497

All final budgets are presented as amended. The County Administrator may approve budget amendments of \$10,000 or less throughout the year. Amendments greater than \$10,000 require the approval of the County Commissioners.

Annual operating budgets are legally adopted for the General Fund (includes the Roads Board) and the following non-major governmental funds: Department of Aging, Housing and Community Services, Grants Fund, Economic Development Incentive, BRIDGE Fund, Community Partnerships for Children, Law Library, Inmate Welfare, Agricultural Transfer, Rural Legacy, Dredging Special Assessments, Kent Narrows, School Impact Fees Capital Projects, Fire Company Impact Fees Capital Projects, and Parks and Recreation Impact Fees Capital Projects. Proprietary Fund budgets are adopted for management control only and include all enterprise funds. Budgets are adopted using the same method of accounting as that used for Fund reporting purposes.

Budgets for the General Capital Projects Fund and the Roads Capital Projects Fund reflect multi-year appropriations at the individual project level. Expenditures may not legally exceed appropriations at that level and appropriations lapse at the completion or cancellation of individual projects. Since these capital projects funds do not adopt an annual budget per project, a Statement of Revenues, Expenditures, and Changes in Fund Balances on a budget-to-actual basis is not presented for these funds.

No General Fund departments exceeded their legally adopted expenditure budgets for the year ended June 30, 2018. However, salary reversions are budgeted as a lump sum negative \$902,165, but actual amounts are realized in the individual departments and are not reported as a lump sum in the reversions activity.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CASH, INVESTMENTS AND INVESTMENT INCOME

A. DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT AND FIDUCIARY FUNDS

Deposits are maintained in a variety of financial institutions. Statutes authorize the County to invest in obligations of the United States Government, Federal government agency obligations, secured time deposits in Maryland banks, bankers' acceptances, the Maryland Local Government Investment Pool, money market mutual funds, commercial paper and repurchase agreements secured by direct government or agency obligations.

At year-end, the County Primary Government had deposits of \$20,261,149 with local banks (carrying value \$21,620,263). Of those balances, \$501,011 was insured by federal depository insurance (FDIC). The uninsured balances were fully collateralized by securities placed with the respective banks' escrow agents and held in the County's name.

Of these options, the County participates in the Maryland Local Government Investment Pool (MLGIP), which provides all local government units of the state with a safe investment vehicle for short-term investment of funds. The State Legislature created MLGIP with the passage of Article 95 Section 22G, of the Annotated Code of Maryland. PNC Financial manages the MLGIP, under administrative control of the State Treasurer. A MLGIP Advisory Committee of current participants reviews the activities of the Fund on a quarterly basis and provides 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. Standard and Poors rates the MLGIP as AAAM. The fair value of the pool is the same as the value of the pool shares. At June 30, 2018, the County had investments in MLGIP of \$72,217,579, which are recorded at cost, which approximates fair value.

As of June 30, 2018, the County's investments (excluding investments held for retiree health benefits), for both custodial and credit risk purposes, consisted solely of shares in the MLGIP. This investment is not deemed to have either risk and is in conformity with the County's policy relating to minimal credit risk of investments.

The majority of the Retiree Health Trust 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 nine members who are the sole contributors to the Trust consist of the following: Allegany, St. Mary's, Queen Anne's, and Talbot Counties, City of Annapolis, College of Southern Maryland, Town of Bel Air, Talbot County Board of Education, St. Mary's County Metropolitan Commission, Harford Community College, and Harford County Public Library.

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, 2018, the weighted average maturity (WAM) for the Trust's money market mutual fund investment was 34 days. At June 30, 2018, 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.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CASH, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT AND FIDUCIARY FUNDS (CONTINUED)

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 transactions.

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.

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, 2018, of which Queen Anne's County's portion was 13.5% of the total:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>June 30, 2018</u>
Investments by fair value level:				
Debt Securities				
U.S. Treasury Obligations	\$ -	\$ 2,769,749	\$ -	\$ 2,769,749
U.S. Governmental Agencies	-	1,469,591	-	1,469,591
Corporate & Foreign bonds	-	4,353,332	-	4,353,332
Municipal Obligations	-	518,371	-	518,371
Equity and Mutual Fund Investments				
Taxable Fixed Income Funds	-	1,821,322	-	1,821,322
Mutual Funds	13,729,053	-	-	13,729,053
Global Funds	1,936,289	-	-	1,936,289
International	5,850,724	-	-	5,850,724
Total	<u>\$ 21,516,066</u>	<u>\$ 10,932,365</u>	<u>\$ -</u>	<u>\$ 32,448,431</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, 2018 was 2.3 years.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CASH, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT AND FIDUCIARY FUNDS (CONTINUED)

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, 2018:

	Investment Maturities (in Years)				
	Less than 1	1 - 5	6 - 10	More than 10	Total
Investments with maturities					
U.S. Treasury Obligations	\$ -	\$ 1,454,308	\$ 823,384	\$ 492,057	\$ 2,769,749
U.S. Governmental Agencies	-	120,533	194,390	1,154,668	1,469,591
Corporate & Foreign bonds	280,987	2,557,167	492,844	1,022,334	4,353,332
Municipal Obligations	-	383,470	134,901	-	518,371
Total	\$ 280,987	\$ 4,515,478	\$ 1,645,519	\$ 2,669,059	\$ 9,111,043

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 its respective investments. At June 30, 2018 the ratings of the underlying investments of the Trust's investments were as follows:

Type	Rating						Total
	Aaa	Aa1/Aa2/Aa3	A1/A2/A3	Baa1/Baa2/Baa3	Ba1	Not Rated	
U.S. Treasury Obligations	\$ 2,591,339	\$ -	\$ -	\$ -	\$ -	\$ 178,410	\$ 2,769,749
U.S. Governmental Agencies	-	-	-	-	-	1,469,591	1,469,591
Corporate & Foreign bonds	241,640	1,059,610	1,637,890	790,692	67,527	555,973	4,353,332
Municipal Obligations	98,671	326,093	-	-	-	93,607	518,371
Total	\$ 2,931,650	\$ 1,385,703	\$ 1,637,890	\$ 790,692	\$ 67,527	\$ 2,297,581	\$ 9,111,043

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, 2018, which are uninsured and unregistered as well as the interest rate range:

	Fair Value	Interest Rate Range
	June 30, 2018	
U.S. Treasury Obligations	\$ 2,769,749	.375-4.5%
U.S. Governmental Agencies	1,469,591	1.3-3.6%
Corporate & Foreign bonds	4,353,332	1.57-8.7%
Municipal Obligations	518,371	2.68-5.57%
Taxable Fixed Income Funds	1,821,322	N/A
Mutual Funds	13,729,053	N/A
Global Funds	1,936,289	N/A
International	5,850,724	N/A
Total	\$ 32,448,431	

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CASH, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

A. DEPOSITS AND INVESTMENTS (CONTINUED)

PRIMARY GOVERNMENT AND FIDUCIARY FUNDS (CONTINUED)

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

Asset Class	Minimum	Maximum	Target
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, 2018 that exceeded 5% of the total investment balance as of June 30, 2018:

Name	Amount
DFA US Small-Cap Value Fund	\$ 2,523,065
Lazard International Strategic Equity Funds	2,942,998
Transamerica TS&W International Equity Fund	2,907,726
Vanguard 500 Index Fund	7,155,233
Vanguard Mid-Cap Index Fund -Admiral Shares	2,327,507
New World Fund	1,936,289

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, 2018 as the Trust did not have any investments denominated in foreign currencies.

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of expense, was 6.6%. The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

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 the capital accounts of each member based on committed capital. The fair value of Member capital accounts are determined monthly.

Income Taxes

The Trust complies with the requirements of Section 115 of the Internal Revenue Code and is exempt from income taxes.

COMPONENT UNITS (BOARD OF EDUCATION AND LIBRARY)

Component Unit - Board of Education - At year-end, the carrying amount of deposits was \$13,775,576, including \$300,000 in certificates of deposit and excluding the carrying amount of fiduciary funds. At June 30, 2018, the Board had deposits of approximately \$15.1 million with local banks. Of the total deposits, approximately \$14.6 million not covered by the FDIC was collateralized by securities held by the pledging financial institution's trust department or agent, but not in the Board's name.

Component Unit – Library - At year-end, the carrying amount of all bank deposits, including a \$10,500 certificate of deposit, was \$602,372, while collected bank balances were \$643,570. Of the bank balances, \$250,000 was secured by the FDIC and \$393,570 was secured by collateral held by the pledging bank's trust department but not in the Library's name.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 3 – CASH, INVESTMENTS AND INVESTMENT INCOME (CONTINUED)

B. INVESTMENT INCOME

PRIMARY GOVERNMENT

Total investment income earned in all governmental and business-type funds was credited for use as follows:

<u>Governmental Funds</u>	<u>Investment Income</u>
Major Governmental Funds	
General Fund	\$ 639,388
General Capital Projects	172,419
Roads Capital Projects	28,882
Non-Major Governmental Funds	<u>138,266</u>
Total Investment Income	<u>\$ 978,955</u>
<u>Business-Type Funds</u>	
Major Enterprise Funds	
Sanitary District	\$ 439,311
Bay Bridge Airport	<u>405</u>
Total Investment Income	<u>\$ 439,716</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables as of June 30, 2018 for the governmental and business-type activities are as follows:

	General Fund	General Capital Projects	Roads Capital Projects	Non-Major Governmental Funds	Total Governmental Funds	Total Enterprise Funds	Total Governmental and Enterprise Funds
Accounts Receivable							
Receivables							
Taxes - Real Property	\$ 210,788	\$ -	\$ -	\$ -	\$ 210,788	\$ -	\$ 210,788
Taxes - Other	341,079	-	-	-	341,079	-	341,079
Subtotal Taxes	551,867	-	-	-	551,867	-	551,867
Other Accounts Receivable:							
Queen Anne's County Public Housing Authority	-	931,074	-	-	931,074	-	931,074
Sanitary District - User and Septage Fees	-	-	-	-	-	531,733	531,733
Board of Education	44,752	-	-	-	44,752	-	44,752
Retirees Insurance	36,941	-	-	-	36,941	-	36,941
Governmental Funds - User Fees	5,103	-	2,466	-	7,569	-	7,569
Department of Emergency Service Receivables	24,569	-	-	-	24,569	-	24,569
Public Landings Receivables	-	-	-	-	-	55,747	55,747
Airport - Fuel Sales and User and Rental Fees	-	-	-	-	-	28,575	28,575
Miscellaneous Receivables	72,491	30,000	-	30,147	132,638	-	132,638
Subtotal Other Accounts Receivable	183,856	961,074	2,466	30,147	1,177,543	616,055	1,793,598
Loans Receivable	-	-	-	6,369,258	6,369,258	-	6,369,258
Subtotal Other Accounts and Loans Receivable	183,856	961,074	2,466	6,399,405	7,546,801	616,055	8,162,856
Special Assessments	-	-	115,922	892,420	1,008,342	-	1,008,342
Intergovernmental							
Income Taxes Held by State	11,765,523	-	-	-	11,765,523	-	11,765,523
Grants Receivable	406,475	28,000	7,274	931,119	1,372,868	73,926	1,446,794
Recordation Tax	589,227	-	-	-	589,227	-	589,227
State-Shared Highway User Tax	118,988	-	-	-	118,988	-	118,988
Bonds Receivable	426,585	-	-	-	426,585	-	426,585
Subtotal Intergovernmental	13,306,798	28,000	7,274	931,119	14,273,191	73,926	14,347,117
Restricted Receivables							
Accounts Receivable	-	-	-	-	-	5,603	5,603
Special Assessments	-	-	-	-	-	968,558	968,558
Subtotal Restricted Receivables	-	-	-	-	-	974,161	974,161
Total Receivables	<u>\$ 14,042,521</u>	<u>\$ 989,074</u>	<u>\$ 125,662</u>	<u>\$ 8,222,944</u>	<u>\$ 23,380,201</u>	<u>\$ 1,664,142</u>	<u>\$ 25,044,343</u>

The County does not have any allowance for doubtful accounts related to the above receivables.

In Fiscal Year 2014, the County issued bonds on behalf of three mid-shore counties (Dorchester, Caroline, and Talbot) in order to provide funding for the new Center for Allied Health and Athletics at Chesapeake College. Therefore, in addition to the Governmental and Enterprise Fund receivables listed above, the County also has a \$4.1 million receivable on its government-wide Statement of Net Position, which represents the collective obligation of the three aforementioned counties for funding the facility at Chesapeake College.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 4 - ACCOUNTS RECEIVABLE (CONTINUED)

The County expects to receive all receivables listed in the table within one year, excluding the following items.

Intergovernmental receivables include bonds receivable from four other counties. In years 2000 and 2003, Queen Anne's County sold \$2,815,000 and \$710,000, respectively, of its general obligation bonds for the purpose of providing the local share of capital projects at Chesapeake College. Five counties, including Queen Anne's County, provide local support for the College. The other four counties supporting Chesapeake College reimburse Queen Anne's County for their portion of the debt service. Bonds are amortized over the 20-year life of each of the original Queen Anne's County Bonds. The current carrying value for the bonds receivable from the other four counties are \$257,100 and \$169,485, respectively, for a total of \$426,585. The College bills and collects from the original five counties an amount sufficient to cover this debt service and reimburses this amount to Queen Anne's County on a semi-annual basis. In addition to these two receivables related to Chesapeake College, there is also a receivable of \$4.1 million included in the Government-Wide Statement of Net Position. Details are included on the previous page.

Loans receivable in the amount of \$6,369,258 relate to the Housing and Community Services, Impact Fees, and Revolving Loan Special Revenue Funds. Loans receivable in the amount of \$5,307,490 for Housing and Community Services will be repaid when the homes are sold, in virtually all cases. These loans support housing rehabilitation and home-ownership. When the loans are repaid to the County, the funds are then loaned out again to serve the same purpose. Loans for the Revolving Loan Fund in the amount of \$82,719 are also repaid over a number of years.

The remaining loan receivable balance of \$979,049 relates to school, fire, and parks and recreation impact fees. In July 2007, the County began accepting promissory notes for impact fees, in certain situations, with the understanding that when certificate of occupancy was obtained, these notes would be paid in full. To ensure repayment, the notes attach to the property incurring the impact fee; therefore, payment will be required automatically prior to legal transfer of title.

Income taxes held by the State in the amount of \$11,765,523 have been estimated by the State as income tax due for "tax years" 2014 and prior. It may take five years or longer for the State to receive all amounts relating to these "tax years" and remit those monies to the County. However, the State indicates that this is a reasonable estimate of their liability to the County and the County reports this amount in accordance with GAAP.

Special Assessments in the amount of \$1,008,342 represent receivables for governmental activities. Part of this amount consists of \$115,922 for assessments levied on homeowners to reimburse the County for construction or upgrade of private roads prior to their acceptance into the County Roads System. The other part of this amount consists of \$892,420 for assessments levied on homeowners relating to dredging costs. Payment of these assessments is expected over a number of years.

Restricted Special Assessments in the amount of \$968,558 represent restricted receivables for the Sanitary District. These receivables relate to assessments levied on homeowners for the construction of sewer and water lines, as well as for hook up costs. Only the current portion due is billed and the remaining balances are repaid over a number of years, as determined by the original agreement. As the funds are paid back, the County uses the money to repay debt.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 – UNEARNED REVENUE

Governmental funds report unearned revenue in connection with resources that have been received, but unearned. At the end of the current fiscal year, the components of *unearned revenue* were reported as follows:

Governmental Funds	Unearned Revenue
General Fund	
Property Tax Deferrals	\$ 23,415
Inspection Fees Collected in Advance	524,608
Subtotal	548,023
General Capital Projects Fund	
Grant Drawdowns in Excess of Expenditures	48,655
Non-Major Governmental Funds	
Grant Drawdowns in Excess of Expenditures	147,338
Total Unearned Revenue	\$ 744,016
Business-Type Funds	
Major Enterprise Funds	
Sanitary District	
Inspection Fees	\$ 192,565
Miscellaneous	3,000
Subtotal	195,565
Non-Major Enterprise Funds	
	2,270
Total Unearned Revenue	\$ 197,835

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS

PRIMARY GOVERNMENT

Changes in the County's capital assets for governmental activities for the year ended June 30, 2018 are summarized as follows, with depreciation shown separately. Assets resulting from completed capital projects are shown in the Transfers column. Asset retirements are shown in the Decreases column.

Governmental Activities	Balance June 30, 2017	Increases	Transfers	Decreases	Balance June 30, 2018
Capital Assets, not being depreciated:					
Land	\$ 39,049,429	\$ -	\$ -	\$ -	\$ 39,049,429
Intangible Rights - Easements	821,819	-	-	-	821,819
Land Improvements	3,714,283	-	-	-	3,714,283
Construction in Progress	10,896,408	9,979,602	(170,406)	(323,059)	20,382,545
Land - Inexhaustible Infrastructure Improvements	43,890,863	-	-	-	43,890,863
Total Capital Assets, not being depreciated	98,372,802	9,979,602	(170,406)	(323,059)	107,858,939
Capital Assets, being depreciated:					
Buildings and Building Improvements	47,283,043	686,116	170,406	-	48,139,565
Improvements other than Buildings	10,556,328	276,589	-	-	10,832,917
Vehicles	12,560,334	1,039,939	-	(682,151)	12,918,122
Equipment	12,848,103	338,205	-	(322,049)	12,864,259
Furniture and Fixtures	11,450,721	224,415	-	(165,145)	11,509,991
Infrastructure Improvements - Depreciable	19,236,142	-	-	-	19,236,142
Total Capital Assets, being depreciated	113,934,671	2,565,264	170,406	(1,169,345)	115,500,996
Less Accumulated Depreciation for:					
Buildings and Building Improvements	14,603,279	1,063,050	-	-	15,666,329
Improvements other than Buildings	2,845,269	412,761	-	-	3,258,030
Vehicles	7,172,323	886,699	-	(624,537)	7,434,485
Equipment	6,856,818	768,665	-	(294,354)	7,331,129
Furniture and Fixtures	2,037,613	1,103,740	-	(162,295)	2,979,058
Infrastructure Improvements - Depreciable	8,487,826	387,400	-	-	8,875,226
Total Accumulated Depreciation	42,003,128	4,622,315	-	(1,081,186)	45,544,257
Total Capital Assets, being depreciated, net	71,931,543	(2,057,051)	170,406	(88,159)	69,956,739
Governmental activities Capital Assets, net	\$ 170,304,345	\$ 7,922,551	\$ -	\$ (411,218)	\$ 177,815,678

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Changes in the County's capital assets for business-type activities for the year ended June 30, 2018 are summarized as follows, with depreciation shown separately. Assets resulting from completed capital projects are shown in the Transfers column. Asset retirements are shown in the Decreases column.

<u>Business-Type Activities</u>	Balance June 30, 2017	Increases	Transfers	Decreases	Balance June 30, 2018
Capital Assets, not being depreciated:					
Land	\$ 13,142,176	\$ -	\$ -	\$ -	\$ 13,142,176
Land Improvements	9,500	-	-	-	9,500
Intangible Rights	6,140	-	-	-	6,140
Construction in Progress	11,987,450	7,001,266	-	(376,348)	18,612,368
Land - Inexhaustible Infrastructure Improvements	2,481,094	-	-	-	2,481,094
Total Capital Assets, not being depreciated	27,626,360	7,001,266	-	(376,348)	34,251,278
Capital Assets, being depreciated:					
Buildings and Improvements to Buildings	16,101,695	64,134	-	-	16,165,829
Improvements other than Buildings	15,037,220	73,713	-	-	15,110,933
Vehicles	1,744,372	-	-	-	1,744,372
Equipment	23,103,418	532,061	-	-	23,635,479
Furniture and Fixtures	30,809	-	-	-	30,809
Infrastructure Improvements - Depreciable	82,047,628	4,198,378	-	-	86,246,006
Total Capital Assets, being depreciated	138,065,142	4,868,286	-	-	142,933,428
Less Accumulated Depreciation for:					
Buildings and Improvements to Buildings	8,946,825	643,605	-	-	9,590,430
Improvements other than Buildings	5,142,501	528,335	-	-	5,670,836
Vehicles	1,137,997	99,985	-	-	1,237,982
Equipment	13,275,500	1,122,985	-	-	14,398,485
Furniture and Fixtures	16,092	3,460	-	-	19,552
Infrastructure Improvements - Depreciable	31,530,283	1,915,914	-	-	33,446,197
Total Accumulated Depreciation	60,049,198	4,314,284	-	-	64,363,482
Total Capital Assets, being depreciated, net	78,015,944	554,002	-	-	78,569,946
Business-Type activities Capital Assets, net	\$ 105,642,304	\$ 7,555,268	\$ -	\$ (376,348)	\$ 112,821,224

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

<u>Governmental Activities</u>	<u>Depreciation</u>
General Government	\$ 248,629
Public Safety	1,947,291
Public Works	2,008,724
Health	21,122
Social Services	307,303
Library	20,390
Conservation of Natural Resources	30,725
Economic/Community Development	<u>38,131</u>
	<u>\$ 4,622,315</u>
<u>Business-Type Activities</u>	
Major Enterprise Funds:	
Sanitary District	\$ 3,712,007
Bay Bridge Airport	436,859
Non-Major Enterprise Funds	<u>165,418</u>
	<u>\$ 4,314,284</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (CONTINUED)

COMPONENT UNITS

Board of Education: Capital asset activity for the year ended June 30, 2018 is as follows:

Board of Education	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets, not being depreciated:				
Land	\$ 6,363,040	\$ -	\$ -	\$ 6,363,040
Construction in Progress	553,519	3,777,253	-	4,330,772
Total Capital Assets, not being depreciated	6,916,559	3,777,253	-	10,693,812
Capital Assets, being depreciated:				
Land Improvements	5,402,721	-	(3,800)	5,398,921
Buildings	207,120,818	25,087	(2,920)	207,142,985
Furniture and Equipment	15,775,855	525,332	(181,752)	16,119,435
Total Capital Assets, being depreciated	228,299,394	550,419	(188,472)	228,661,341
Less Accumulated Depreciation for:				
Land Improvements	4,330,779	151,118	(3,800)	4,478,097
Buildings	55,419,155	4,304,934	(1,254)	59,722,835
Furniture and Equipment	9,151,527	1,289,685	(161,987)	10,279,225
Total Accumulated Depreciation	68,901,461	5,745,737	(167,041)	74,480,157
Total Capital Assets, being depreciated, net	159,397,933	(5,195,318)	(21,431)	154,181,184
Capital Assets, net	<u>\$ 166,314,492</u>	<u>\$ (1,418,065)</u>	<u>\$ (21,431)</u>	<u>\$ 164,874,996</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 6 – CAPITAL ASSETS (CONTINUED)

COMPONENT UNITS (CONTINUED)

Queen Anne's County Free Library: Capital asset activity for the year ended June 30, 2018 is as follows:

<u>Library</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Capital Assets, not being depreciated:				
Artwork	\$ 29,850	\$ -	\$ -	\$ 29,850
Capital Assets, being depreciated:				
Books and Media	2,010,333	192,027	(321,432)	1,880,928
Building Improvements	402,207	-	-	402,207
Equipment	<u>149,725</u>	<u>3,127</u>	<u>-</u>	<u>152,852</u>
Total Capital Assets, being depreciated	<u>2,562,265</u>	<u>195,154</u>	<u>(321,432)</u>	<u>2,435,987</u>
Less Accumulated Depreciation	<u>1,223,561</u>	<u>156,448</u>	<u>(285,435)</u>	<u>1,094,574</u>
Total Capital Assets, being depreciated, net	<u>1,338,704</u>	<u>38,706</u>	<u>(35,997)</u>	<u>1,341,413</u>
Capital Assets, net	<u>\$ 1,368,554</u>	<u>\$ 38,706</u>	<u>\$ (35,997)</u>	<u>\$ 1,371,263</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

Interfund receivables and payables are usually used by the County to cover temporary cash deficits in individual funds until grant or similar resources are received. Occasionally, these receivables and payables are used in lieu of short-term external borrowing, such as for capital lease agreements.

The interfund and intra-entity receivables and payables consist of the following at June 30, 2018:

	Due from Fund			
	Non-Major Governmental	Bay Bridge Airport	Non-Major Enterprise	Total Due
Due to Fund				
General Fund	\$ 40,116	\$ 95,878	\$ 648,061	\$ 784,055
General Capital Projects	41,861	1,209,457	-	1,251,318
 Total Due to Other Funds	 \$ 81,977	 \$ 1,305,335	 \$ 648,061	 \$ 2,035,373

Interfund receivables and payables are reported on the Statement of Net Position as Internal Balances, net of transactions between the same types of funds.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 - INTERFUND TRANSFERS

Interfund transfers represent a transfer of resources from one fund to another without expectation of repayment. Usually, these transfers are undertaken to enable the receiving entity to provide services that the government has determined to be in the best interest of the County. The following interfund transfers were made during the fiscal year ended June 30, 2018:

	Transfers in Fund						Total Transfers In
	Total Transfers Out	General Capital Projects	Roads Capital	Non-Major Governmental	Major Enterprise	Non-Major Enterprise	
Transfers Out Fund							
General Fund	\$ 7,113,354	\$ 4,021,165	\$ 300,000	\$ 2,606,624	\$ 73,284	\$ 112,281	\$ 7,113,354
General Capital Projects	67,461	-	60,000	-	-	7,461	67,461
Total Major Governmental Funds	<u>7,180,815</u>	<u>4,021,165</u>	<u>360,000</u>	<u>2,606,624</u>	<u>73,284</u>	<u>119,742</u>	<u>7,180,815</u>
Non-Major Governmental	<u>1,222,412</u>	<u>1,222,412</u>	-	-	-	-	<u>1,222,412</u>
Sanitary District - Sewer	5,000	5,000	-	-	-	-	5,000
Sanitary District - Water	5,000	5,000	-	-	-	-	5,000
Sanitary District - Restricted	1,227,444	-	-	-	1,227,444	-	1,227,444
Sanitary District - Debt Service	<u>1,121,582</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,121,582</u>	<u>-</u>	<u>1,121,582</u>
Total Major Enterprise Funds	<u>2,359,026</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>2,349,026</u>	<u>-</u>	<u>2,359,026</u>
Total Transfers Out	<u>\$ 10,762,253</u>	<u>\$ 5,253,577</u>	<u>\$ 360,000</u>	<u>\$ 2,606,624</u>	<u>\$ 2,422,310</u>	<u>\$ 119,742</u>	<u>\$ 10,762,253</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 - NONCURRENT LIABILITIES

A. CHANGES IN NONCURRENT LIABILITIES

During the year ended June 30, 2018, the following changes occurred in the noncurrent liabilities of the primary government's governmental activities:

<u>PRIMARY GOVERNMENT</u>	Balance 6/30/2017 *	Additions of debt	Retirements and Repayments	Balance June 30, 2018	Due Within One Year	Due in More than One Year
Governmental Activities						
General Bonds Payable	\$ 112,947,033	\$ 16,000,000	\$ 7,071,952	\$ 121,875,081	\$ 7,751,673	\$ 114,123,408
General Bonds Payable - Related to PHA	1,008,916	-	77,842	931,074	80,717	850,357
General Bonds Payable - Related to Ches College	4,290,844	-	181,152	4,109,692	188,656	3,921,036
Notes Payable	1,698,425	-	280,964	1,417,461	312,388	1,105,073
Bond Premiums	<u>5,272,364</u>	<u>908,973</u>	<u>529,880</u>	<u>5,651,457</u>	<u>573,178</u>	<u>5,078,279</u>
Subtotal Governmental Activities Debt	125,217,582	16,908,973	8,141,790	133,984,765	8,906,612	125,078,153
Other Post-Employment Benefit Obligation *	39,947,286	2,762,053	1,498,005	41,211,334	-	41,211,334
Net Pension Liability	27,446,255	-	3,083,644	24,362,611	-	24,362,611
Compensated Absences	<u>2,553,495</u>	<u>1,563,323</u>	<u>1,555,731</u>	<u>2,561,087</u>	<u>1,601,944</u>	<u>959,143</u>
Total Governmental Activities Debt	<u>\$ 195,164,618</u>	<u>\$ 21,234,349</u>	14,279,170	<u>\$ 202,119,797</u>	<u>\$ 10,508,556</u>	<u>\$ 191,611,241</u>
Less College Reimbursements			<u>(203,379)</u>			
Total Governmental Retirements and Repayments			<u>\$ 14,075,791</u>			

*Restated for prior period adjustment (see Note 19).

The reconciliation from retirements and repayments in the above table to the total principal payments on the Statement of Revenues, Expenditures, and Changes in Fund Balance is as follows:

Retirements and Repayments	
General Bonds Payable	\$ 7,071,952
Notes Payable	280,964
LESS: College Reimbursements	<u>(203,379)</u>
Total Principal Payments	<u>\$ 7,149,537</u>

The County added amounts to several bond offerings on behalf of Chesapeake College, which cannot borrow money on its own. The College reimbursed the County \$203,379 for this year's principal and interest payments.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

A. CHANGES IN NONCURRENT LIABILITIES (CONTINUED)

During the year ended June 30, 2018, the following changes occurred in the noncurrent liabilities of the primary government's business-type activities:

<u>PRIMARY GOVERNMENT</u>	Balance	Additions	Retirements and	Balance	Due Within	Due in
<u>Business-Type Activities</u>	6/30/2017 *	of debt	Repayments	June 30, 2018	One Year	More than One Year
Golf Course	\$ 314,164	\$ -	\$ 71,176	\$ 242,988	\$ 75,124	\$ 167,864
Bay Bridge Airport	1,936,975	-	102,500	1,834,475	106,552	1,727,923
Public Landings and Marinas	832,065	-	50,377	781,688	52,276	729,412
Sanitary District	16,296,744	10,103,735	915,658	25,484,821	924,815	24,560,006
Subtotal Debt	19,379,948	10,103,735	1,139,711	28,343,972	1,158,767	27,185,205
Bond Premiums						
Golf Course	32,126	-	8,655	23,471	8,655	14,816
Bay Bridge Airport	96,231	-	8,076	88,155	8,076	80,079
Public Landings and Marinas	5,918	-	500	5,418	501	4,917
Subtotal Bond Premiums	134,275	-	17,231	117,044	17,232	99,812
Subtotal Business-Type Activities Debt	19,514,223	10,103,735	1,156,942	28,461,016	1,175,999	27,285,017
Other Post-Employment Benefit Obligation *	7,506,949	181,201	-	7,688,150	-	7,688,150
Net Pension Liability	2,553,815	-	254,660	2,299,155	-	2,299,155
Compensated Absences	368,889	238,965	224,747	383,107	239,631	143,476
Total Business-Type Activities Debt	<u>\$ 29,943,876</u>	<u>\$ 10,523,901</u>	<u>\$ 1,636,349</u>	<u>\$ 38,831,428</u>	<u>\$ 1,415,630</u>	<u>\$ 37,415,798</u>

*Restated for prior period adjustment (see Note 19).

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

A. CHANGES IN NONCURRENT LIABILITIES (CONTINUED)

During the year ended June 30, 2018, the following changes occurred in the noncurrent liabilities of the primary government's Component Units:

<u>COMPONENT UNITS</u>	Balance 6/30/2017 *	Additions of new debt	Retirements and Repayments	Balance June 30, 2018	Due Within One Year	Due in More than One Year
Queen Anne's County						
Board of Education						
Retirement Incentives	\$ 3,215	\$ -	\$ 1,895	\$ 1,320	\$ 1,320	\$ -
Compensated Absences	863,007	-	44,080	818,927	203,698	615,229
Capital Leases	2,428,900	-	345,844	2,083,056	154,906	1,928,150
Other Post-Employment Benefit Obligation *	185,856,442	-	14,026,684	171,829,758	-	171,829,758
Net Pension Liability	5,140,060	-	740,739	4,399,321	-	4,399,321
Subtotal	194,291,624	-	15,159,242	179,132,382	359,924	178,772,458
Free Library						
Other Post-Employment Benefit Obligation *	462,610	860	-	463,470	-	463,470
Total Noncurrent Liabilities: Component Units	\$ 194,754,234	\$ 860	\$ 15,159,242	\$ 179,595,852	\$ 359,924	\$ 179,235,928

*Restated for prior period adjustment.

QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

B. GENERAL OBLIGATION BONDS, NOTES, OTHER POST-EMPLOYMENT BENEFIT OBLIGATION, NET PENSION LIABILITY, AND COMPENSATED ABSENCES

PRIMARY GOVERNMENT

All general obligation bonds are valid and legally binding general obligations of Queen Anne’s County and constitutes an irrevocable pledge of its full faith and credit and unlimited taxing power. Governmental bonds are payable from ad valorem taxes, unlimited as to rate or amount on all real, tangible, personal, and certain intangible property subject to taxation at full rate for local purposes in the County.

Business-type bonds, while representing general obligations of the County government, are to be paid from income earned by the related enterprise fund. Enterprise funds that have such debt are: Sewer Operations, Bay Bridge Airport, Blue Heron Golf Course, and Public Landings and Marinas.

During fiscal year 2018, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions*. For governmental funds, the other post-employment benefit obligations are reported in the government-wide statements in the function in which that employee usually charges their productive time. For enterprise funds, these obligations are reported in the enterprise fund in which that employee charges the majority of their productive time. Other Post-Employment Benefit Obligation costs in governmental funds are charged to the General Fund. Additional information can be found in Note 14, Other Post-Employment Benefits.

During fiscal year 2015, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*. For governmental funds, the net pension liability is reported in the government-wide statements in the function in which that employee usually charges their productive time. For enterprise funds, these obligations are reported in the enterprise fund in which the employee charges the majority of their productive time. Net Pension Liability costs in governmental funds are charged to the Governmental Fund in which the employee charges their time. Additional information can be found in Note 12, Retirement Plans.

Compensated absences that mature during the fiscal year, in that they are paid when the employee takes vacation leave or upon the employee’s termination, are typically liquidated from the governmental or enterprise fund in which that employee charges the majority of their productive time. They are paid as regular wages. Compensated absences that do not mature during the fiscal year are accrued at year-end as an adjustment to liability for compensated absences. For governmental funds, these adjustments are reported in the government-wide statements in the function in which that employee usually charges their productive time. For enterprise funds, these adjustments are reported in the enterprise fund in which that employee charges the majority of their productive time. In the case of grant-funded activities that disallow compensated absences as an eligible cost, they are paid as administrative wages in the same Fund. Compensated absences in governmental funds are primarily charged to the General Fund or Special Revenue Funds; they are usually not charged to Capital Projects Funds.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

B. GENERAL OBLIGATION BONDS, NOTES, OTHER POST-EMPLOYMENT BENEFIT OBLIGATION, NET PENSION LIABILITY, AND COMPENSATED ABSENCES (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

As of June 30, 2018, general obligation bonds and notes payable for governmental activities are comprised of the following, along with other post-employment benefits, net pension liability, and accrued compensated absences:

<u>Governmental Activities</u>	<u>Paying Fund</u>	<u>Interest Rate</u>	<u>Year Series Matures</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 30, 2018</u>	<u>Due Within One Year</u>	<u>Due in More than One Year</u>
<u>General Obligation Bonds Payable</u>							
2009 Public Facilities	General	1.400%-5.625%	2030	\$ 28,499,154	\$ 19,151,553	\$ 1,287,029	\$ 17,864,524
2011 Public Facilities	General	2.00%-4.25%	2031	21,532,570	15,837,979	938,042	14,899,937
2012 Refunding Bonds	General	2.00%-4.00%	2023	8,010,000	4,201,445	779,432	3,422,013
2014 Public Facilities	General	2.00%-4.00%	2034	17,590,000	14,204,122	652,041	13,552,081
2015 Public Facilities	General	3.00%-5.00%	2036	11,622,756	10,718,571	415,156	10,303,415
2015 Refunding Bonds	General	2.00%-5.00%	2027	13,521,625	12,281,820	1,118,730	11,163,090
2016 Public Facilities	General	2.00%-4.00%	2036	13,934,364	13,465,923	471,531	12,994,392
2016 Refunding Bonds	General	2.00%-5.00%	2019	8,042,773	3,413,668	1,699,712	1,713,956
2017 Public Facilities	General	3.00%-5.00%	2037	12,600,000	12,600,000	390,000	12,210,000
2018 Public Facilities	General	3.00%-5.00%	2038	16,000,000	16,000,000	-	16,000,000
2009 Public Facilities	Due from PHA	1.400%-5.625%	2030	872,644	599,423	40,283	559,140
2012 Refunding Bonds (2003 Bonds)	Due from PHA	3.50%-4.50%	2023	335,000	113,555	20,568	92,987
2015 Refunding Facilities (2006 Bonds)	Due from PHA	2.00%-3.00%	2027	240,112	218,096	19,866	198,230
2014 Public Facilities	Due from other Counties	2.00%-4.00%	2034	4,800,000	4,109,692	188,656	3,921,036
Subtotal Bonds Payable					126,915,847	8,021,046	118,894,801
<u>Notes Payable</u>							
State of Maryland - Price Ck.	Spec. Rev.	0.00%	2021	625,000	72,000	24,000	48,000
State of Maryland - Grove Ck.	Spec. Rev.	0.00%	2034	510,617	326,792	20,425	306,367
State of Maryland - Narrows Pointe	Spec. Rev.	0.00%	2030	15,542	525,318	25,530	499,788
Suntrust Financing	General	2.51%	2020	1,215,590	493,351	242,433	250,918
Subtotal Notes Payable					1,417,461	312,388	1,105,073
Subtotal Bonds and Notes Payable					128,333,308	8,333,434	119,999,874
Bond Premiums					5,651,457	573,178	5,078,279
Subtotal Governmental Activities Debt					133,984,765	8,906,612	125,078,153
Other Post-Employment Benefit Obligation					41,211,334	-	41,211,334
Net Pension Liability					24,362,611	-	24,362,611
Compensated Absences					2,561,087	1,601,944	959,143
Total Governmental Activities					\$ 202,119,797	\$ 10,508,556	\$ 191,611,241

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

B. GENERAL OBLIGATION BONDS, NOTES, OTHER POST-EMPLOYMENT BENEFIT OBLIGATION, NET PENSION LIABILITY, AND COMPENSATED ABSENCES (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

The annual requirements to amortize general obligation bonds and notes payable outstanding as of June 30, 2018 for governmental activities are as follows:

<u>Governmental Activities</u> Year Ending June 30,	Governmental Bonds Payable			Governmental Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 8,021,046	\$ 4,793,273	\$ 12,814,319	\$ 312,388	\$ 12,350	\$ 324,738
2020	8,804,209	4,595,757	13,399,966	323,109	6,252	329,361
2021	7,394,502	4,248,826	11,643,328	72,191	-	72,191
2022	7,722,864	3,927,275	11,650,139	48,191	-	48,191
2023	8,086,048	3,588,634	11,674,682	48,191	-	48,191
2024-2028	38,814,297	13,011,703	51,826,000	240,955	-	240,955
2029-2033	30,036,653	5,633,013	35,669,666	240,955	-	240,955
2034-2038	16,876,226	1,426,158	18,302,384	131,481	-	131,481
2039	1,160,002	19,575	1,179,577	-	-	-
	<u>\$ 126,915,847</u>	<u>\$ 41,244,214</u>	<u>\$ 168,160,061</u>	<u>\$ 1,417,461</u>	<u>\$ 18,602</u>	<u>\$ 1,436,063</u>

A portion of the County's 2009 Bond offering was issued using Build America Bonds. As an incentive to use these bonds, the Federal government offered an interest reimbursement grant, which offsets the County's debt service for interest expense. As a result, the County received interest reimbursements of \$344,179 during fiscal year 2018, which are reported separately as a specific intergovernmental grant. The net effect of this reimbursement is shown below.

Net Effect of Federal Build America Bonds Interest Reimbursement on Interest Expense

	Interest Expense on 2009 Bonds	Interest Reimbursement	Net Interest Expense
Governmental Activities	\$ 1,013,240	\$ (330,644)	\$ 682,596
Business-Type Activities			
Bay Bridge Airport	6,559	(2,140)	4,419
Public Landings and Marinas	34,915	(11,395)	23,520
Total Business-Type Activities	41,474	(13,535)	27,939
Total	<u>\$ 1,054,714</u>	<u>\$ (344,179)</u>	<u>\$ 710,535</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

B. GENERAL OBLIGATION BONDS, NOTES, OTHER POST-EMPLOYMENT BENEFIT OBLIGATION, NET PENSION LIABILITY, AND COMPENSATED ABSENCES (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

General obligation bonds and notes payable outstanding as of June 30, 2018 for business-type activities are comprised of the following, as well as other post-employment benefits, net pension liability, and accrued compensated absences:

<u>Business -Type Activities</u>	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2018	Due Within One Year	Due in More than One Year
<u>Golf Course</u>						
2016 Public Facilities Bonds	2.00%-4.00%	2036	\$ 85,636	\$ 99,077	\$ 3,469	\$ 95,608
2016 Refunding Bonds	2.00%-5.00%	2019	339,062	143,911	71,655	72,256
Bond Premiums				23,471	8,655	14,816
Subtotal Golf Course				266,459	83,779	182,680
<u>Bay Bridge Airport</u>						
2009 Public Facilities Bonds	1.400%-5.625%	2030	180,501	123,987	8,332	115,655
2011 Public Facilities Bonds	2.00%-4.25%	2031	21,968	17,811	1,082	16,729
2014 Public Facilities Bonds	2.00%-4.00%	2034	964,940	856,186	39,303	816,883
2015 Public Facilities Bonds	3.00%-5.00%	2036	577,244	641,428	24,844	616,584
2015 Refunding Bonds	2.00%-5.00%	2027	173,556	157,642	14,359	143,283
2016 Refunding Bonds	2.00%-4.00%	2036	88,165	37,421	18,632	18,789
Bond Premiums				88,155	8,076	80,079
Subtotal Airport				1,922,630	114,628	1,808,002
<u>Public Landings and Marinas</u>						
2009 Public Facilities Bonds	1.400%-5.625%	2030	947,976	660,037	44,356	615,681
2011 Public Facilities Bonds	2.00%-4.25%	2031	133,908	99,209	5,876	93,333
2015 Refunding Bonds	2.00%-5.00%	2027	24,707	22,442	2,044	20,398
Bond Premiums				5,418	501	4,917
Subtotal Public Landings and Marinas				787,106	52,777	734,329
<u>Sanitary District</u>						
Maryland Water Quality-2005 Enhancement	1.00%	2027	18,252,291	8,649,389	924,815	7,724,574
Maryland Water Quality-2017 Loan	0.80%	2051	6,731,697	16,835,432	-	16,835,432
Subtotal Sanitary District				25,484,821	924,815	24,560,006
Total Business-Type Activities Debt				28,461,016	1,175,999	27,285,017
Other Post-Employment Benefit Obligation				7,688,150	-	7,688,150
Net Pension Liability				2,299,155	-	2,299,155
Compensated Absences				383,107	239,631	143,476
Total Business-Type Activities				\$ 38,831,428	\$ 1,415,630	\$ 37,415,798

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

B. GENERAL OBLIGATION BONDS, NOTES, OTHER POST-EMPLOYMENT BENEFIT OBLIGATION, NET PENSION LIABILITY, AND COMPENSATED ABSENCES (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

The annual requirements to amortize business-type bonds and notes outstanding at June 30, 2018, are as follows:

<u>Business-Type Activities</u> Year Ending June 30,	Business-Type Bonds Payable			Business-Type Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 233,952	\$ 115,668	\$ 349,620	\$ 924,815	\$ 331,156	\$ 1,255,971
2020	240,790	106,049	346,839	934,063	381,684	1,315,747
2021	155,498	97,205	252,703	943,404	403,201	1,346,605
2022	162,136	89,957	252,093	1,898,092	436,745	2,334,837
2023	168,953	82,357	251,310	1,915,182	398,950	2,314,132
2024-2028	925,704	295,691	1,221,395	8,811,549	1,684,641	10,496,190
2029-2033	733,342	110,464	843,806	5,074,980	1,197,135	6,272,115
2034-2038	238,776	11,776	250,552	4,982,736	996,262	5,978,998
	<u>\$ 2,859,151</u>	<u>\$ 909,167</u>	<u>\$ 3,768,318</u>	<u>\$ 25,484,821</u>	<u>\$ 5,829,774</u>	<u>\$ 31,314,595</u>

C. ISSUANCE OF NEW DEBT

PRIMARY GOVERNMENT

On March 27, 2018, Queen Anne's County issued Public Facilities Bonds of 2018 for \$16,000,000. These General Obligation Bonds carry interest rates of 3.0 to 5.0 percent and mature serially through 2038. The primary use of the bond proceeds is to provide funding for the new County courthouse, Roads capital projects, and the renovation of Grasonville Elementary School, with minor amounts earmarked for construction of general government capital projects. Moody's Investor Service has assigned the rating of Aa1, Fitch Ratings has assigned a rating of AAA and Standard & Poor's also assigned a AAA rating to the Queen Anne's County 2018 Bonds.

In fiscal year 2017, the County began borrowing funds through the Maryland Water Quality Financing Administration for the Southern Kent Island (SKI) Sanitary Project. The total loan amount will be approximately \$32 million and funds will be disbursed as the project costs are incurred. Principal payments will begin in 2022 and the loan will be repaid over 30 years at an interest rate of 0.80%. In fiscal year 2018, the County received \$10,103,735 as part of this loan. The total received as of June 30, 2018 was \$16,835,432. At completion of the SKI project, it is anticipated that \$1,267,000 of the loan with the Maryland Water Quality Financing Administration will be forgiven and the County will not need to repay those funds. At that time, the County will clear the debt for the final amount forgiven.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

D. MUNICIPAL LEASE

PRIMARY GOVERNMENT

In January 2016, the County signed a note with SunTrust Equipment Financing & Leasing Corporation for the purchase of replacement vehicles for various County departments. The total amount of the note was \$1,215,590 and is payable over five years. This note is secured by the vehicles purchased. The first payment was made in February 2016. The annual interest rate is 2.51%. The outstanding balance as of June 30, 2018 is \$493,351.

E. LEASE OBLIGATIONS

OPERATING LEASE – PRIMARY GOVERNMENT

In October 2009, Queen Anne's County entered into an operating lease agreement as lessor for ground space at the Bay Bridge Airport. The Airport leased a parcel of land approximately 9,000 square feet to CSP Properties, LLC beginning in November 2009 for a term of twenty-five years, ending in fiscal year 2035. Included in the lease agreement is the requirement that the lessee, CSP Properties, LLC, construct an aircraft hangar at its sole expense, subject to certain criteria. At the end of the lease, the aircraft hangar and any improvements made to it become the sole property of the Bay Bridge Airport.

Lease revenues for the year ended June 30, 2018 amounted to \$6,445. Minimum future lease revenues are as follows:

Fiscal Year Ending June 30,	lease payments
2019	\$ 5,598
2020	5,635
2021	5,635
2022	5,710
2023	5,748
2024-2028	29,239
2029-2033	30,218
2034-2035	<u>8,255</u>
Minimum Future Rental Revenue	<u>\$ 96,038</u>

QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

F. LOCAL DEBT POLICY

PRIMARY GOVERNMENT

In May 2013, Queen Anne’s County adopted Resolution No. 13-04, which updated and replaced Resolution No. 09-13, to continue a local debt policy in compliance with Article 95, Section 22F of the Annotated Code of Maryland. This policy requires that the County’s Director of Budget, Finance, and Information Technology: (1) prepare a six-year capital project plan each year; (2) propose an amount to be transferred from the General Fund operating balances to the General Capital Projects Fund to serve as pay-as-you-go funding in the latter Fund, in order to lessen the need for future County debt; (3) limit the County’s non-bonded indebtedness to \$8.0 million for general operating expenses or capital improvements; and (4) certify that the sum of outstanding general bonded debt and any new general obligation debt is 2.5% or less of the total taxable assessable base and is \$3,000 or less per capita. This policy also stipulates that although there is some flexibility as to the acceptable percentage of debt service to general fund expenditures, and no absolute limit has been established by the rating agencies or the Government Finance Officers Association, anything above 12% of total general fund expenditures would be a cause to carefully monitor debt service. In addition to the debt policy, the Spending Affordability Committee recommended that the limit of debt service to general fund expenditures should be limited to 10% and the County Commissioners have adopted that as a limit.

Queen Anne’s County has complied with the above policy, and has not had any violations. For calculations relating to this local debt policy, see Table 12-b in the Statistical Section of this document.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – RESTRICTED ASSETS AND LIABILITIES AND FUND BALANCES

A. RESTRICTED ASSETS AND RELATED LIABILITIES

PRIMARY GOVERNMENT

BUSINESS-TYPE ACTIVITIES

Queen Anne's County Sanitary District

Restricted Fund - The County Commissioners created a restricted fund within the Sanitary District Enterprise Fund in November of 1989 by enabling legislation. Revenue sources to the fund are sales of water and sewer allocations and interest earned on investments. Authorized uses of restricted funds are major capital expenses for repairs, construction, plant expansion, debt service, or other similar uses within the Sanitary District. To date, such funds have been used almost exclusively for debt service.

Debt Service Fund - Principal and interest payments for water and wastewater debt used to expand the service area are payable primarily from water and sewer special benefit assessments. These assessments, made at the time the expansion is ready for use, are created by enabling legislation and amortized over the same life as underlying debt. They constitute a lien on the served property and may be prepaid at any time. The amount of assessments collectable in future years is recorded as benefit assessments receivable. A portion of those assessments receivable is not due currently and is recorded as unearned revenue.

Water Quality Revolving Loan Fund debt covenants stipulate that sufficient financial resources must be available in the Debt Service Fund as of June 30 of each year to cover the subsequent year's debt service payments. If such resources are not available at that time, the covenants require that the County increase service rates, impose benefit assessments, or otherwise increase financial resources so that debt service payments are covered before they are due throughout the year.

The assets and related liabilities restricted for the above purposes at June 30, 2018 are as follows:

<u>Business -Type Activities</u>	<u>Sanitary District</u>		<u>Total</u>
	<u>Restricted</u>	<u>Debt Service</u>	
Current Restricted Assets			
Equity in Pooled Cash	\$ 6,988,210	\$ 1,060,045	\$ 8,048,255
Accounts Receivable (Net)	5,514	89	5,603
Subtotal Current Restricted Assets	<u>6,993,724</u>	<u>1,060,134</u>	<u>8,053,858</u>
LESS Current Liabilities Associated with Restricted Assets			
Accounts Payable	<u>(36,766)</u>	<u>-</u>	<u>(36,766)</u>
Net Current Restricted Assets	<u>6,956,958</u>	<u>1,060,134</u>	<u>8,017,092</u>
Noncurrent Restricted Assets			
Special Assessments Receivable (Net)	968,558	-	968,558
LESS Deferred Inflows - Unavailable Water and Sewer Assessments	<u>(968,558)</u>	<u>-</u>	<u>(968,558)</u>
Net Restricted Assets	<u>\$ 6,956,958</u>	<u>\$ 1,060,134</u>	<u>\$ 8,017,092</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – RESTRICTED ASSETS AND LIABILITIES AND FUND BALANCES (CONTINUED)

B. RESTRICTED NET POSITION

PRIMARY GOVERNMENT

GOVERNMENTAL ACTIVITIES

Net Investment in Capital Assets for governmental activities, is calculated as follows:

Governmental Activities

Total Debt excluding Compensated Absences, Pension and OPEB Obligations (includes \$1,087,670 for deferred charge on refunding)	\$	(132,897,095)
Add back: Debt relating to Board of Education Assets	\$	57,168,629
Add back: Unspent portion of Bond Proceeds for Board of Education debt		1,456,727
Add back: Unspent portion of Bond Proceeds for Governmental debt		3,083,170
Add back: Debt relating to Chesapeake College		6,311,935
Add back: Debt relating to PHA		931,074
Add back: Debt relating to non-capital assets (Dredging)		924,108
		<u>69,875,643</u>
Add back debt unrelated to Capital Assets		69,875,643
Net Assets Invested in Capital Assets		<u>177,815,678</u>
Net Investment in Capital Assets	\$	<u>114,794,226</u>

BUSINESS-TYPE ACTIVITIES

Net Investment in Capital Assets, Restricted Amounts, Unrestricted Amounts, and Net Position for business-type activities, are as follows:

Business-Type Activities	Sanitary District					Bay Bridge Airport	Non-Major Enterprise Funds	Total Enterprise Funds
	Sewer Operating	Water Operating	Restricted Fund	Debt Service Fund	Total Sanitary			
Capital Assets, net of Accumulated Depreciation	\$ 67,611,383	\$ 19,183,480	\$ -	\$ -	\$ 86,794,863	\$ 18,545,354	\$ 7,481,007	\$ 112,821,224
Less: Debt excluding Compensated Absences, OPEB, and Net Pension Liability	(25,484,821)	-	-	-	(25,484,821)	(1,922,630)	(1,053,565)	(28,461,016)
Plus: Deferred Charge on Refunding	-	-	-	-	-	12,984	13,099	26,083
Net Investment in Capital Assets	<u>42,126,562</u>	<u>19,183,480</u>	<u>-</u>	<u>-</u>	<u>61,310,042</u>	<u>16,635,708</u>	<u>6,440,541</u>	<u>84,386,291</u>
Restricted Amounts								
Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,060,134</u>	<u>1,060,134</u>	<u>-</u>	<u>-</u>	<u>1,060,134</u>
Total Unrestricted Amounts	<u>77,503</u>	<u>2,345,472</u>	<u>6,956,958</u>	<u>-</u>	<u>9,379,933</u>	<u>(1,591,350)</u>	<u>(329,587)</u>	<u>7,458,996</u>
Total Net Position	<u>\$ 42,204,065</u>	<u>\$ 21,528,952</u>	<u>\$ 6,956,958</u>	<u>\$ 1,060,134</u>	<u>\$ 71,750,109</u>	<u>\$ 15,044,358</u>	<u>\$ 6,110,954</u>	<u>\$ 92,905,421</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 10 – RESTRICTED ASSETS AND LIABILITIES AND FUND BALANCES (CONTINUED)

C. FUND BALANCES

PRIMARY GOVERNMENT

Governmental fund balances are composed of the following:

Governmental Funds	General Fund	General Capital	Roads Capital	Non-Major Governmental	Total Governmental Funds
Nonspendable					
Loans Receivable	\$ -	\$ 2,182,392	\$ -	\$ 5,401,161	\$ 7,583,553
Inventory	967,201	-	-	-	967,201
Prepaid Items	34,409	-	-	-	34,409
Subtotal Nonspendable	<u>1,001,610</u>	<u>2,182,392</u>	<u>-</u>	<u>5,401,161</u>	<u>8,585,163</u>
Restricted					
Rainy Day Fund	10,906,358	-	-	-	10,906,358
Unspent Bond Proceeds	-	4,539,897	-	-	4,539,897
Economic and Community Development	-	-	-	996,114	996,114
Agricultural Easements	-	-	-	415,602	415,602
Impact Fees	-	247,435	-	-	247,435
Inmate Welfare	-	-	-	221,303	221,303
Critical Areas	-	-	-	191,858	191,858
Mosquito Control	91,483	-	-	-	91,483
Sheriff's Drug Task Force	-	-	-	133,798	133,798
Vehicle Acquisition	-	38,200	-	-	38,200
Dredging	-	-	-	27,572	27,572
Sheriff - Federal Confiscated Funds	1,959	-	-	-	1,959
Donor-Specified Purposes	-	-	-	3,562	3,562
Subtotal Restricted	<u>10,999,800</u>	<u>4,825,532</u>	<u>-</u>	<u>1,989,809</u>	<u>17,815,141</u>
Committed					
Encumbrances	27,897	-	-	-	27,897
Impact Fees	-	-	-	9,169,727	9,169,727
Revenue Stabilization Fund	5,000,000	-	-	-	5,000,000
Economic Development	-	855,793	-	2,844,684	3,700,477
Rubble Surcharge	-	661,378	-	-	661,378
Developer Exactions	-	1,054,633	615,450	-	1,670,083
Agricultural Easements	-	-	-	550	550
Subtotal Committed	<u>5,027,897</u>	<u>2,571,804</u>	<u>615,450</u>	<u>12,014,961</u>	<u>20,230,112</u>
Assigned					
Encumbrances	-	9,943,552	1,604,818	-	11,548,370
Subsequent Years' Expenditures	681,927	4,874,735	285,000	509,685	6,351,347
Capital Projects	-	2,172,208	228,645	-	2,400,853
Income Tax Contingency	801,900	-	-	-	801,900
Subtotal Assigned	<u>1,483,827</u>	<u>16,990,495</u>	<u>2,118,463</u>	<u>509,685</u>	<u>21,102,470</u>
Unassigned					
General Fund	11,142,331	-	-	-	11,142,331
Housing and Community Services	-	-	-	(6,897)	(6,897)
Fire Company Impact Fees	-	-	-	(41,861)	(41,861)
Subtotal Unassigned	<u>11,142,331</u>	<u>-</u>	<u>-</u>	<u>(48,758)</u>	<u>11,093,573</u>
Total Governmental Funds Balances	<u>\$ 29,655,465</u>	<u>\$ 26,570,223</u>	<u>\$ 2,733,913</u>	<u>\$ 19,866,858</u>	<u>\$ 78,826,459</u>

Encumbrances included in the General Capital and Roads Capital funds are for the following purposes:

	General Capital	Roads Capital
General Government	\$ 4,105,375	\$ -
Parks & Recreation	2,349,787	-
Economic Development	1,378,876	-
Education	826,109	-
Public Works	497,695	-
Public Safety	365,028	-
Library	324,309	-
Conservation of Natural Resources	72,960	-
Social Services	23,413	-
Resurfacing Contracts and Materials	-	1,083,625
Roads Construction Equipment	-	521,193
Total Encumbrances	<u>\$ 9,943,552</u>	<u>\$ 1,604,818</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 - RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The government carries commercial insurance to cover such risks. Certain assets of the County such as roads, bridges, and other infrastructure are not insurable due to their nature.

General Insurance Coverage - The County is a participant in the Local Government Insurance Trust (LGIT), which is a consortium of Maryland local governments created to provide insurance coverage and services to Maryland local governments. The LGIT provides general liability, public officials' liability, fleet insurance, and building and property insurance to its members.

Workmen's compensation and fidelity insurance are obtained from various commercial insurance companies.

Risk Sharing - Subscribers to coverage provided by LGIT share the risk among participants of the pools. As a result, the County's annual premium requirements will be affected by the loss experience of the various insurance pools in which it participates. Also, the County may be subject to additional assessments from time to time. These amounts would be recorded as expenditures when they are probable and can be reasonably estimated. Conversely, favorable performance of certain insurance pools may result in reduced premiums.

Health Insurance - Effective with the 1996 fiscal year, the County joined together with other Eastern Shore county governments, libraries, and Boards of Education to form the Eastern Shore of Maryland Education Consortium Health Insurance Alliance (ESMEC), a public entity risk pool currently operating as a common risk management and insurance program for health insurance coverage. CareFirst BlueCross BlueShield, of Maryland, administers this program.

The agreement for formulation of the alliance provides that the pool will be self-sustaining through member premiums. In addition to the annual premiums, the pooling agreement provides for additional assessments, if needed, but not to exceed certain limits. No additional assessments were needed for fiscal 2018 and, as of the date of this report, it is believed that there are no outstanding claims in excess of the equity of the trust.

Effective January 2017, the County prescription plan moved to a new pharmacy benefit manager, Express Scripts, which is separate from CareFirst.

Settlements - In fiscal year 2018, the County paid out \$29,874 as a result of a settlement involving an employee. For the three years prior, settlements have not exceeded insurance coverage for any type of policy in effect.

**QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 12 - RETIREMENT PLANS

Virtually all full and eligible part-time employees of Queen Anne’s County, Maryland, and its related agencies are covered by one of the statewide contributory pension systems of the State of Maryland.

Maryland State Retirement and Pension Systems

Organization

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, boards 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.

The System is comprised of the Teachers’ Retirement and Pension Systems, Employees’ Retirement and Pension 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>
Board of Education - regular employees	Employees System
Board of Education - teachers	Teachers System
Library	Teachers System
Queen Anne's County:	
Elected officials	Employees System
Sheriff's Deputies	LEOPS
Regular employees	Employees System

The System is a cost sharing multiple-employer defined benefit pension plan.

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.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RETIREMENT PLANS (CONTINUED)

Covered Members

Teachers' Retirement and Pension Systems

The Teachers' Retirement System was established on August 1, 1927, to provide retirement allowances and other benefits to teachers in the State. Effective January 1, 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was established. As a result, teachers hired after December 31, 1979, became members of the Teachers' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Teachers' Retirement System may not transfer membership to the Teachers' Pension System.

Employees' Retirement and Pension Systems

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. As a result, State employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979, became members of the Employees' Pension System as a condition of employment, while all State correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System.

The Law Enforcement Officers' Pension System (LEOPS)

The Law Enforcement Officers' Pension System (LEOPS) was established on July 2, 1990, to provide retirement allowances and other benefits for certain State and local law enforcement officers. This System includes both retirement plan and pension plan provisions which are applicable to separate portions of the System's membership. The retirement plan provisions are only applicable to those members who, on the date they elected to participate in LEOPS, were members of the Employees' Retirement System. This System's pension plan provisions are applicable to all other participating law enforcement officers.

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who are members of the Employees', Teachers', Correctional Officers' or State Police Retirement System on or before June 30, 2011, retirement allowances are computed using both the highest three years' Average Final Compensation (AFC) and the actual number of years of accumulated creditable service. For individuals who become members of the State Police Retirement System or the Correctional Officers' Retirement System on or after July 1, 2011, retirement allowances are computed using both the highest five years' AFC and the actual number of years of accumulated creditable service. For all individuals who are members of the pension systems of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' AFC and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive year's AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and/or designated beneficiary's attained age and similar actuarial factors.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RETIREMENT PLANS (CONTINUED)

Beginning July 1, 2011, the member contribution rate was increased for members of the Teachers' Pension System and Employees' Pension Systems from 5% to 7% and from 4% to 6% respectively, in fiscal year 2013 and 7% in the fiscal year 2014 and beyond for members of the Law Enforcement Officers' Pension System. Beginning July 1, 2013, the member contribution rate was increased for members of the Judges' Retirement System from 6% to 8%.

In Addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments (COLA) that is based on the increase in the Consumer Price Index (CPI) and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation.

A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect are as follows:

Service Retirement Allowances

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals 1/55 (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011, is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service.

For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.5% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of the Teachers' or Employee's Pension System.

Exceptions to these benefit formulas apply to members of the Employees' Pension System, who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for those members equals 0.8% of the member's AFC up to the social security integration level (SSIL), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the social security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RETIREMENT PLANS (CONTINUED)

A member of the Law Enforcement Officers' Pension System is eligible for full retirement benefits upon the earlier of attaining age 50 or accumulating 25 years of eligibility service regardless of age. The annual retirement allowance for a member who is covered under the retirement plan provisions equals $1/50$ (2.0%) of the member's AFC multiplied by the number of years of accumulated creditable service up to 30 years, plus $1/100$ (1.0%) of the member's AFC multiplied by the number of years of accumulated creditable service in excess of 30 years. For members subject to the pension provisions, full service pension allowances equal 2.0% of AFC up to a maximum of 60% (30 years of credit).

Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 5 years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or a legislator), and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member, who terminates employment prior to attaining retirement age and before vesting, receives a refund of all member contributions and interest.

Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%.

An individual who is a member of either the Teachers' or Employees' Pension System on or before June 30, 2011 may retire with reduced benefits upon attaining age 55 with a least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of the Teachers' or Employees' Pension System is 42%. An individual who becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011, may retire with reduced benefits upon attaining age 60 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pensions System is 30%.

Members of the State Police, Judges', Law Enforcement Officers' and Local Fire and Police Systems are not eligible for early service benefits.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of which are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives $2/3$ (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RETIREMENT PLANS (CONTINUED)

Adjusted Retirement Allowances

Retirement and pension allowances are increased annually to provide for changes in the cost of living according to prescribed formula. Such adjustments for retirees are based on the annual change in the CPI. For the Teachers' and Employees' Retirement Systems (TRS/ERS) the method by which the annual COLA's are computed depends upon elections made by members who were active on July 1, 1984 (or within 90 days of returning to service, for members who were inactive on July 1, 1984) enabling the member to receive either an unlimited COLA, a COLA limited to 5% or a two part combination COLA depending upon the COLA election made by the member.

Effective July 1, 1998, for Teachers', Employees', and LEOPS retirees, the adjustment is capped at a maximum 3% compounded and is applied to all benefits which have been in payment for one year. The annual increase to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance.

However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped in the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	In the 2016 actuarial valuation, 2.90% general, 3.20% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2016 actuarial valuation, 3.20% to 9.20%. In the 2017 actuarial valuation, 3.15% to 9.15%.
Investment Rate of Return	In the 2016 actuarial valuation, 7.55%. In the 2017 actuarial valuation, 7.50%.
Discount Rate	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RETIREMENT PLANS (CONTINUED)

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	36%	5.3%
Private Equity	11%	7.0%
Rate Sensitive	21%	1.2%
Credit Opportunity	9%	3.6%
Real Assets	15%	5.7%
Absolute Return	8%	3.1%
Total	<u>100%</u>	

The above was the Board of Trustees adopted asset allocation policy and best estimate of geometric real rates of return for each major asset class as of June 30, 2017.

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 10.0%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount rate

A single discount rate of 7.50% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.50%. 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.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RETIREMENT PLANS (CONTINUED)

Sensitivity of the Net Pension Liability

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher:

System	1% Decrease to 6.50%	Discount Rate 7.50%	1% Increase to 8.50%
County	\$ 37,784,999	\$ 26,661,766	\$ 17,432,624
Board of Education	6,234,708	4,399,321	2,876,468

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

Employer Contributions:

In accordance with Maryland Senate Bill 1301, *Budget Reconciliation and Financing Act of 2012*, the Board is required to pay the State a specified percentage of the normal cost portion of the total pension cost for teachers. The normal cost is the portion of the total retirement benefit cost that is allocated to the current year of the employee's service. The specified percentage increases each fiscal year, until fiscal year 2017, when the Board will be paying 100% of the normal cost for each teacher.

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 its' 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, 2018, the Board of Education reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Board. The amount recognized by the Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Board were as follows:

Board's proportionate share of the net pension liability	\$ 4,399,321
State's proportionate share of the net pension liability	67,996,368
Total	\$ 72,395,689

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RETIREMENT PLANS (CONTINUED)

The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was calculated as follows by the System(s):

1. Calculate the net pension liability for the entire System. 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 (the State) and one for the Participating Governmental Units ("PGUs"). These pools are kept on an actuarial basis and allow for the State to fund only State employees and PGUs to fund only PGU employees. For the accounting of the System, however, the assets of the System are accounted in a single pool which is audited annually.
2. Determine the total contributions to the System by the State and PGUs, 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. Calculate for each participating government, their percentage of the adjusted System contribution by dividing the total adjusted System contribution into each primary government contribution.
5. Provide each PGU its adjusted percentage of contribution and the System's net pension liability and other related amounts.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RETIREMENT PLANS (CONTINUED)

At June 30, 2018, the County reported the following related to pensions:

	<u>COUNTY</u>	<u>BOARD OF EDUCATION</u>
Employer's proportionate (percentage) of the collective net pension liability	0.1232988%	0.0203449%
Employer's proportionate share of the collective net pension liability	\$ 26,661,766	\$ 4,399,321
Pension expense recognized by the employer for the year ended June 30, 2018	\$ 2,328,748	\$ 199,231
Deferred outflows of resources June 30, 2017	\$ 8,235,118	\$ 1,430,997
Year end June 30, 2017 contributions	(2,509,551)	(414,089)
Difference between expected and actual experience	-	21,901
Change in assumptions	132,731	-
Amortization of items allowed by GASB 68	(1,609,067)	(287,231)
Year end June 30, 2018 contributions	2,759,698	459,901
Deferred outflows of resources June 30, 2018	\$ 7,008,929	\$ 1,211,479
Deferred inflows of resources June 30, 2017	\$ 1,739,716	\$ 325,666
Net difference between projected and actual investment earnings	1,065,203	388,924
Difference between actual and expected experience	1,291,840	-
Amortization of items allowed by GASB 68	(675,878)	(128,373)
Deferred inflows of resources June 30, 2018	\$ 3,420,881	\$ 586,217
NPL June 30, 2017	\$ 30,000,070	\$ 5,140,060
Change in NPL factored for contributions	(3,338,304)	(740,739)
NPL June 30, 2018	\$ 26,661,766	\$ 4,399,321

The \$2,759,698 and \$459,901 of deferred outflows of resources resulting from the County and the Board's contributions to the Employees' Systems subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources will be amortized over a five year period, as follows:

	2017 Balance Amortization			2016 Balance Amortization		2015 Balance Amortization			2014 Balance Amortization	
	Deferred Outflows	Deferred Inflows		Deferred Outflows	Deferred Inflows	Deferred Outflows		Deferred Inflows	Deferred Outflows	Deferred Inflows
June 30,	Change in Assumptions	Actual and Expected Experience	Net Difference In Investment Earnings	Change in Assumptions	Actual and Expected Experience	Net Difference In Investment Earnings	Change in Assumptions	Actual and Expected Experience	Change in Assumptions	Actual and Expected Experience
2019	\$ 27,774	\$ (270,322)	\$ (266,301)	\$ 743,949	\$ (67,568)	\$ 544,357	\$ 254,106	\$ (103,957)	\$ 66,656	\$ (504,352)
2020	27,774	(270,322)	(266,301)	743,949	(67,568)	544,357	254,106	(103,957)	-	-
2021	27,774	(270,322)	(266,301)	743,949	(67,568)	-	221,071	(90,441)	-	-
2022	27,774	(270,322)	(266,300)	-	(58,427)	-	-	-	-	-
2023	21,635	(210,552)	-	-	-	-	-	-	-	-
Total	\$ 132,731	\$ (1,291,840)	\$ (1,065,203)	\$ 2,231,847	\$ (261,131)	\$ 1,088,714	\$ 729,283	\$ (298,355)	\$ 66,656	\$ (504,352)

QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 12 - RETIREMENT PLANS (CONTINUED)

	Total Payroll	Covered Payroll	On-Behalf By State
County - MD Retirement and pension	\$ 30,352,435	\$ 26,088,825	\$ -
Board of Education	60,117,229	56,180,104	5,940,289
Library	1,266,521	1,266,521	168,956

Covered payroll refers to all compensation paid to active employees covered by the Systems.

Pension contributions made by the State of Maryland, on behalf of the Board of Education and the Library are recognized as both revenue and expenditure.

NOTE 13 - DEFERRED COMPENSATION PLAN

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

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 participants. The County has no liability for losses under the plan.

Investments are managed by the plan’s administrator based on several different investment options, or combinations thereof. The choice of the investment option(s) to be used is made by each participant. The County has no management control over the assets of the plan. Accordingly, per GASB Statement No. 32, the assets of the plan are not included in these financial statements.

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS

Other Post-Employment Benefit Trust (OPEB Trust)

On June 23, 2009, the County enacted County Ordinance No. 09-12, which established a Trust entity entitled “Other Post-Employment Benefit Trust – County Commissioners of Queen Anne’s County, County Commissioners of Kent County, and Participating Agencies” (OPEB Trust). The purpose of the OPEB Trust is to: (1) fund costs of health insurance and other post-employment benefits to eligible retirees of the primary government, the Queen Anne’s County Board of Education, and the Queen Anne’s County Free Library; (2) accumulate and invest financial resources for this purpose; (3) provide health insurance and other post-employment benefits for eligible retirees; and (4) provide related administrative services.

Other agencies and political subdivisions have the right to participate in this Trust now and in the future. Such unrelated entities may deposit funds with the Trust for investment purposes related to their OPEB plans. At June 30, 2018, funds in the amount of \$157,645 were reported as a liability of the Trust to Kent County, Maryland. Kent County is holding these assets for the benefit of their plan participants.

**QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Other Post-Employment Benefit Trust (OPEB Trust) (Continued)

OPEB Trustees have exclusive authority to manage the assets of the Trust. The Board of Trustees consists of five members: two representing Queen Anne’s County Government; two representing the Queen Anne’s County Board of Education; and one representing Kent County. In lieu of separate financial statements for the OPEB Trust, Queen Anne’s County presents the Trust entity’s complete financial statements within this document.

In fiscal year 2015, the County Commissioners approved the County joining the MACo (Maryland Association of Counties) Pooled OPEB Investment Trust Fund. All information presented in this note on other post-employment benefits refer to the Trust entity entitled “Other Post-Employment Benefit Trust – County Commissioners of Queen Anne’s County, County Commissioners of Kent County, and Participating Agencies” (OPEB Trust). A separate Trust document for the MACo OPEB Trust can be found on the MACo website at www.mdcounties.org.

PRIMARY GOVERNMENT

Plan Reporting

The measurement date for GASB 74 is the Employer’s fiscal year end, June 30, 2018. Plan assets (Fiduciary Net Position) are measured as of this date. The Total OPEB Liability (TOL) as of this date is based on an actuarial valuation as of January 1, 2017, with adjustments made for the one-and-a-half year difference. Adjustments include Service Cost, Interest on Total OPEB Liability, and expected benefit payments during the year. This is also known as a roll-forward.

Under GASB 74, the Net OPEB Liability (NOL) is established as the difference between the Total OPEB Liability and the Plan Fiduciary Net Position. The NOL is very much like the unfunded actuarial accrued liability that is developed for the funding valuation, with adjustments for any time between the valuation date and the measurement date.

Relevant Dates

- Valuation Date: January 1, 2017
- Measurement Date: June 30, 2018
- Reporting Date: June 30, 2018

Plan Membership

The following is a summary of the plan membership as of January 1, 2017.

Active	389
Retired	<u>174</u>
Total	<u>563</u>

Plan Description

The County’s Other Post-Employment Benefit Plan (OPEB Plan) is an agent multiple-employer defined benefit healthcare plan that covers retired employees of the primary government, the Queen Anne’s County Board of Education, and the Queen Anne’s County Free Library. The Plan was established as specified in County Ordinance No. 09-12.

Plan descriptions and actuarial assumptions for each participant are described: (1) as follows for the primary government and (2) in financial statements issued separately for all other participants.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Plan description (Continued)

The County's Retiree Health Insurance Program provides medical insurance benefits to retirees and their eligible dependents. The retiree and their dependents will receive a subsidy as outlined in the tables below provided that (1) the retiree retired directly from County service with a County retirement/pension allowance, (2) has health insurance through the County prior to retirement, (3) retired with at least 15 years of County service, and (4) the retiree elects to participate upon retirement. Retirees who retire directly from County service with a County retirement/pension with less than 15 years of County service, who have health insurance through the County prior to retirement and who elect to participate upon retirement are eligible for the County's Retiree Health Insurance Program however are not eligible for a subsidy.

Medical/Drug Plan

PPO (80/20), EPO (85/15), BCA (85/15), Medicare Supplement

Eligibility

Queen Anne's County and Library employees are eligible to continue group insurance coverage after retirement provided that:

- a. Retiring employees have coverage in effect when they stop working.
- b. Retirement commences on the first of the month, following the last day they are employed.
- c. An employee must have been a permanent active employee. To receive a subsidy, must have at least 15 years of service.
- d. Eligibility for Retirement:

Non-LEOPS hired on or after 7/1/2011

- Rule of 90 (age plus service is at least 90), or
- Age 65 with 10 years of service, or
- Age 60 with 15 years of service

Non-LEOPS hired before 7/1/2011

- Age 55 with 15 years of service, or
- Age 62 with 5 years of service, or
- Age 63 with 4 years of service, or
- Age 64 with 3 years of service, or
- Age 65 with 2 years of service, or
- 30 years of service (regardless of age)

LEOPS

- Age 50 (no service requirement), or
- 25 years of service (no age requirement)

Retiree Payment

The employer subsidy is based on service, which medical plan you are enrolled in, retirement date and location.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Plan description (Continued)

Employees who retire prior to September 2, 2011 (regardless of medical plan enrolled in)

Years of Service	Subsidy Percentage
0 - 14	0.0%
15	54.0%
16	57.6%
17	61.2%
18	64.8%
19	68.4%
20	72.0%
21	75.6%
22	79.2%
23	82.8%
24	86.4%
25 or more	90.0%

Employees who retire between September 2, 2011 and August 31, 2012

Years of Service	Subsidy Percentage	
	EPO Plan	PPO Plan
0 - 14	0.0%	0.0%
15	54.0%	54.0%
16	57.6%	57.1%
17	61.2%	60.2%
18	64.8%	63.3%
19	68.4%	66.4%
20	72.0%	69.5%
21	75.6%	72.6%
22	79.2%	75.7%
23	82.8%	78.8%
24	86.4%	81.9%
25 or more	90.0%	85.0%

Employees who retire on or after September 1, 2012

Years of Service	Subsidy Percentage	
	EPO Plan	PPO Plan
0 - 14	0.0%	0.0%
15	54.0%	54.0%
16	57.1%	56.6%
17	60.2%	59.2%
18	63.3%	61.8%
19	66.4%	64.4%
20	69.5%	67.0%
21	72.6%	69.6%
22	75.7%	72.2%
23	78.8%	74.8%
24	81.9%	77.4%
25 or more	85.0%	80.0%

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Plan description (Continued)

Plan Changes Since Prior Valuation

There have been no changes in eligibility or cost sharing provisions since the prior valuation, which included the retiree payment changes outlined above.

Actuarial Information

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

- Investment Return: 6.00%, net of investment expense and including inflation
- Healthcare Trend: 6.00% initially, grading down to 4.30% ultimate

Mortality rates are based on the RP 2000 tables with Scale AA applied on a generational basis. RP 2000 Disabled tables are used for those on disability, if applicable.

Changes in Actuarial assumptions

There were no changes in actuarial assumptions since the prior year, except the change in discount rate due to an updated fund availability analysis.

Actuarial Methods for Determining Employer Contributions

The same economic and demographic assumptions are used for both funding and financial reporting purposes under GASB 74/75.

The Entry Age method is used for accounting/GASB purposes, therefore all of the actuarial figures within this Report are based on it. Actuarially Determined Contributions are also based on the Entry Age method, with a closed level percentage of payroll amortization of the unfunded liability (21 years remaining).

Expected Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2018, and the final investment return assumption, are summarized in the following table:

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Expected Return (Continued)

Asset Class	Long-Term Expected Real Return - Portfolio	Weight
Domestic Equity	4.50%	48.00%
International Funds	5.95%	13.00%
Fixed Income – U.S.	2.95%	33.00%
Global Funds	4.50%	6.00%
Cash Equivalents	0.75%	0.00%
Total Weighted Average Real Return	4.63%	100.00%
Plus Inflation	2.50%	
Total Return w/o Adjustment	7.13%	
Risk Adjustment	-1.13%	
Total Expected Return	6.00%	

For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB plan investments was 5.4%. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

Discount Rate

The discount rate used to measure the total OPEB liability is 5.75%. The County's funding expectations/policy is to contribute 50% of the Actuarially Determined Contribution in fiscal year 2018, then increase this percentage 10% each year until the actuarial cost is being contributed in full annually. It is expected that benefits will be paid from the trust when a 50% funding level is reached. Based on this information, we project that benefits will be financed on a pay as you go basis until 2029, then from the trust there forward.

Therefore, the expected trust return of 6.00% is blended with the 20-year Aa bond rate* of 3.62%. The blended rate is 5.75%. The prior rate was 5.78%.

*Source: Fidelity general obligation municipal bond index.

Net OPEB Liability

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the plan, 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:

System	DISCOUNT RATE		
	1% Decrease to 4.75%	Discount Rate 5.75%	1% Increase to 6.75%
Net OPEB liability	\$ 58,658,018	\$ 48,899,484	\$ 40,681,653

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Sensitivity of the net OPEB liability to changes in the trend rate

The following presents the net OPEB liability of the plan, calculated using the current health care trend rate, as well as what the net OPEB liability would be if it were calculated using a health care trend rate that is 1% point lower or 1% point higher:

System	HEALTH CARE TREND		
	1% Decrease to 3.30%	Discount Rate 4.30%	1% Increase to 5.30%
Net OPEB liability	\$ 39,293,009	\$ 48,899,484	\$ 60,693,162

Changes in the net OPEB liability are as follows:

Total OPEB Liability ("TOL")	
Service cost	\$ 1,130,747
Interest	2,985,530
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions	265,899
Benefit payments	(1,498,005)
Net change in total OPEB liability	2,884,171
Total OPEB liability - beginning of year	51,266,290
Total OPEB liability - end of year	\$ 54,150,461

Plan Fiduciary Net Position ("PFNP")	
Contributions - employer	\$ 2,731,447
Contributions - member	-
Net investment income	207,932
Benefit payments	(1,498,005)
Admin expenses	(2,452)
Other	-
Net change in plan fiduciary net position	1,438,922
Plan fiduciary net position - beginning of year	3,812,055
Plan fiduciary net position - end of year	5,250,977

Net OPEB liability ("NOL") - beginning of year	47,454,235
Net OPEB liability - end of year	\$ 48,899,484

PFNP as a % of TOL	9.7%
Covered employee payroll	\$ 22,282,543
NOL as a % of covered payroll	219.5%

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

OPEB Expense

The amount of OPEB expense recognized in the reporting period are as follows:

Service cost	\$	1,130,747
Interest on total OPEB liability		2,985,530
Difference between expected and actual experience*		-
Changes in actuarial assumptions*		29,558
Employee contributions		-
Projected earnings on plan investments		(230,155)
Difference between projected and actual earnings*		4,420
Administrative expense		2,452
Other changes in fiduciary net position		-
<hr/>		
Total OPEB expense	\$	3,922,552

* - portions recognized for expense

Deferred Inflow/Outflow Summary

The deferred outflows / inflows are as follows:

	Deferred Outflows	Deferred Inflows
June 30, 2017	\$ -	\$ -
Difference between expected and actual experience	-	-
Changes in actuarial assumptions	266,021	-
Net difference between projected and actual earnings on investments	22,101	-
Amortization of items allowed by GASB 75	(33,978)	-
June 30, 2018	<hr/> \$ 254,144	<hr/> \$ -

Net deferred outflows / (inflows) will be amortized as follows:

2019	\$	33,978
2020		33,978
2021		33,978
2022		33,978
2023		29,558
Thereafter		88,674
<hr/>		
Total	\$	254,144

QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

COMPONENT UNITS

BOARD OF EDUCATION

Plan description – The Queen Anne’s County Public Schools Retiree Health Plan (QACPSRHP) is a single-employer defined benefit healthcare plan that is administered by the Board of Education and covers retired employees of the Board and their dependents. This plan does not include the pension benefits discussed in Note 5. The Plan does not issue a separate, publicly available report.

The Queen Anne’s County Public Schools Retiree Life Insurance Plan (QACPSRLIP) is a single-employer defined benefit life insurance plan that is administered by the Board of Education and covers retired employees of the Board. This plan does not include the pension benefits discussed in Note 5. The Plan does not issue a separate, publicly available report.

Benefits provided – It is the Board’s policy to contribute a portion of the cost of including its retired teachers and administrators in its group major medical insurance program. The Board’s contribution can be applied to the coverage of the retiree, spouse, and dependents, but it is limited to the amounts below and it ceases upon the death of the retiree.

Teachers are required to provide at least ten years of service to the Board before becoming eligible for retiree healthcare benefits. Once ten years of service is reached, the Board covers 36 percent of the cost of the individual’s EPO health plan. The percentage subsidized by the Board increases 3.6 percent per year for every year of service in excess of ten. At 25 years of service, the maximum subsidy of 90 percent is reached.

The plan for administrators is similar to that for teachers, with the following exceptions. Administrators are required to provide at least five years of service to the Board before becoming eligible for retiree healthcare benefits. Once five years of service is reached, the Board covers 35 percent of the cost of the individual’s EPO health plan. The percentage subsidized by the Board increases 5.5 percent per year for every year of service in excess of five. At 15 years of service, the maximum subsidy of 90 percent is reached.

In addition, the Board is contractually obligated to pay the full cost of medical insurance for certain retired directors, superintendents, and their spouses.

The Board also pays the cost of providing term life insurance for its retirees in varying amounts depending upon length of service and date of retirement. The benefits payable upon death are \$5,000 (fixed) for 5 to 25 years of service or \$50,000 (maximum-based on annual salary at retirement) for over 25 years of service. There is a reduction of benefit of 25% at age 70 and a benefit reduction of 50% at age 75 and beyond.

Employees covered by benefit terms – At July 1, 2017, the following employees were covered by the benefit terms:

Active plan members	958
Inactive employees or beneficiaries currently receiving benefit payments	353
	<u>1311</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

COMPONENT UNITS (CONTINUED)

BOARD OF EDUCATION (CONTINUED)

Net OPEB Liability

The Board's net OPEB liability was measured as of June 30, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.8%
Salary Increases	3.0%
Investment Rate of Return	3.58%
Healthcare Cost Trend Rates	6.0% initially, reduced by decrements to an ultimate rate of 3.7%

Mortality rates were based on the RP2014 White Collar with MP2014 for active healthy participants, and RP2014 Disabled Mortality (set forward 1 Year for Males) for inactive disabled participants.

The long-term expected rate of return on the OBEP plan investments was determined using the money market rate of return at Shore United Bank. The OPEB plan has invested 100% of the funds in a money market account earning an annual percent yield of .20%.

Discount rate – The discount rate used to measure the total OPEB liability was 3.58%. 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 Tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Any increase in the discount rate due to the assets of the trust is not deemed material. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

The discount rate changed from the prior measurement date. The discount rate was 2.85% for the June 30, 2016 measurement date.

Changes in the Net OPEB Liability

	Total OPEB Liability	Plan fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balance as of June 30, 2016 for FYE 2017	\$ 186,363,041	\$ 506,599	\$ 185,856,442
Changes for the Year:			
Service Cost	9,016,476	-	9,016,476
Interest	5,268,508	-	5,268,508
Experience Losses	(439,806)	-	(439,806)
ER Trust Contribution	-	2,566,424	(2,566,424)
Net Investment Income	-	917	(917)
Changes in Assumptions	(25,304,521)	-	(25,304,521)
Benefit Payments	(2,566,424)	(2,566,424)	-
Net Changes	(14,025,767)	917	(14,026,684)
Balance as of June 30, 2017 for FYE 2018	\$ 172,337,274	\$ 507,516	\$ 171,829,758

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

COMPONENT UNITS (CONTINUED)

BOARD OF EDUCATION (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates – The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using a discount rate that is 1% lower (2.58%) or 1% higher (4.58%) than the current discount rate:

	1% Decrease	Discount Rate	1% Decrease
Discount Rate	<u>2.58%</u>	<u>3.58%</u>	<u>4.58%</u>
Total OPEB Liability	\$ 208,234,634	\$ 172,337,274	\$ 144,237,401
Net OPEB Liability (Asset)	\$ 207,727,118	\$ 171,829,758	\$ 143,729,885

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates - The following presents the net OPEB liability of the Board, as well as what the Board's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.7% decreasing to 2.7%) or 1% higher (6.7% decreasing to 4.7%) than the current healthcare cost trend rates:

	1% Decrease	Discount Rate	1% Decrease
Ultimate Trend	<u>2.70%</u>	<u>3.70%</u>	<u>4.70%</u>
Total OPEB Liability	\$ 140,681,015	\$ 172,337,274	\$ 215,009,750
Net OPEB Liability (Asset)	\$ 140,173,499	\$ 171,829,758	\$ 214,502,234

OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB - For the year ended June 30, 2018, the Board recognized OPEB expense of \$11,710,368. At June 30, 2018, the Board 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	\$ -	\$ 395,825
Changes in assumptions	-	22,774,069
Net difference between projected and actual earnings on OPEB plan investments	-	734
Total	<u>\$ -</u>	<u>\$ 23,170,628</u>

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

Year ended June 30:	
2019	\$ (2,574,616)
2020	(2,574,616)
2021	(2,574,616)
2022	(2,574,618)
2023	(2,574,433)
Thereafter	(10,297,729)

QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

COMPONENT UNITS (CONTINUED)

LIBRARY

Plan description

The Library participates in an agent multiple-employer defined benefit healthcare plan (“the Plan”) that covers retired employees of Queen Anne’s County, the Queen Anne’s County Board of Education, and the Library. A Trust entity was established in June, 2009 entitled *Other Post- Employment Benefit Trust – County Commissioners of Queen Anne’s County, County Commissioners of Kent County, and Participating Agencies* (the “Trust”).

Unrelated agencies and political subdivisions have the right to participate in this Trust and deposit funds for investment purposes. Accordingly, funds are being held in the Trust on behalf of Kent County, Maryland for the benefit of their plan participants.

The Trust assets are managed by a Board of Trustees consisting of five members: two representing Queen Anne’s County Government, two representing Queen Anne’s County Board of Education, and one representing Kent County. In lieu of separate financial statements for the Trust, Queen Anne’s County presents the Trust entity’s complete financial statements in their Combined Annual Financial Report.

Benefits provided

The plan reimburses eligible retirees for a portion of healthcare insurance based on years-of-service ranging from \$3,000 for 15 years of service to \$4,400 for 25 plus years of service. The retiree pays the remaining premium, including the cost of eligible dependents. Participants must meet the eligibility requirements of the State Retirement and Pension System of Maryland, which are age 55 with 15 years of service, age 62 with 5 years of service, or 30 years of service (regardless of age).

Employees covered by benefit terms

The following is a summary of plan membership as of January 1, 2017.

Active	15
Retired	5
Total	<u>20</u>

Contributions

The Library pays retiree healthcare benefits on a pay-as-you-go basis. For the year ended June 30, 2018, the Library contributed \$20,100 for five retirees.

Net OPEB liability

The Library's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation January 1, 2017.

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods in the measurement:

Investment return	6%, net of investment expense and including inflation
Healthcare trend	6%, initially, grading down to 4.3% ultimate

Mortality rates are based on the RP 2000 tables with Scale AA applied on a generational basis. RP 2000 disabled tables are used for those on disability, if applicable.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

COMPONENT UNITS (CONTINUED)

LIBRARY (CONTINUED)

Actuarial assumptions (Continued)

There were no changes in actuarial assumptions since the prior year.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each 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. This is then modified through a Monte-Carlo simulation process, by which a (downward) risk adjustment is applied to the baseline expected return.

Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of June 30, 2018, and the final investment return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Return - Portfolio
Domestic Equity	48%	5.45%
International Funds	13%	5.95%
Fixed Income – U.S.	33%	2.95%
Global Funds	6%	4.50%
Cash Equivalents		0.75%
Total Weighted Average Real Return	100%	4.63%
Plus Inflation		2.50%
Total Return w/o Adjustment		7.13%
Risk Adjustment		-1.13%
Total Expected Return		6.00%

Discount rate

The discount rate used to measure the total OPEB liability is 5.75%. The County's funding expectations/policy is to contribute 50% of the actuarially determined contribution in fiscal year 2018, then increase 10% each year until the actuarial cost is being contributed in full annually. It is expected that benefits will be paid from the trust when a 50% funding level is reached. Based on this information, it is projected that benefits will be financed on a pay-as-you-go basis until 2029, then from the trust there forward. Therefore, the expected trust return of 6% is blended with the 20-year AA bond rate of 3.62%. The blended rate is 5.75%.

Changes in the net OPEB liability

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Contributions - employer	\$ -	\$ 20,100	\$ (20,100)
Service Cost	4,463	-	4,463
Investment Income	28,762	14,774	13,988
Changes in Assumptions	2,509	-	2,509
Benefit Payments, including refunds	(20,100)	(20,100)	-
Net change in total OPEB liability	15,634	14,774	860
Net OPEB obligation, beginning of year	497,271	34,661	462,610
Net OPEB obligation, end of year	\$ 512,905	\$ 49,435	\$ 463,470

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

COMPONENT UNITS (CONTINUED)

LIBRARY (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Library, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

1% Decrease (4.75%)	\$ 552,765
Current discount rate (5.75%)	\$ 463,470
1% Increase (6.75%)	\$ 384,020

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate

The following presents the net OPEB liability of the Library, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare trend rate:

1% Decrease (3.3%)	\$ 370,974
Current discount rate (4.3%)	\$ 463,470
1% Increase (5.3%)	\$ 571,880

OPEB expense and deferred inflows of resources related to OPEB

For the year ended June 30, 2018, the Library recognized an OPEB expense of \$24,142. At June 30, 2018, the Library reported deferred outflows and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,230	\$ -
Changes in assumptions	-	1,729
Total	\$ 2,230	\$ 1,729

Amounts reported as deferred outflows and deferred inflows of resources related to the OPEB plan will be recognized in expense over a period ranging from five to nine years as follows:

Year Ended June 30	Outflows (inflows)
2019	\$ (153)
2020	(153)
2021	(153)
2022	(154)
2023	279
Thereafter	835
Total	\$ 501

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 15 – DEFICIT EQUITY BALANCES

The following Non-Major Governmental Funds ended the year with deficit balances in unassigned fund balance:

Housing and Community Services Fund

The Housing and Community Services Fund has a negative unassigned fund balance of \$6,897 as of June 30, 2018. This negative balance will clear itself as the balance of outstanding loans receivable in the Housing and Community Services Fund decreases.

Capital Projects – Fire Company Impact Fees Fund

The Capital Projects – Fire Company Impact Fees Fund has a negative unassigned fund balance of \$41,861 as of June 30, 2018. This negative fund balance is the result of an overpayment to a particular fire department, and will decrease over time as the incoming revenues offset the overpayment.

The following Enterprise Funds ended the year with deficit equity balances:

Bay Bridge Airport Enterprise Fund

The Bay Bridge Airport Enterprise Fund has a deficit balance in unrestricted net position of \$1,591,350 as of June 30, 2018.

Golf Course Enterprise Fund

The Golf Course Enterprise Fund has a deficit balance in unrestricted net position of \$752,076 as of June 30, 2018.

The County Commissioners established the guideline that the Enterprise Funds should be self-supporting, to the extent possible. Therefore, a variety of measures are being evaluated in order to attempt the goal of balancing the Enterprise Funds.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

PRIMARY GOVERNMENT

Grants - The County and its component units are recipients of various federal and state grant and/or loan programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by these grantor agencies. If the County has not complied with the rules and regulations governing the programs, refunds of money received may be required and the collectability of any related receivable as of June 30, 2018 may be impaired. The County's management believes that there are no significant contingent liabilities that must be recorded relating to compliance with the rules and regulations governing these programs. No funds were required to be returned in fiscal year 2018.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Further, certain grants for capital projects, such as various park projects funded by the State, must be used for the intended purpose of the grant. If, at any time during the useful lives of these projects, the facilities cease to operate in their intended capacity, the County may be required to reimburse the granting agency that portion of the grant or note that is equal to the percentage of useful life remaining. The County's Management believes that no such grant reimbursements will be needed.

In fiscal year 2010, the County's Department of Housing and Community Services received a grant of \$350,000 from the Maryland Department of Housing and Community Development. This Maryland Neighborhood Conservation Initiative (NCI) Grant provided funding to be used for the acquisition and purchase of foreclosed properties for resale to qualifying homebuyers, as well as the issuance of zero percent deferred payment loans to eligible critical service workers. Per the terms of the agreement, the grantee may reuse funds for these same activities until June 30, 2013. Funds returned to the County from program participants after June 30, 2013 must be returned to the state. Therefore, this grant has been recorded as a pass-through grant, with the County contingently liable for the return of these funds to the state at some point in time after June 30, 2013. During Fiscal Year 2014, the County identified \$69,569 in funds that were required to be returned to the grantor per grant provisions. No funds were required to be returned in fiscal years 2015, 2016, 2017 or 2018.

In accordance with the provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the County has committed certain fund balances for future construction projects. In the General Capital Projects Fund, a total of \$2,571,804 has been committed, including \$855,793 for Economic Development, \$661,378 for rubble surcharge, and \$1,054,633 for site improvements pursuant to agreements with local developers. In the Roads Capital Projects Fund, \$615,450 has been contributed by developers and is committed to fund infrastructure improvements.

Income Tax Contingency - On May 18, 2015, the Supreme Court of the United States decided against the State of Maryland in *Comptroller of the Treasury of Maryland v. Wynne Et Ux*. Under state law, residents who pay income tax to another state for income earned in that other state are allowed a credit against their Maryland state income tax but not against the so-called piggy-back tax of the county or municipality where they reside. Plaintiffs argued that not granting a credit against the local income tax is a violation of the U.S. Constitution. By a 5 to 4 vote, the Supreme Court found for the plaintiffs holding generally that the state law violates what is known as the Dormant Commerce Clause. This decision means that Maryland counties, including Queen Anne's County, need to reserve funds against refund claims by certain taxpayers (particularly S corporation shareholders) dating back to Tax Year 2007. The County estimates that it needs to reserve \$801,900 against these potential claims. The County plans to use \$801,900 in existing reserves to finance such claims. The County estimates that future loss of revenues as a result of the Wynne Case will be absorbed through the normal budgeting process.

Based on the findings, Queen Anne's County reduced the receivable from the State for income taxes and the offsetting deferred inflows by the estimated fiscal impact for the County for tax years going back to 2009 which totaled \$801,900 including interest. The adjustment does not change the total fund balance for the General Fund. Since the County already received the money in income taxes in prior years, the amount of anticipated liability for the Wynne Case impact on the County is assigned in the General Fund. When the State begins taking the funds back, the County will release the amount from the assigned fund balance. The amount of anticipated liability is based on assessments provided by the Maryland Comptroller's Office and the County believes these figures to be within reason.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

Under Maryland law, taxpayers are generally eligible for interest on certain tax refunds calculated at an annual rate of interest equal to the greater of (i) three percentage points above the average prime rate of interest or (ii) 13%. In 2014, the Maryland General Assembly adopted legislation that set the annual interest rate for an income tax refund that is a result of the final decision under the Wynne case to a percent equal to the average prime rate of interest. This legislation substantially lowers the interest rate on tax refunds due as a result of the Wynne decision. Further, the legislation was intended to be effective retroactively. On November 13, 2015, lawyers for Michael J. Holzheid filed a class action complaint, *Michael J. Holzheid v. Comptroller of the Treasury of Maryland, et al*, in the Circuit Court for Baltimore City challenging the state legislation. Other taxpayers may also file claims or appeals challenging the state legislation. If such claims or appeals are successful, the estimated amount of interest on refunds owed by the County would increase.

NOTE 17 – JOINT VENTURE

In 1991, the County Commissioners, in conjunction with Talbot, Caroline, and Kent Counties, entered into a regional partnership known as the Midshore Regional Landfill Joint Venture. This venture was formed to provide a long-term, solid waste management solution for the four-county area. As part of the agreement, each of the four Counties agreed to host a solid waste facility for a twenty year period, giving the venture a total duration of eighty years. In 1991, the Midshore Regional Landfill opened in Talbot County and served the waste management needs of the four-County area for twenty years. This facility, owned and operated by the Maryland Environmental Service (MES), closed on December 31, 2010. The second Midshore facility, Midshore II, opened in Caroline County in January 2011 and is fully operational. After the facility in Caroline County reaches capacity, another landfill will be constructed in Queen Anne's County, with Kent County to follow in turn. Each County is required to, and has, set aside sufficient land to construct a landfill within their borders. The agreement expires when the last of the four landfills is closed.

Queen Anne's County has a 35.69% financial interest in the Midshore Regional Landfill. In the event that expenditures 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.

During fiscal year 2011, the landfill located in Talbot County, Midshore I, was closed. As of June 30, 2018, total closure and post closure costs for Midshore I was estimated at approximately \$1.7 million. Midshore II, located in Caroline County, was 20.16% filled. Closure and post closure costs for Midshore II are estimated at approximately \$16.9 million. Therefore, the total closure and post closure costs for both landfills are \$18.6 million, with approximately \$6.6 million attributable to Queen Anne's County. These costs are paid from tipping fees of acceptable waste delivered by or for the account of the counties. It is currently expected that sufficient funds will be available from landfill revenues to pay future closure and post closure costs. MES has accrued and reported a long-term liability of \$5.1 million as of June 30, 2018, determined by the estimated useful life of the landfill.

Similar to the post closure costs, each of the participating Counties is contingently liable for the debt related to the new facility, Midshore II. Midshore II was funded with project revenue bonds totaling \$18.7 million. As of June 30, 2018, \$6.7 million is attributable to Queen Anne's County in the event of a default.

Each County is required to place its municipal waste in the landfill. The facility is also available to commercial waste disposal firms at the same price per ton as charged to the County governments. Queen Anne's County paid \$323,818 in tipping fees to the facility during fiscal 2018.

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2018. MES expects to satisfy these requirements as of June 30, 2019 using the same criteria. Due to inflation and changes in technology, laws, and regulations, estimated closure and post closure care costs may change in the future. Financial Statements of the Landfill can be obtained from MES located at 259 Najoles Road, Millersville, MD 21108.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 18 – POLLUTION REMEDIATION OBLIGATIONS

During fiscal year 2009, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

During a prior fiscal year, 2003, the County agreed to a voluntary Methyl Tertiary Butyl Ether (MTBE) testing program for underground fuel tanks located at the County's Department of Public Works' fuel depot. This testing program was and still is approved by the Maryland Department of Environment (MDE).

Since the testing program began in 2003, the County incurred a total of \$425 thousand in expenses, including \$14 thousand in fiscal year 2018, to comply with the provisions of the program. Costs covered remediation work and consulting fees; the latter for testing, studies, and monitoring. Remediation efforts included demolition and removal of the existing fuel depot at the Public Works Centreville Shop; remediation of the soils via excavation; offsite controlled disposal and backfill; installation of monitoring wells; in situ chemical oxidation and dual phase extraction; attorney's fees and miscellaneous environmental consulting services.

In May 2010, MDE requested the County devise a Corrective Action Plan (CAP) to address contamination concerns at the fuel depot site. In August 2010, MDE approved the County's CAP work which included the installation of additional monitoring wells and one year of monitoring, sampling, testing and furnishing of those reports to MDE.

In November 2011, due to uneven results from the prior year's monitoring tests, MDE requested the County submit a technical plan to conduct an initial site injection, a measure which included the application of decontaminating chemicals to the soil in an effort to determine the dosage rate and the corresponding reduction in pollutants that could be achieved.

Based on the plan approved by MDE, the County awarded a contract for the initial injection, and performed the remediation work in the summer of 2012. Since the results of this initial injection did not achieve the desired effects, a follow up plan is underway which includes continued quarterly monitoring, sampling, and testing. Also, communications are underway to seek closure of this site from MDE.

On November 6, 2013, during routine quarterly monitoring, Liquid Phase Hydrocarbon (LPH) was encountered in only MW-2A. MDE was properly notified and with their concurrence, the LPH was extracted from the well and disposed of legally. The County was subsequently directed by MDE to perform weekly gauging of MW-2A and others on the site to determine if the rebound would exceed 0.50 feet of LPW and if any of the other monitoring wells (MW) had LPW present. LPH was not detected in any other MW and rebound did not approach 0.50 of LPW in MW-2A. Pursuant to an April 1, 2014 letter from MDE, the County was directed to perform an Enhanced Fluid Recovery (EFR) in MW-2A and follow-up with subsequent well gauging and monitoring because of the continued presence of LPH in MW-2A. This procedure was conducted in compliance with MDE on April 23, 2014.

In December of 2014, a leak was discovered at the 10,000 gallon fuel oil UST for the office building. MDE required the removal of the tank and mitigation of the contaminated soils and ground water. The tank has been replaced with a compliant above ground 1,500 gallon fuel oil storage tank. This work was completed, including compliant disposal of all soils by May 2015. MDE subsequently directed the County to install two additional monitoring wells and to abandon the former injection wells on-site.

The County and MDE met in February 2018 to review project data and to discuss details for the project closeout. The presence of LPH in MW-2A continues to be monitored, fluctuates in depth, and currently appears to be recoverable only in minimal amounts. The County is to continue with the approved MDE monitoring program which includes: weekly sampling of MW2A and monthly sampling of all other wells. These samples are collected by County staff. In addition, Chesapeake Geosciences will collect samples, test and provide reports in November 2018 and May 2019 at a cost of \$12,065. The County will continue discussions with MDE regarding the project closeout in Spring 2019.

The estimated costs over the next year are not material, and thus no liability has been recorded at this time. None of these outlays met the requirements for capitalization noted in GASB Statement 49 and they were not capitalized.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 19 – PRIOR PERIOD RESTATEMENT

During fiscal year 2018, the County, the Board of Education, and the Library implemented Governmental Accounting Standards Board's Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and in accordance, has applied its effects retroactively. The statement's objective is to improve the accounting and financial reporting for postemployment benefits other than pensions (OPEB) as well as to improve the information provided by employers about financial support for OPEB (see Note 14).

The following table is a summary of the effects of these changes on net position as of June 30, 2017.

PRIMARY GOVERNMENT

	Governmental Activities	Business-Type Activities	Total
	Net	Net	Net
	Position	Position	Position
June 30, 2017, as previously reported	\$ 66,154,436	\$ 91,980,214	\$ 158,134,650
Adjustment to net OPEB liability	(3,357,646)	(630,973)	(3,988,619)
June 30, 2017, as restated	\$ 62,796,790	\$ 91,349,241	\$ 154,146,031

COMPONENT UNITS – BOARD OF EDUCATION AND LIBRARY

To implement Governmental Accounting Standards Board's Statement No. 75, the beginning net position balances for governmental activities for the Queen Anne's County Board of Education and the Library have been adjusted.

The Board of Education's beginning net position balance for governmental activities of \$105,876,751 has been decreased by \$128,614,617 to a deficit of \$22,737,866.

The Library's beginning net position balance for governmental activities of \$870,992 has been increased by \$816,908 to \$1,687,900.

See the financial statements for the Board of Education and the Library for further information.

Required Supplementary Information

**QUEEN ANNE'S COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

MARYLAND STATE RETIREMENT AND PENSIONS SYSTEMS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (as of measurement date)

Measurement Date	Employer's Proportion (Percentage) of the Collective NPL A	Employer's Proportion Share of the Collective NPL B	Employer'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)
June 30, 2014	0.1038567%	\$18,431,162	\$ 19,929,409	92%	\$ 45,339,988,000	\$ 63,086,719,000	72%
June 30, 2015	0.1189567%	24,721,248	21,231,535	116%	45,789,840,000	66,571,552,000	69%
June 30, 2016	0.1271511%	30,000,070	23,160,758	130%	45,365,927,000	68,959,954,000	66%
June 30, 2017	0.1232988%	26,661,766	24,681,599	108%	48,987,184,000	70,610,885,000	69%

SCHEDULE OF CONTRIBUTIONS (as of fiscal year end)

Fiscal Year	Contractually Required 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	\$ 2,507,287	\$ 2,507,287	\$ -	\$21,231,535	12%
2016	2,477,009	2,477,009	-	23,160,758	11%
2017	2,509,551	2,509,551	-	24,681,599	10%
2018	2,759,698	2,759,698	-	26,088,825	11%

Both schedules above are presented to illustrate the requirements to show information for 10 years. However, until full 10-year trends are compiled, pension plans should present information for those years for which the information is available.

**QUEEN ANNE'S COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

MARYLAND STATE RETIREMENT AND PENSIONS SYSTEMS (CONTINUED)

ACTUARIAL ASSUMPTIONS – PENSION PLAN

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

Adjustments to the roll-forward liabilities were made to reflect the following assumptions change in the 2017 valuation:

Inflation assumptions changed from 2.90% to 2.65%

Method and Assumptions used in Calculations of Actuarially Determined Contributions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2016 actuarial valuation: 25-year closed schedule ending June 30, 2039; 22 years remaining. In the 2017 actuarial valuation: 25-year closed schedule ending June 30, 2039; 21 years remaining.
Asset Valuation Model	Five-year smoothed market (max. 120% and min 80% of the market value)
Inflation	In the 2016 actuarial valuation, 2.90% general, 3.20% wage. In the 2017 actuarial valuation, 2.65% general, 3.15% wage.
Salary Increases	In the 2016 actuarial valuation, 3.20% to 9.20% including inflation. In the 2017 actuarial valuation, 3.15% to 9.15% including inflation.
Investment Rate of Return	In the 2016 actuarial valuation, 7.55%. In the 2017 actuarial valuation, 7.50%.
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to the 2015 Experience Study of the period July 1, 2010 to June 30, 2014.
Mortality	RP-2014 Mortality Tables with generational mortality projections using scale MP-2014 2-dimensional mortality improvement scale.

**QUEEN ANNE'S COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

OTHER POST-EMPLOYMENT BENEFITS TRUST

The following required supplementary information relates to the OPEB plan described in Note 14. This information is intended to help users assess the system's funding status on a going-concern basis; assess progress made in accumulating assets to pay benefits when due; and make comparisons among employers.

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

	2017	2018
Total OPEB Liability ("TOL")		
Service cost	\$ 1,097,813	\$ 1,130,747
Interest	2,764,491	2,985,530
Changes in benefit terms	-	-
Difference between expected and actual experience	-	-
Changes in assumptions	-	265,899
Benefit payments	(1,291,027)	(1,498,005)
Net change in total OPEB liability	2,571,277	2,884,171
Total OPEB liability - beginning of year	48,695,013	51,266,290
Total OPEB liability - end of year	\$ 51,266,290	\$ 54,150,461
Plan Fiduciary Net Position ("PFNP")		
Contributions - employer	\$ 2,223,474	\$ 2,731,447
Contributions - member	-	-
Net investment income	75,175	207,932
Benefit payments	(1,291,027)	(1,498,005)
Admin expenses	-	(2,452)
Other	-	-
Net change in plan fiduciary net position	1,007,622	1,438,922
Plan fiduciary net position - beginning of year	2,804,433	3,812,055
Plan fiduciary net position - end of year	\$ 3,812,055	\$ 5,250,977
Net OPEB liability ("NOL") - beginning of year	\$ 45,890,580	\$ 47,454,235
Net OPEB liability - end of year	\$ 47,454,235	\$ 48,899,484
PFNP as a % of TOL	7.4%	9.7%
Covered employee payroll	\$ 21,604,888	\$ 22,282,543
NOL as a % of covered payroll	219.6%	219.5%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is available, only those years for which information is available, will be presented.

**QUEEN ANNE'S COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

OTHER POST-EMPLOYMENT BENEFITS TRUST (CONTINUED)

SCHEDULE OF ACTUAL EMPLOYER CONTRIBUTION AS A PERCENTAGE OF COVERED-EMPLOYEE PAYROLL

Fiscal Year	Actuarially Determined Employer Contribution	Actual Employer Contribution	Contribution Deficiency / (Excess)	Covered Employee Payroll	Contribution as a Percent of Payroll
2009	\$ 5,312,000	\$ 1,007,954	\$ 4,304,046	\$ 23,690,163	4.3%
2010	6,410,934	604,221	5,806,713	23,778,696	2.5%
2011	7,256,495	835,792	6,420,703	20,439,972	4.1%
2012	7,806,661	1,508,144	6,298,517	18,903,632	8.0%
2013	9,024,000	1,668,781	7,355,219	17,640,063	9.5%
2014	9,187,000	1,692,951	7,494,049	17,953,154	9.4%
2015	4,004,722	2,066,819	1,937,903	19,064,280	10.8%
2016	4,189,564	2,121,316	2,068,248	20,650,915	10.3%
2017	3,853,839	2,223,474	1,630,365	21,604,888	10.3%
2018	3,969,454	2,731,447	1,238,007	22,282,543	12.3%

ACTUARIAL ASSUMPTIONS – OPEB PLAN

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Return: 6.00%, net of investment expense and including inflation

Healthcare Trend: 6.00% initially, grading down to 4.30% ultimate

Mortality rates are based on the RP 2000 tables with Scale AA applied on a generational basis. RP 2000 Disabled tables are used for those on disability, if applicable.

Changes in Actuarial assumptions

There were no changes in actuarial assumptions since the prior year, except the change in discount rate due to an updated fund availability analysis.

Actuarial Methods for Determining Employer Contributions

The same economic and demographic assumptions are used for both funding and financial reporting purposes under GASB 74/75.

The Entry Age method is used for accounting/GASB purposes, therefore all of the actuarial figures within this Report are based on it. Actuarially Determined Contributions are also based on the Entry Age method, with a closed level percentage of payroll amortization of the unfunded liability (21 years remaining).

BUDGETARY COMPARISONS FOR THE GENERAL FUND

Required Supplementary Information provides budget-to-actual comparisons for the General Fund. Budgets are adopted using the same method of accounting as that used for reporting purposes, i.e. according to generally accepted accounting principles as used in the United States of America (GAAP).

QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
REVENUES				
Taxes				
Local Property Tax	\$ 67,425,242	\$ 67,668,986	\$ 67,907,999	\$ 239,013
Local Income Tax	49,436,992	51,436,992	51,834,189	397,197
Admission and Amusement Taxes	170,000	170,000	158,881	(11,119)
Recordation Taxes	4,817,700	5,417,700	5,550,291	132,591
Hotel Taxes	535,000	535,000	617,293	82,293
County Transfer Taxes	1,936,427	1,936,427	1,997,292	60,865
State Shared Taxes	769,614	769,614	768,800	(814)
Franchise Fee	470,000	470,000	488,334	18,334
Licenses and Permits	630,000	630,000	625,285	(4,715)
Intergovernmental	1,815,308	2,217,064	2,128,380	(88,684)
Bond Interest Reimbursement - Build America Bond	334,692	334,692	334,858	166
Charges for Current Services	2,400,000	2,423,481	2,845,264	421,783
Fines and Forfeitures	70,000	70,000	95,394	25,394
Investment Income	60,000	376,000	639,388	263,388
Donations	-	1,500	1,801	301
Miscellaneous	672,500	650,119	370,402	(279,717)
Total Revenues	<u>131,543,475</u>	<u>135,107,575</u>	<u>136,363,851</u>	<u>1,256,276</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative	462,336	462,336	386,585	75,751
Judicial				
Circuit Court	574,561	612,852	443,182	169,670
Orphan's Court	84,611	84,611	81,366	3,245
State's Attorney	1,240,696	1,260,696	1,258,251	2,445
County Administrator	197,600	212,600	209,409	3,191
Board of Elections	709,746	709,746	625,473	84,273
Finance Office	1,221,328	1,221,328	1,188,761	32,567
Human Resources	559,574	575,574	574,158	1,416
Planning and Zoning	1,974,810	1,976,310	1,962,413	13,897
Information Technology	1,498,639	1,498,639	1,403,885	94,754
QAC-TV	367,149	367,149	358,694	8,455
Legal Services	493,162	493,162	346,528	146,634
Total General Government	<u>9,384,212</u>	<u>9,475,003</u>	<u>8,838,705</u>	<u>636,298</u>
PUBLIC SAFETY				
Sheriff's Office	7,554,119	7,785,332	7,213,406	571,926
Volunteer Fire and Rescue Services	3,882,182	3,882,182	3,561,487	320,695
Detention Center	4,893,203	4,893,203	4,581,340	311,863
Emergency Services	8,611,397	8,836,226	8,555,102	281,124
Total Public Safety	<u>24,940,901</u>	<u>25,396,943</u>	<u>23,911,335</u>	<u>1,485,608</u>
PARKS AND PUBLIC WORKS				
Administration	688,032	688,032	553,087	134,945
Solid Waste Disposal	1,780,272	1,780,272	1,538,443	241,829
Engineering Division	634,288	774,288	769,915	4,373
Roads Division	4,925,867	4,925,867	4,187,477	738,390
General Services	2,299,356	2,299,356	2,225,003	74,353
Parks	3,881,715	3,881,715	3,642,267	239,448
Total Parks and Public Works	<u>14,209,530</u>	<u>14,349,530</u>	<u>12,916,192</u>	<u>1,433,338</u>

CONTINUED

QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

(CONTINUED)

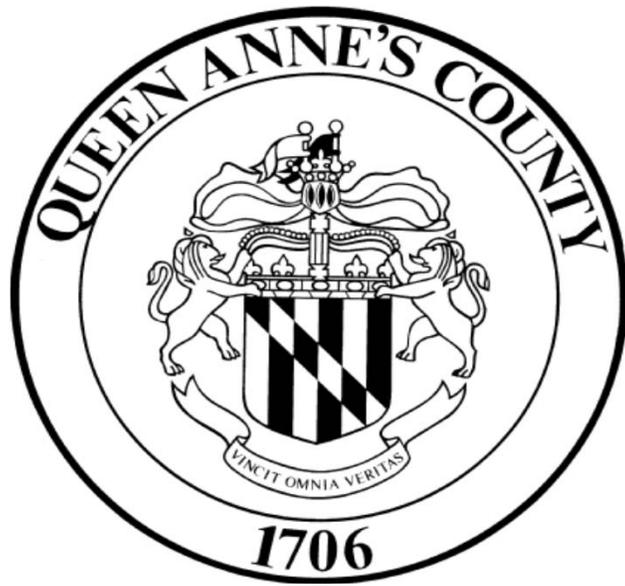
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>HEALTH, SOCIAL, AND RECREATION</u>				
Health Department	\$ 2,281,707	\$ 2,281,707	\$ 1,971,460	\$ 310,247
Social Services	353,003	353,003	350,383	2,620
Recreation	674,559	674,559	633,019	41,540
Total Health, Social, and Recreation	<u>3,309,269</u>	<u>3,309,269</u>	<u>2,954,862</u>	<u>354,407</u>
<u>EDUCATION AND LIBRARY</u>				
Board of Education	55,495,261	55,495,261	55,495,261	-
Chesapeake College	1,881,950	1,881,950	1,881,950	-
Queen Anne's County Free Library	1,750,190	1,765,190	1,765,190	-
Total Education and Library	<u>59,127,401</u>	<u>59,142,401</u>	<u>59,142,401</u>	<u>-</u>
<u>CONSERVATION OF NATURAL RESOURCES</u>				
Cooperative Extension Service	287,103	288,103	287,316	787
Soil Conservation Service	242,363	242,363	215,557	26,806
4-H Park	77,500	77,500	72,166	5,334
Total Conservation of Natural Resources	<u>606,966</u>	<u>607,966</u>	<u>575,039</u>	<u>32,927</u>
<u>ECONOMIC AND COMMUNITY DEVELOPMENT</u>				
Economic Development	328,062	328,062	258,619	69,443
Tourism	273,856	273,856	257,908	15,948
Community Affairs	365,660	365,660	292,720	72,940
Total Economic and Community Development	<u>967,578</u>	<u>967,578</u>	<u>809,247</u>	<u>158,331</u>
<u>DEBT SERVICE</u>				
School Debt Service - Principal	4,591,759	4,591,759	4,591,759	-
School Debt Service - Interest	2,287,416	2,287,416	2,283,750	3,666
County Debt Service - Principal	2,506,058	2,513,558	2,513,353	205
County Debt Service - Interest	2,017,361	2,009,861	1,996,803	13,058
Total Debt Service	<u>11,402,594</u>	<u>11,402,594</u>	<u>11,385,665</u>	<u>16,929</u>
<u>INTERGOVERNMENTAL</u>				
Aid to Municipalities	195,535	195,535	165,621	29,914
SDAT Costs from State	336,686	336,686	318,642	18,044
Total Intergovernmental	<u>532,221</u>	<u>532,221</u>	<u>484,263</u>	<u>47,958</u>

CONTINUED

QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

(CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>MISCELLANEOUS</u>				
Aid to Other Agencies	\$ 168,757	\$ 241,280	\$ 240,198	\$ 1,082
Insurance & Benefits	2,069,776	2,269,776	2,263,750	6,026
Transfer to OPEB Fund	1,233,442	1,233,442	1,233,442	-
Contingencies	951,180	551,180	341,448	209,732
Salary Lapse	(902,165)	(902,165)	-	(902,165)
Miscellaneous Non-Departmental	1,140,688	1,060,688	785,467	275,221
Total Miscellaneous	<u>4,661,678</u>	<u>4,454,201</u>	<u>4,864,305</u>	<u>(410,104)</u>
 Total Expenditures	 <u>129,142,350</u>	 <u>129,637,706</u>	 <u>125,882,014</u>	 <u>3,755,692</u>
 Excess of Revenues Over Expenditures	 <u>2,401,125</u>	 <u>5,469,869</u>	 <u>10,481,837</u>	 <u>5,011,968</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Capital Asset Disposals	7,500	7,500	41,547	34,047
Insurance Proceeds	-	-	35,175	35,175
Transfers In From:				
Impact Fees - School	1,050,000	1,050,000	-	(1,050,000)
Total Transfers In	<u>1,050,000</u>	<u>1,050,000</u>	<u>-</u>	<u>(1,050,000)</u>
Transfers Out To:				
General Capital Projects Fund	1,331,165	4,021,165	4,021,165	-
Roads Capital Projects Fund	-	300,000	300,000	-
Department of Aging	1,709,332	1,708,894	1,368,087	340,807
Department of Housing and Community Services	788,960	788,960	699,567	89,393
Community Partnerships	414,762	445,332	422,226	23,106
Impact Fees - Fire Companies/Contingencies	90,000	116,744	116,744	-
Airport Enterprise Fund	84,202	84,202	73,284	10,918
Golf Course Enterprise Fund	240,204	240,204	112,281	127,923
Total Transfers Out	<u>4,658,625</u>	<u>7,705,501</u>	<u>7,113,354</u>	<u>592,147</u>
Total Other Financing (Uses)	<u>(3,601,125)</u>	<u>(6,648,001)</u>	<u>(7,036,632)</u>	<u>(388,631)</u>
Net Increase (Decrease) in Fund Balance	<u>\$ (1,200,000)</u>	<u>\$ (1,178,132)</u>	3,445,205	<u>\$ 4,623,337</u>
Fund Balance, July 1			<u>26,210,260</u>	
Fund Balance, June 30			<u>\$ 29,655,465</u>	



Combining and Individual Fund Statements and Schedules

The Combining and Individual Fund Statements and Schedules provide detailed information concerning the financial position, results of operations, and budgetary comparisons for the non-major funds, capital projects, and fiduciary funds.

Non-Major Governmental Funds

Non-Major Governmental Funds are used to account for the proceeds of specific revenue sources (other than capital projects and debt service funds) that are legally restricted to expenditures for specific purposes.

NON-MAJOR GOVERNMENTAL FUNDS

Non-major governmental funds are special revenue funds, unless otherwise noted:

Department of Aging – This fund accounts for activities funded primarily by grants to provide services for the elderly and is included in the social services function.

Housing and Community Services – This fund accounts for activities funded mostly by grants and revolving loan funds that support housing rehabilitation and home-ownership and is included in the economic and community development function.

Grants Fund – This fund accounts for activities funded by grants and is included in various governmental functions, depending on the grant.

Revolving Loan Fund – This fund accounts for activities funded by community donations and grants to promote and provide economic development loans to local businesses and is included in the economic and community development function.

Economic Development Incentive Fund – This fund accounts for activities funded with a portion of recordation taxes that support economic development in the County by attracting and investing in new and existing businesses and is included in the economic and community development function.

BRIDGE (Business Reinvestment and Infrastructure Development Grant Enterprise) Fund – This fund accounts for activities funded with a portion of recordation taxes and provides new commercial businesses funding for capital and infrastructure improvements. The BRIDGE Fund is included in the economic and community development function.

Community Partnerships for Children – This fund accounts for activities funded by grants allocated to the County that provide services for children and families and is included in the social services function.

Critical Areas – This fund accounts for activities funded by payments in lieu of performance bonds that support efforts to mitigate and preserve critical areas along the shoreline of tidal waters within the County and is included in the conservation of natural resources function.

Law Library – This fund accounts for activities funded by court fees, fines, and contributions from local attorneys to update legal reference materials housed in the courthouse and is included in the general government function.

Sheriff's Drug Task Force – This fund accounts for activities funded by drug-related forfeitures that support drug interdiction efforts by a multi-faceted task force and is included in the public safety function.

Inmate Welfare Fund – This fund accounts for activities funded by profits earned from Detention Center inmate-related services that promote the welfare of the inmates and is included in the public safety function.

Agricultural Transfer Tax – This fund accounts for activities funded primarily by the Agricultural Transfer Tax to purchase agricultural easements that preclude development and is included in the conservation of natural resources function.

Rural Legacy – This fund accounts for activities funded primarily by Maryland's Rural Legacy Program to purchase easements that preclude development and is included in the conservation of natural resources function.

Purchase of Development Rights – This fund accounts for activities funded by Queen Anne’s County to acquire easements to restrict the use of agricultural land and woodland and is included in the conservation of natural resources function.

Dredging Special Assessments – This fund accounts for activities funded by special assessment funds collected to repay loans for specific dredging and erosion projects that benefited Price’s Creek, Grove Creek, and Narrows Pointe and is included in the conservation of natural resources function.

Kent Narrows – This fund accounts for activities funded by tax revenues to improve the Kent Narrows area and is included in the economic and community development function.

Capital Projects – School Impact Fees – This fund accounts for financial resources generated by new residential construction and used for the construction of public school facilities or payment of school debt relating to such construction.

Capital Projects – Fire Company Impact Fees – This fund accounts for activities funded by impact fees specifically earmarked to enhance local volunteer fire company preparedness resulting from new construction and is included in the public safety function.

Capital Projects – Parks and Recreation Impact Fees – This fund accounts for activities funded by impact fees specifically earmarked to enhance parks and recreation and is included in the parks and recreation function.

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	DEPARTMENT OF AGING	HOUSING AND COMMUNITY SERVICES	GRANTS FUND	REVOLVING LOAN FUND	ECONOMIC DEVELOPMENT INCENTIVE	BRIDGE FUND
<u>ASSETS</u>						
Cash and Cash Equivalents	\$ 83,173	\$ 2,224,004	\$ -	\$ 473,111	\$ 367,541	\$ 588,880
Receivables						
Accounts Receivable (Net)	-	8,635	-	10,952	-	-
Loans Receivable	-	5,307,490	-	82,719	-	-
Special Assessments (Net)	-	-	-	-	-	-
Due from Other Governments	257,531	63,932	40,116	-	-	-
Total Assets	\$ 340,704	\$ 7,604,061	\$ 40,116	\$ 566,782	\$ 367,541	\$ 588,880
<u>LIABILITIES</u>						
Accrued Liabilities	\$ 142,948	\$ 50,414	\$ -	\$ -	\$ 11,410	\$ -
Due to Other Funds	-	-	40,116	-	-	-
Due to Other Governmental Agencies	-	3,136	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Total Liabilities	142,948	53,550	40,116	-	11,410	-
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable Benefit Assessments	-	-	-	-	-	-
Unavailable Fees	-	-	-	-	-	-
Total Deferred Inflows	-	-	-	-	-	-
Total Liabilities and Deferred Inflows	142,948	53,550	40,116	-	11,410	-
<u>FUND BALANCES</u>						
Nonspendable	-	5,307,490	-	93,671	-	-
Restricted	3,562	823,356	-	-	-	-
Committed	-	1,426,562	-	473,111	356,131	588,880
Assigned	194,194	-	-	-	-	-
Unassigned	-	(6,897)	-	-	-	-
Total Fund Balances	197,756	7,550,511	-	566,782	356,131	588,880
Total Liabilities, Deferred Inflows and Fund Balances	\$ 340,704	\$ 7,604,061	\$ 40,116	\$ 566,782	\$ 367,541	\$ 588,880

QUEEN ANNE'S COUNTY, MARYLAND

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

JUNE 30, 2018

(CONTINUED)

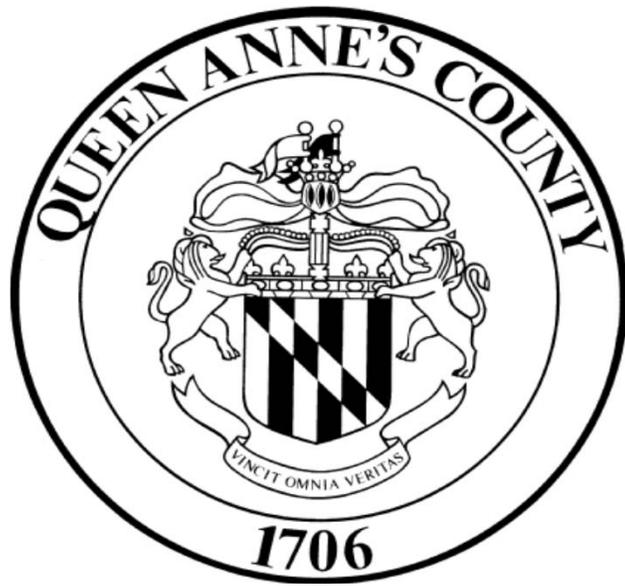
COMMUNITY PARTNERSHIPS FOR CHILDREN	CRITICAL AREAS	LAW LIBRARY	SHERIFF'S DRUG TASK FORCE	INMATE WELFARE	AGRICULTURAL TRANSFER	RURAL LEGACY	PURCHASE OF DEVELOPMENT RIGHTS
\$ 244,262	\$ 191,858	\$ 263,498	\$ 187,831	\$ 253,461	\$ 53,531	\$ 378,476	\$ 550
7,019	-	-	-	3,447	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
569,540	-	-	-	-	-	-	-
<u>\$ 820,821</u>	<u>\$ 191,858</u>	<u>\$ 263,498</u>	<u>\$ 187,831</u>	<u>\$ 256,908</u>	<u>\$ 53,531</u>	<u>\$ 378,476</u>	<u>\$ 550</u>
\$ 294,741	\$ -	\$ 12,599	\$ 54,033	\$ 9,307	\$ 16,405	\$ -	\$ -
-	-	-	-	-	-	-	-
314,150	-	-	-	26,298	-	-	-
147,338	-	-	-	-	-	-	-
756,229	-	12,599	54,033	35,605	16,405	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
756,229	-	12,599	54,033	35,605	16,405	-	-
-	-	-	-	-	-	-	-
-	191,858	-	133,798	221,303	37,126	378,476	-
-	-	-	-	-	-	-	550
64,592	-	250,899	-	-	-	-	-
-	-	-	-	-	-	-	-
64,592	191,858	250,899	133,798	221,303	37,126	378,476	550
<u>\$ 820,821</u>	<u>\$ 191,858</u>	<u>\$ 263,498</u>	<u>\$ 187,831</u>	<u>\$ 256,908</u>	<u>\$ 53,531</u>	<u>\$ 378,476</u>	<u>\$ 550</u>

CONTINUED

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

(CONTINUED)

	DREDGING SPECIAL ASSESSMENTS		CAPITAL PROJECTS			TOTAL NON-MAJOR GOVERNMENTAL
			KENT NARROWS	SCHOOL IMPACT FEES	FIRE COMPANY IMPACT FEES	
ASSETS						
Cash and Cash Equivalents	\$ 27,478	\$ 172,758	\$ 7,503,225	\$ 413,499	\$ 1,253,003	\$ 14,680,139
Receivables						
Accounts Receivable (Net)	94	-	-	-	-	30,147
Loans Receivable	-	-	801,880	90,413	86,756	6,369,258
Special Assessments (Net)	892,420	-	-	-	-	892,420
Due from Other Governments	-	-	-	-	-	931,119
Total Assets	\$ 919,992	\$ 172,758	\$ 8,305,105	\$ 503,912	\$ 1,339,759	\$ 22,903,083
LIABILITIES						
Accrued Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 591,857
Due to Other Funds	-	-	-	41,861	-	81,977
Due to Other Governmental Agencies	-	-	-	-	-	343,584
Unearned Revenue	-	-	-	-	-	147,338
Total Liabilities	-	-	-	41,861	-	1,164,756
DEFERRED INFLOWS OF RESOURCES						
Unavailable Benefit Assessments	892,420	-	-	-	-	892,420
Unavailable Fees	-	-	801,880	90,413	86,756	979,049
Total Deferred Inflows	892,420	-	801,880	90,413	86,756	1,871,469
Total Liabilities and Deferred Inflows	892,420	-	801,880	132,274	86,756	3,036,225
FUND BALANCES						
Nonspendable	-	-	-	-	-	5,401,161
Restricted	27,572	172,758	-	-	-	1,989,809
Committed	-	-	7,503,225	413,499	1,253,003	12,014,961
Assigned	-	-	-	-	-	509,685
Unassigned	-	-	-	(41,861)	-	(48,758)
Total Fund Balances	27,572	172,758	7,503,225	371,638	1,253,003	19,866,858
Total Liabilities, Deferred Inflows and Fund Balances	\$ 919,992	\$ 172,758	\$ 8,305,105	\$ 503,912	\$ 1,339,759	\$ 22,903,083



QUEEN ANNE'S COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	DEPARTMENT OF AGING	HOUSING AND COMMUNITY SERVICES	GRANTS FUND	REVOLVING LOAN FUND	ECONOMIC DEVELOPMENT INCENTIVE	BRIDGE FUND
REVENUES						
Taxes						
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	172,823	-	-	-	-
State Shared Taxes	-	-	-	-	-	-
Intergovernmental	1,060,834	94,832	74,804	-	-	-
Charges for Current Services	71,131	316,500	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Investment Income	1,983	14,102	-	3,182	-	-
Donations	55,834	-	-	-	-	-
Miscellaneous	44,695	-	-	-	14,000	-
Total Revenues	1,234,477	598,257	74,804	3,182	14,000	-
EXPENDITURES						
Current						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Public Works	-	-	74,804	-	-	-
Social Services	2,562,809	-	-	-	-	-
Conservation of Natural Resources	-	-	-	-	-	-
Economic/Community Development	-	552,271	-	-	239,386	-
Capital Outlay	27,897	-	-	-	-	-
Debt Service						
Principal	-	-	-	-	-	-
Total Expenditures	2,590,706	552,271	74,804	-	239,386	-
Excess of Revenues Over (Under) Expenditures	(1,356,229)	45,986	-	3,182	(225,386)	-
OTHER FINANCING SOURCES (USES)						
Insurance Proceeds	4,765	-	-	-	-	-
Transfers In	1,368,087	699,567	-	-	-	-
Transfers Out	(13,412)	-	-	-	-	(1,209,000)
Other Financing Sources (Uses)	1,359,440	699,567	-	-	-	(1,209,000)
Net Increase (Decrease) in Fund Balances	3,211	745,553	-	3,182	(225,386)	(1,209,000)
Fund Balances, July 1	194,545	6,804,958	-	563,600	581,517	1,797,880
Fund Balances, June 30	\$ 197,756	\$ 7,550,511	\$ -	\$ 566,782	\$ 356,131	\$ 588,880

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(CONTINUED)

COMMUNITY PARTNERSHIPS FOR CHILDREN	CRITICAL AREAS	LAW LIBRARY	SHERIFF'S DRUG TASK FORCE	INMATE WELFARE	AGRICULTURAL TRANSFER	RURAL LEGACY	PURCHASE OF DEVELOPMENT RIGHTS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	67,877	-	-
768,829	-	-	-	-	-	1,439,284	-
-	11,051	19,204	-	123,134	-	-	-
-	-	36,373	126,459	-	-	-	-
248	-	2,770	2,361	2,649	-	6,919	-
-	-	-	-	-	-	-	-
23,491	-	-	-	12,836	-	-	-
<u>792,568</u>	<u>11,051</u>	<u>58,347</u>	<u>128,820</u>	<u>138,619</u>	<u>67,877</u>	<u>1,446,203</u>	<u>-</u>
-	-	2,666	-	-	-	-	-
-	-	-	87,266	137,398	-	-	-
-	-	-	-	-	-	-	-
1,215,942	-	-	-	-	-	-	-
-	-	-	-	-	300,000	1,491,283	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,215,942</u>	<u>-</u>	<u>2,666</u>	<u>87,266</u>	<u>137,398</u>	<u>300,000</u>	<u>1,491,283</u>	<u>-</u>
<u>(423,374)</u>	<u>11,051</u>	<u>55,681</u>	<u>41,554</u>	<u>1,221</u>	<u>(232,123)</u>	<u>(45,080)</u>	<u>-</u>
-	-	-	-	-	-	-	-
422,226	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>422,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(1,148)	11,051	55,681	41,554	1,221	(232,123)	(45,080)	-
<u>65,740</u>	<u>180,807</u>	<u>195,218</u>	<u>92,244</u>	<u>220,082</u>	<u>269,249</u>	<u>423,556</u>	<u>550</u>
<u>\$ 64,592</u>	<u>\$ 191,858</u>	<u>\$ 250,899</u>	<u>\$ 133,798</u>	<u>\$ 221,303</u>	<u>\$ 37,126</u>	<u>\$ 378,476</u>	<u>\$ 550</u>

CONTINUED

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(CONTINUED)

			CAPITAL PROJECTS			TOTAL NON-MAJOR GOVERNMENTAL
	DREDGING SPECIAL ASSESSMENTS	KENT NARROWS	SCHOOL IMPACT FEES	FIRE COMPANY IMPACT FEES	PARKS AND RECREATION IMPACT FEES	
REVENUES						
Taxes						
Local Property Tax	\$ -	\$ 36,731	\$ -	\$ -	\$ -	\$ 36,731
Recordation Taxes	-	-	-	-	-	172,823
State Shared Taxes	-	-	-	-	-	67,877
Intergovernmental	-	-	-	-	-	3,438,583
Charges for Current Services	80,113	-	1,272,301	297,745	174,279	2,365,458
Fines and Forfeitures	-	-	-	-	-	162,832
Investment Income	513	2,509	83,141	3,913	13,976	138,266
Donations	-	-	-	-	-	55,834
Miscellaneous	-	-	-	-	-	95,022
Total Revenues	80,626	39,240	1,355,442	301,658	188,255	6,533,426
EXPENDITURES						
Current						
General Government	27,391	-	-	-	-	30,057
Public Safety	-	-	-	228,752	-	453,416
Public Works	-	-	-	-	-	74,804
Social Services	-	-	-	-	-	3,778,751
Conservation of Natural Resources	-	-	-	-	-	1,791,283
Economic/Community Development	-	112,500	-	-	-	904,157
Capital Outlay	-	-	-	-	-	27,897
Debt Service						
Principal	44,425	-	-	-	-	44,425
Total Expenditures	71,816	112,500	-	228,752	-	7,104,790
Excess of Revenues Over (Under) Expenditures	8,810	(73,260)	1,355,442	72,906	188,255	(571,364)
OTHER FINANCING SOURCES (USES)						
Insurance Proceeds	-	-	-	-	-	4,765
Transfers In	-	-	-	116,744	-	2,606,624
Transfers Out	-	-	-	-	-	(1,222,412)
Other Financing Sources (Uses)	-	-	-	116,744	-	1,388,977
Net Increase (Decrease) in Fund Balances	8,810	(73,260)	1,355,442	189,650	188,255	817,613
Fund Balances, July 1	18,762	246,018	6,147,783	181,988	1,064,748	19,049,245
Fund Balances, June 30	\$ 27,572	\$ 172,758	\$ 7,503,225	\$ 371,638	\$ 1,253,003	\$ 19,866,858



QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	DEPARTMENT OF AGING				HOUSING AND COMMUNITY SERVICES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES								
Taxes								
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	-	-	-	200,000	200,000	172,823	(27,177)
State Shared Taxes	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	891,390	987,754	1,060,834	73,080	165,622	168,287	94,832	(73,455)
Charges for Current Services	73,600	73,600	71,131	(2,469)	350,000	350,000	316,500	(33,500)
Fines and Forfeitures	-	-	-	-	-	-	-	-
Investment Income	-	-	1,983	1,983	20,000	20,000	14,102	(5,898)
Donations	35,000	35,000	55,834	20,834	-	-	-	-
Miscellaneous	3,000	3,000	44,695	41,695	-	-	-	-
Total Revenues	1,002,990	1,099,354	1,234,477	135,123	735,622	738,287	598,257	(140,030)
EXPENDITURES								
Current Operating Expenditures	2,704,822	2,808,248	2,562,809	245,439	1,974,582	1,977,247	552,271	1,424,976
Capital Outlay	-	-	27,897	(27,897)	-	-	-	-
Debt Service								
Principal	-	-	-	-	-	-	-	-
Total Expenditures	2,704,822	2,808,248	2,590,706	217,542	1,974,582	1,977,247	552,271	1,424,976
Excess of Revenues Over (Under) Expenditures	(1,701,832)	(1,708,894)	(1,356,229)	352,665	(1,238,960)	(1,238,960)	45,986	1,284,946
OTHER FINANCING SOURCES (USES)								
Insurance Proceeds	-	-	4,765	4,765	-	-	-	-
Transfers In	1,701,832	1,708,894	1,368,087	(340,807)	788,960	788,960	699,567	(89,393)
Transfers Out	-	(13,412)	(13,412)	-	-	-	-	-
Total Other Financing Sources (Uses)	1,701,832	1,695,482	1,359,440	(336,042)	788,960	788,960	699,567	(89,393)
Net Increase (Decrease) in Fund Balances	\$ -	\$ (13,412)	3,211	\$ 16,623	\$ (450,000)	\$ (450,000)	745,553	\$ 1,195,553
Fund Balances, July 1			194,545				6,804,958	
Fund Balances, June 30			\$ 197,756				\$ 7,550,511	

QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(CONTINUED)

GRANTS FUND				ECONOMIC DEVELOPMENT INCENTIVE			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	143,505	74,804	(68,701)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	14,000	14,000
-	143,505	74,804	(68,701)	-	-	14,000	14,000
-	143,505	74,804	68,701	-	278,496	239,386	39,110
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	143,505	74,804	68,701	-	278,496	239,386	39,110
-	-	-	-	-	(278,496)	(225,386)	53,110
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (278,496)</u>	<u>(225,386)</u>	<u>\$ 53,110</u>
						581,517	
		<u>\$ -</u>				<u>\$ 356,131</u>	

CONTINUED

QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	BRIDGE FUND				COMMUNITY PARTNERSHIPS FOR CHILDREN			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES								
Taxes								
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	-	-	-	-	-	-	-
State Shared Taxes	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	631,658	777,236	768,829	(8,407)
Charges for Current Services	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-	248	248
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	8,496	27,885	23,491	(4,394)
Total Revenues	-	-	-	-	640,154	805,121	792,568	(12,553)
EXPENDITURES								
Current Operating Expenditures	-	-	-	-	1,054,916	1,250,453	1,215,942	34,511
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service								
Principal	-	-	-	-	-	-	-	-
Total Expenditures	-	-	-	-	1,054,916	1,250,453	1,215,942	34,511
Excess of Revenues Over (Under) Expenditures	-	-	-	-	(414,762)	(445,332)	(423,374)	21,958
OTHER FINANCING SOURCES (USES)								
Insurance Proceeds	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	414,762	445,332	422,226	(23,106)
Transfers Out	-	(1,209,000)	(1,209,000)	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(1,209,000)	(1,209,000)	-	414,762	445,332	422,226	(23,106)
Net Increase (Decrease) in Fund Balances	\$ -	\$ (1,209,000)	(1,209,000)	\$ -	\$ -	\$ -	(1,148)	\$ (1,148)
Fund Balances, July 1			1,797,880				65,740	
Fund Balances, June 30			<u>\$ 588,880</u>				<u>\$ 64,592</u>	

QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

LAW LIBRARY				INMATE WELFARE			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	7,650	7,650	-	(7,650)
10,000	10,000	19,204	9,204	120,000	120,000	123,134	3,134
15,500	15,500	36,373	20,873	-	-	-	-
-	-	2,770	2,770	-	-	2,649	2,649
-	-	-	-	-	-	-	-
-	-	-	-	22,350	22,350	12,836	(9,514)
<u>25,500</u>	<u>25,500</u>	<u>58,347</u>	<u>32,847</u>	<u>150,000</u>	<u>150,000</u>	<u>138,619</u>	<u>(11,381)</u>
25,500	25,500	2,666	22,834	140,400	140,400	137,398	3,002
-	-	-	-	9,600	9,600	-	9,600
-	-	-	-	-	-	-	-
<u>25,500</u>	<u>25,500</u>	<u>2,666</u>	<u>22,834</u>	<u>150,000</u>	<u>150,000</u>	<u>137,398</u>	<u>12,602</u>
-	-	55,681	55,681	-	-	1,221	1,221
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>55,681</u>	<u>\$ 55,681</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,221</u>	<u>\$ 1,221</u>
		195,218				220,082	
		<u>\$ 250,899</u>				<u>\$ 221,303</u>	

CONTINUED

QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	AGRICULTURAL TRANSFER				RURAL LEGACY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES								
Taxes								
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	-	-	-	-	-	-	-
State Shared Taxes	40,000	40,000	67,877	27,877	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	1,450,956	1,439,284	(11,672)
Charges for Current Services	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	6,919	6,919
Investment Income	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total Revenues	40,000	40,000	67,877	27,877	-	1,450,956	1,446,203	(4,753)
EXPENDITURES								
Current Operating Expenditures	40,000	300,000	300,000	-	-	1,507,956	1,491,283	16,673
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service								
Principal	-	-	-	-	-	-	-	-
Total Expenditures	40,000	300,000	300,000	-	-	1,507,956	1,491,283	16,673
Excess of Revenues Over (Under) Expenditures	-	(260,000)	(232,123)	27,877	-	(57,000)	(45,080)	11,920
OTHER FINANCING SOURCES (USES)								
Insurance Proceeds	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-
Net Increase (Decrease) in Fund Balances	\$ -	\$ (260,000)	(232,123)	\$ 27,877	\$ -	\$ (57,000)	(45,080)	\$ 11,920
Fund Balances, July 1			269,249				423,556	
Fund Balances, June 30			<u>\$ 37,126</u>				<u>\$ 378,476</u>	

QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
 (CONTINUED)

DREDGING SPECIAL ASSESSMENTS				KENT NARROWS			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
\$ -	\$ -	\$ -	\$ -	\$ 38,000	\$ 38,000	\$ 36,731	\$ (1,269)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
71,816	71,816	80,113	8,297	-	-	-	-
-	-	513	513	-	-	2,509	2,509
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>71,816</u>	<u>71,816</u>	<u>80,626</u>	<u>8,810</u>	<u>38,000</u>	<u>38,000</u>	<u>39,240</u>	<u>1,240</u>
-	-	27,391	(27,391)	38,000	150,500	112,500	38,000
-	-	-	-	-	-	-	-
<u>71,816</u>	<u>71,816</u>	<u>44,425</u>	<u>27,391</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>71,816</u>	<u>71,816</u>	<u>71,816</u>	<u>-</u>	<u>38,000</u>	<u>150,500</u>	<u>112,500</u>	<u>38,000</u>
-	-	8,810	8,810	-	(112,500)	(73,260)	39,240
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>8,810</u>	<u>\$ 8,810</u>	<u>\$ -</u>	<u>\$ (112,500)</u>	<u>(73,260)</u>	<u>\$ 39,240</u>
		18,762				246,018	
		<u>\$ 27,572</u>				<u>\$ 172,758</u>	

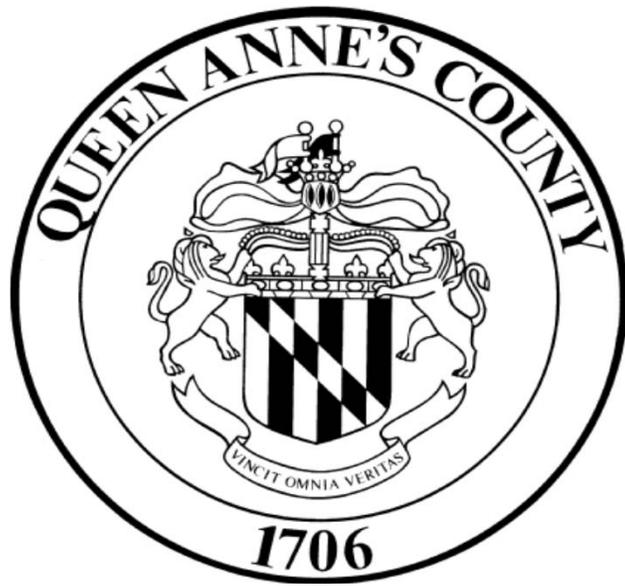
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QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

	CAPITAL PROJECTS - SCHOOL IMPACT FEES			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Taxes				
Local Property Tax	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	-	-	-
State Shared Taxes	-	-	-	-
Licenses and Permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Current Services	1,050,000	1,050,000	1,272,301	222,301
Fines and Forfeitures	-	-	-	-
Investment Income	-	-	83,141	83,141
Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	1,050,000	1,050,000	1,355,442	305,442
EXPENDITURES				
Current Operating Expenditures	-	-	-	-
Capital Outlay	-	-	-	-
Debt Service				
Principal	-	-	-	-
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	1,050,000	1,050,000	1,355,442	305,442
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(1,050,000)	(1,050,000)	-	1,050,000
Total Other Financing Sources (Uses)	(1,050,000)	(1,050,000)	-	1,050,000
Net Increase (Decrease) in Fund Balances	\$ -	\$ -	1,355,442	\$ 1,355,442
Fund Balances, July 1			6,147,783	
Fund Balances, June 30			\$ 7,503,225	

QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

CAPITAL PROJECTS - FIRE COMPANY IMPACT FEES				CAPITAL PROJECTS - PARKS & RECREATION IMPACT FEES			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
200,000	200,000	297,745	97,745	150,000	150,000	174,279	24,279
-	-	-	-	-	-	-	-
500	500	3,913	3,413	400	400	13,976	13,576
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>200,500</u>	<u>200,500</u>	<u>301,658</u>	<u>101,158</u>	<u>150,400</u>	<u>150,400</u>	<u>188,255</u>	<u>37,855</u>
290,500	290,500	228,752	61,748	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>290,500</u>	<u>290,500</u>	<u>228,752</u>	<u>61,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(90,000)</u>	<u>(90,000)</u>	<u>72,906</u>	<u>162,906</u>	<u>150,400</u>	<u>150,400</u>	<u>188,255</u>	<u>37,855</u>
-	-	-	-	-	-	-	-
90,000	116,744	116,744	-	-	-	-	-
-	-	-	-	(150,400)	(150,400)	-	150,400
<u>90,000</u>	<u>116,744</u>	<u>116,744</u>	<u>-</u>	<u>(150,400)</u>	<u>(150,400)</u>	<u>-</u>	<u>150,400</u>
<u>\$ -</u>	<u>\$ 26,744</u>	<u>189,650</u>	<u>\$ 162,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>188,255</u>	<u>\$ 188,255</u>
		181,988				1,064,748	
		<u>\$ 371,638</u>				<u>\$ 1,253,003</u>	



NON-MAJOR ENTERPRISE FUNDS

Non-Major Enterprise funds account for activities which are commercial in nature and are primarily or partially intended to be self-supporting. Each fund sets its rates and service charges at a level sufficient to: (1) meet all of its operating expenses; (2) provide for depreciation from wear and obsolescence of capital assets; and (3) to the extent that funds are not borrowed, finance the cost of expansion of physical facilities.

NON-MAJOR ENTERPRISE FUNDS

Non-major enterprise funds include the following funds:

Blue Heron Golf Course – This fund accounts for operation and maintenance of an 18-hole public golf course that is owned and operated by the County.

Public Landings and Marinas – This fund accounts for operation, maintenance, and major repairs of public landings, bulkheads, and public marinas. For a fee, the general public has access to these landings to launch small craft into the many waterways that surround the County and can also access the marinas for temporary mooring.

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING STATEMENT OF NET POSITION
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2018

<u>ASSETS</u>	GOLF COURSE	PUBLIC LANDINGS AND MARINAS	TOTAL NON-MAJOR ENTERPRISE
Current Assets			
Equity in Pooled Cash	\$ -	\$ 821,127	\$ 821,127
Accounts Receivable (Net)	-	55,747	55,747
Due from Other Governments	-	12,000	12,000
Bond Interest Reimbursement Receivable - Build America Bond	-	2,840	2,840
Inventories	5,771	-	5,771
Total Current Assets	5,771	891,714	897,485
Capital Assets	2,955,024	6,346,988	9,302,012
Less Accumulated Depreciation	(679,465)	(1,141,540)	(1,821,005)
Total Capital Assets, Net of Depreciation	2,275,559	5,205,448	7,481,007
Total Noncurrent Assets	2,275,559	5,205,448	7,481,007
Total Assets	2,281,330	6,097,162	8,378,492
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflow for Other Post-Employment Benefit Obligation	-	1,194	1,194
Deferred Outflow for Pension Contributions	16,244	32,770	49,014
Deferred Charge on Refunding	11,777	1,322	13,099
Total Deferred Outflows of Resources	28,021	35,286	63,307
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable	39,027	25,769	64,796
Accrued Interest Payable	2,570	9,890	12,460
Due to Other Funds	648,061	-	648,061
Unearned Revenue	2,270	-	2,270
Current Portion of Compensated Absences	8,460	18,641	27,101
Current Portion of Bonds/Notes Payable	83,779	52,777	136,556
Total Current Liabilities	784,167	107,077	891,244
Noncurrent Liabilities			
Compensated Absences	5,066	11,161	16,227
Other Post-Employment Benefit Obligation	-	299,838	299,838
Net Pension Liability	60,788	122,177	182,965
Bonds/Notes Payable	182,680	734,329	917,009
Total Noncurrent Liabilities	248,534	1,167,505	1,416,039
Total Liabilities	1,032,701	1,274,582	2,307,283
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflow for Pension Contributions	7,849	15,713	23,562
Total Deferred Inflows of Resources	7,849	15,713	23,562
<u>NET POSITION</u>			
Net Investment in Capital Assets	2,020,877	4,419,664	6,440,541
Unrestricted Amounts	(752,076)	422,489	(329,587)
Total Net Position	\$ 1,268,801	\$ 4,842,153	\$ 6,110,954

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>GOLF COURSE</u>	<u>PUBLIC LANDINGS AND MARINAS</u>	<u>TOTAL NON-MAJOR ENTERPRISE</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 340,123	\$ 451,524	\$ 791,647
Intergovernmental	-	93,434	93,434
Bond Interest Reimbursement - Build America Bond	-	11,395	11,395
Material Sales	46,595	-	46,595
Miscellaneous Revenues	2,690	13,513	16,203
Total Operating Revenues	<u>389,408</u>	<u>569,866</u>	<u>959,274</u>
<u>OPERATING EXPENSES</u>			
Cost of Sales and Services			
Recreation	<u>453,361</u>	<u>367,684</u>	<u>821,045</u>
Other Post-Employment Benefit Contributions	-	5,595	5,595
Pension Liability Adjustment	1,517	1,845	3,362
Depreciation	<u>44,848</u>	<u>120,570</u>	<u>165,418</u>
Total Operating Expenses	<u>499,726</u>	<u>495,694</u>	<u>995,420</u>
Operating Gain (Loss)	<u>(110,318)</u>	<u>74,172</u>	<u>(36,146)</u>
<u>NON-OPERATING (EXPENSES)</u>			
Interest Expense	<u>(9,424)</u>	<u>(39,272)</u>	<u>(48,696)</u>
Total Non-Operating (Expenses)	<u>(9,424)</u>	<u>(39,272)</u>	<u>(48,696)</u>
Income (Loss) Before Contributions and Transfers	<u>(119,742)</u>	<u>34,900</u>	<u>(84,842)</u>
Transfers In	<u>119,742</u>	<u>-</u>	<u>119,742</u>
Change in Net Position	<u>-</u>	<u>34,900</u>	<u>34,900</u>
Total Net Position - Beginning of Year, as Previously Reported	1,268,801	4,831,884	6,100,685
Adjustments to Restate Beginning Net Position	<u>-</u>	<u>(24,631)</u>	<u>(24,631)</u>
Total Net Position - Beginning of Year	<u>1,268,801</u>	<u>4,807,253</u>	<u>6,076,054</u>
Total Net Position - End of Year	<u>\$ 1,268,801</u>	<u>\$ 4,842,153</u>	<u>\$ 6,110,954</u>

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	GOLF COURSE	PUBLIC LANDINGS AND MARINAS	TOTAL NON-MAJOR ENTERPRISE
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers and users	\$ 339,876	\$ 436,903	\$ 776,779
Receipts from other operating revenues	49,285	116,553	165,838
Receipts from Build America Bond interest reimbursement	-	11,540	11,540
Payments to suppliers	(348,229)	(144,450)	(492,679)
Payments to employees and on behalf of employees	(135,688)	(216,211)	(351,899)
Net Cash Provided (Used) by Operating Activities	<u>(94,756)</u>	<u>204,335</u>	<u>109,579</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Transfers from other funds	119,742	-	119,742
Receipts from interfund loans	648,061	-	648,061
Principal paid on interfund loans	(583,544)	-	(583,544)
Net Cash Provided by Noncapital Financing Activities	<u>184,259</u>	<u>-</u>	<u>184,259</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Principal paid on capital debt	(71,176)	(50,377)	(121,553)
Interest paid on capital debt	(12,705)	(40,124)	(52,829)
Acquisition and Construction of Capital Assets	(5,622)	(97,544)	(103,166)
Net Cash (Used) by Capital and Related Financing Activities	<u>(89,503)</u>	<u>(188,045)</u>	<u>(277,548)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Investment income	-	-	-
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	-	16,290	16,290
Balances - Beginning of year	-	804,837	804,837
Balances - End of year	<u>\$ -</u>	<u>\$ 821,127</u>	<u>\$ 821,127</u>
<u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</u>			
Operating income (loss)	\$ (110,318)	\$ 74,172	\$ (36,146)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	44,848	120,570	165,418
Changes in assets and liabilities:			
Accounts receivable, net	-	(14,621)	(14,621)
Operating grants receivable	-	9,606	9,606
Build America Bonds Interest receivable	-	145	145
Inventories and Prepaid Expenses	(648)	-	(648)
Vendor accounts payable	(30,385)	9,044	(21,341)
Compensated absences	477	(2,021)	(1,544)
Other Post-Employment Benefit Obligation	-	5,595	5,595
Net Pension Liability	1,517	1,845	3,362
Deferred revenue collected in advance	(247)	-	(247)
Net Cash Provided (Used) by Operating Activities	<u>\$ (94,756)</u>	<u>\$ 204,335</u>	<u>\$ 109,579</u>
<u>Noncash investing, capital and financing activities:</u>			
Donation of capital assets (infrastructure) by developers	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

FIDUCIARY FUNDS

Fiduciary funds account for assets held for others, in a trustee or agency capacity, which cannot be used to support other government programs.

Pension and Other Employee Benefit Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans, or other employee benefit plans. The County's one Other Post-Employment Benefit (OPEB) Trust Fund accounts for retiree benefit plans and is reported as part of the Basic Financial Statements. Additional combining schedules for the OPEB Trust Fund are included in this section.

Agency Funds account for assets held by the County on behalf of individuals, private organizations, or other governments and/or funds. Additional combining schedules for the County's Agency Funds are included in this section.

OTHER POST-EMPLOYMENT BENEFIT (OPEB) TRUST FUND

The County established a Trust entity, entitled “Other Post-Employment Benefit Trust – County Commissioners of Queen Anne’s County, County Commissioners of Kent County, and Participating Agencies” (OPEB Trust), to accumulate resources and account for and report retiree benefit plans for the participating agencies.

Participating agencies in the OPEB Trust Fund are as follows:

Queen Anne's County
Queen Anne's County Board of Education
Queen Anne’s County Library
Kent County

AGENCY FUNDS

Agency funds are as follows:

Tax Ditch – This fund accounts for special taxing district revenues that are used to maintain drainage ditches located in parts of the County.

Zoning Deposits – This fund accounts for performance deposits required under various sections of the Zoning Ordinance.

State and Town Tax Collections – This fund accounts for collections received by the County on behalf of the State of Maryland and incorporated towns located within the County. These taxes are collected by the County along with County taxes and are then remitted to the proper jurisdiction.

Motor Vehicle Administration Deposits – This fund accounts for funds collected by the County for State vehicle registration fees.

Escheat – Abandoned Property – This fund accounts for stale-dated County payroll and disbursements checks that are voided by the County and remitted to the State after three years as abandoned property. In accordance with State statutes, these funds are available to be claimed by the original payee or they revert to the State.

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING STATEMENT OF FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
JUNE 30, 2018

	QUEEN ANNE'S COUNTY	QUEEN ANNE'S COUNTY BOARD OF EDUCATION	QUEEN ANNE'S COUNTY LIBRARY	KENT COUNTY	TOTAL OPEB TRUST FUND
ASSETS					
Cash and Cash Equivalents	\$ 890,048	\$ 508,532	\$ 30,512	\$ 157,645	\$ 1,586,737
Investments, at Fair Value					
Debt Securities	1,227,549	-	-	-	1,227,549
Fixed Income Fund	244,636	-	-	-	244,636
Mutual and Global Funds	2,109,987				2,109,987
International	786,330	-	-	-	786,330
Total Investments	4,368,502	-	-	-	4,368,502
 Total Assets	 5,258,550	 508,532	 30,512	 157,645	 5,955,239
LIABILITIES					
Accrued Expenses	7,573	-	-	-	7,573
Due to Other Governments	-	-	-	157,645	157,645
 Total Liabilities	 7,573	 -	 -	 157,645	 165,218
 NET POSITION HELD IN TRUST	 \$ 5,250,977	 \$ 508,532	 \$ 30,512	 \$ -	 \$ 5,790,021

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2018

	QUEEN ANNE'S COUNTY	QUEEN ANNE'S COUNTY BOARD OF EDUCATION	QUEEN ANNE'S COUNTY LIBRARY	TOTAL OPEB TRUST FUND
ADDITIONS				
Contributions				
Employers	\$ 2,731,447	\$ 2,101,569	\$ 20,100	\$ 4,853,116
Members	350,331	799,240	-	1,149,571
Total Contributions	<u>3,081,778</u>	<u>2,900,809</u>	<u>20,100</u>	<u>6,002,687</u>
Investment Earnings				
Interest	117,761	1,016	61	118,838
Net Increase in the Fair Value of Investments	113,050	-	-	113,050
Total Investment Gain	<u>230,811</u>	<u>1,016</u>	<u>61</u>	<u>231,888</u>
Less Investment Expenses	<u>(2,196)</u>	<u>-</u>	<u>-</u>	<u>(2,196)</u>
Net Investment Gain	<u>228,615</u>	<u>1,016</u>	<u>61</u>	<u>229,692</u>
Total Additions	<u>3,310,393</u>	<u>2,901,825</u>	<u>20,161</u>	<u>6,232,379</u>
DEDUCTIONS				
Claims Paid	1,848,336	2,900,809	20,100	4,769,245
Administrative Expenses	<u>18,925</u>	<u>-</u>	<u>-</u>	<u>18,925</u>
Total Deductions	<u>1,867,261</u>	<u>2,900,809</u>	<u>20,100</u>	<u>4,788,170</u>
Change in Assets	1,443,132	1,016	61	1,444,209
NET POSITION HELD IN TRUST				
Net Position - Beginning of Year	<u>3,807,845</u>	<u>507,516</u>	<u>30,451</u>	<u>4,345,812</u>
Net Position - End of Year	<u>\$ 5,250,977</u>	<u>\$ 508,532</u>	<u>\$ 30,512</u>	<u>\$ 5,790,021</u>



The Liberty Building in Centreville, the county seat since 1794, houses some of the government operations.

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2018

	TAX DITCH FUND	ZONING DEPOSITS	STATE & TOWN TAX COLLECTIONS	MOTOR VEHICLE ADMIN DEPOSITS	ESCHEAT - ABANDONED PROPERTY	TOTAL AGENCY FUNDS
ASSETS						
Cash and Cash Equivalents	\$ 146,133	\$ 376,129	\$ 33,042	\$ -	\$ 8,232	\$ 563,536
Total Assets	<u>\$ 146,133</u>	<u>\$ 376,129</u>	<u>\$ 33,042</u>	<u>\$ -</u>	<u>\$ 8,232</u>	<u>\$ 563,536</u>
LIABILITIES						
Accrued Liabilities	\$ -	\$ 1,500	\$ -	\$ -	\$ -	\$ 1,500
Due to Other Governments	-	-	33,042	-	8,232	41,274
Deposits and Escrows	146,133	374,629	-	-	-	520,762
Total Liabilities	<u>\$ 146,133</u>	<u>\$ 376,129</u>	<u>\$ 33,042</u>	<u>\$ -</u>	<u>\$ 8,232</u>	<u>\$ 563,536</u>

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Cash and Cash Equivalents</u>	<u>Miscellaneous Receivables</u>	<u>Total Assets</u>
<u>TAX DITCH FUND</u>			
Balance 7-1-17	\$ 131,055	\$ -	\$ 131,055
Additions	24,367	-	24,367
Deductions	(9,289)	-	(9,289)
Balance 6-30-18	<u>\$ 146,133</u>	<u>\$ -</u>	<u>\$ 146,133</u>
<u>ZONING DEPOSITS</u>			
Balance 7-1-17	\$ 421,840	\$ -	\$ 421,840
Additions	14,884	-	14,884
Deductions	(60,595)	-	(60,595)
Balance 6-30-18	<u>\$ 376,129</u>	<u>\$ -</u>	<u>\$ 376,129</u>
<u>STATE AND TOWN TAX COLLECTIONS</u>			
Balance 7-1-17	\$ 198,956	\$ -	\$ 198,956
Additions	13,018,584	-	13,018,584
Deductions	(13,184,498)	-	(13,184,498)
Balance 6-30-18	<u>\$ 33,042</u>	<u>\$ -</u>	<u>\$ 33,042</u>
<u>MOTOR VEHICLE ADMIN DEPOSITS</u>			
Balance 7-1-17	\$ 5,864	\$ -	\$ 5,864
Additions	274,315	-	274,315
Deductions	(280,179)	-	(280,179)
Balance 6-30-18	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>ESCHEAT - ABANDONED PROPERTY</u>			
Balance 7-1-17	\$ 11,870	\$ -	\$ 11,870
Additions	8,232	-	8,232
Deductions	(11,870)	-	(11,870)
Balance 6-30-18	<u>\$ 8,232</u>	<u>\$ -</u>	<u>\$ 8,232</u>
<u>TOTAL AGENCY FUNDS</u>			
Balance 7-1-17	\$ 769,585	\$ -	\$ 769,585
Additions	13,340,382	-	13,340,382
Deductions	(13,546,431)	-	(13,546,431)
Balance 6-30-18	<u>\$ 563,536</u>	<u>\$ -</u>	<u>\$ 563,536</u>

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

(CONTINUED)

Due to Other Governments	Accrued Liabilities and Deposits and Escrows	Total Liabilities
\$ 6,235	\$ 124,820	\$ 131,055
-	24,367	24,367
<u>(6,235)</u>	<u>(3,054)</u>	<u>(9,289)</u>
<u>\$ -</u>	<u>\$ 146,133</u>	<u>\$ 146,133</u>
\$ -	\$ 421,840	\$ 421,840
-	14,884	14,884
<u>-</u>	<u>(60,595)</u>	<u>(60,595)</u>
<u>\$ -</u>	<u>\$ 376,129</u>	<u>\$ 376,129</u>
\$ 198,956	\$ -	\$ 198,956
13,018,584	-	13,018,584
<u>(13,184,498)</u>	<u>-</u>	<u>(13,184,498)</u>
<u>\$ 33,042</u>	<u>\$ -</u>	<u>\$ 33,042</u>
\$ 5,864	\$ -	\$ 5,864
274,315	-	274,315
<u>(280,179)</u>	<u>-</u>	<u>(280,179)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 11,870	\$ -	\$ 11,870
8,232	-	8,232
<u>(11,870)</u>	<u>-</u>	<u>(11,870)</u>
<u>\$ 8,232</u>	<u>\$ -</u>	<u>\$ 8,232</u>
\$ 222,925	\$ 546,660	\$ 769,585
13,301,131	39,251	13,340,382
<u>(13,482,782)</u>	<u>(63,649)</u>	<u>(13,546,431)</u>
<u>\$ 41,274</u>	<u>\$ 522,262</u>	<u>\$ 563,536</u>

Community Partnerships for Children

Community Partnerships for Children is reported as a Non-Major Special Revenue Fund in the County's financial statements. In lieu of preparing separate audited financial statements for the Partnership, additional schedules have been added to the County's financial statements to meet requirements of the Partnership's grantor agencies.

QUEEN ANNE'S COUNTY
COMMUNITY PARTNERSHIPS FOR CHILDREN SPECIAL REVENUE FUND
COMBINING BALANCE SHEETS
BY GRANTOR
JUNE 30, 2018 (with Summarized Totals as of June 30, 2017)

	Admin	Fed/State GOCCP GOC	Total Community Partnerships	Returned Reinvestment Fund	2018 Total	2017 Summarized Total
<u>ASSETS</u>						
Cash and cash equivalents	\$ 55,947	\$ 179,659	\$ 235,606	\$ 8,656	\$ 244,262	\$ 682,038
Accounts receivable	-	7,019	7,019	-	7,019	4,930
Due from State governmental agencies	65,000	465,672	530,672	-	530,672	192,461
Due from Federal governmental agencies	-	38,868	38,868	-	38,868	-
Total Assets	\$ 120,947	\$ 691,218	\$ 812,165	\$ 8,656	\$ 820,821	\$ 879,429
<u>LIABILITIES AND FUND BALANCES</u>						
LIABILITIES						
Accounts payable and accrued expenditures	\$ 24,942	\$ 269,799	\$ 294,741	\$ -	\$ 294,741	\$ 352,304
Due to State governmental agencies	40,213	273,937	314,150	-	314,150	311,729
Unearned revenue	1,682	145,656	147,338	-	147,338	149,656
Total Liabilities	66,837	689,392	756,229	-	756,229	813,689
FUND BALANCES						
Assigned	54,110	1,826	55,936	8,656	64,592	65,740
Total Fund Balances	54,110	1,826	55,936	8,656	64,592	65,740
Total Liabilities and Fund Balances	\$ 120,947	\$ 691,218	\$ 812,165	\$ 8,656	\$ 820,821	\$ 879,429

QUEEN ANNE'S COUNTY
COMMUNITY PARTNERSHIPS FOR CHILDREN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BY COMMUNITY PARTNERSHIP AGREEMENTS (CPA) and NON-COMMUNITY PARTNERSHIP AGREEMENTS (NON-CPA)
FOR THE YEAR ENDED JUNE 30, 2018 (with Summarized Totals for the Year Ended June 30, 2017)

	Federal/State GOCCP/GOC						
	Administrative	CASA Start	Local Care Team	Chesapeake Helps	Healthy Fam/Home Visiting	Family Navigators	MD After School Opportunity
REVENUES							
CPA							
Intergovernmental							
GOC	\$ 77,250	\$ 60,319	\$ 25,000	\$ 48,387	\$ 70,849	\$ 42,804	\$ -
Subtotal CPA	77,250	60,319	25,000	48,387	70,849	42,804	-
Non-CPA							
Intergovernmental							
Federal GOCCP Youth Strategies	-	107,918	-	-	-	-	-
GOC - non-CPA	-	-	-	-	-	-	-
Other State Grant Funding	-	-	-	-	295,376	-	-
Investment Income	-	-	-	-	-	-	-
Miscellaneous	1,318	-	-	-	-	-	-
Subtotal Non-CPA	1,318	107,918	-	-	295,376	-	-
Total Revenues	78,568	168,237	25,000	48,387	366,225	42,804	-
EXPENDITURES							
CPA							
Program Contracted Services	-	58,174	-	37,285	-	37,641	-
Other Expenditures							
Salaries	59,995	-	20,625	-	-	-	-
Fringe Benefit Costs	5,005	-	4,375	-	-	-	-
Auditing	-	-	-	-	4,941	-	-
Consultants	3,425	-	-	8,157	-	-	-
Equipment Rental	-	-	-	-	-	-	-
Postage	-	-	-	27	9	61	-
Office Supplies	13	308	-	-	1,129	56	-
Program Supplies	-	-	-	551	1,475	430	-
Printing and Publishing	-	-	-	-	152	143	-
Equipment Operation	-	-	-	-	305	536	-
Business Travel	752	1,837	-	-	431	2,814	-
Meetings & Conferences	560	-	-	-	-	670	-
Training	7,500	-	-	-	2,546	-	-
Advertising	-	-	-	894	-	-	-
Marketing/Promotions	-	-	-	-	-	-	-
Communications	-	-	-	1,473	693	445	-
Insurance	-	-	-	-	-	8	-
Other Charges	-	-	-	-	59,168	-	-
Subtotal CPA Expenditures	77,250	60,319	25,000	48,387	70,849	42,804	-
Non-CPA							
Program Contracted Services	-	97,666	-	-	295,376	-	-
Other Expenditures							
Salaries	62,745	-	-	-	-	-	-
Fringe Benefit Costs	38,020	-	-	-	-	-	-
Auditing	2,988	-	-	-	-	-	-
Consultants	-	-	-	-	-	-	-
Professional Groups	-	-	-	-	-	-	-
Equipment Rental	3,250	-	-	-	-	-	-
Other Contracted Services	-	-	-	-	-	-	-
Postage	338	-	-	-	-	-	-
Office Supplies	1,997	-	-	-	-	-	-
Program Supplies	9,934	-	-	-	-	-	-
Printing and Publishing	738	-	-	-	-	-	-
Business Travel	55	40	-	-	-	-	-
Meetings & Conferences	2,339	-	-	-	-	-	-
Training	1,913	750	-	-	-	-	-
Board's Expenditures	4,644	-	-	-	-	-	-
Marketing/Promotions	-	-	-	-	-	-	-
Communications	1,808	-	-	-	-	-	-
Other Charges	11,263	9,458	-	-	-	-	268,727
Subtotal Non-CPA Expenditures	142,032	107,914	-	-	295,376	-	268,727
Total Expenditures	219,282	168,233	25,000	48,387	366,225	42,804	268,727
Excess of Revenues Over (Under) Expenditures	(140,714)	4	-	-	-	-	(268,727)
OTHER FINANCING SOURCES							
Transfers In for:							
Program Contracted Services	140,714	-	-	-	-	-	268,727
Net Increase (Decrease) in Fund Balances	\$ -	\$ 4	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances, July 1							
Fund Balances, June 30							

QUEEN ANNE'S COUNTY
COMMUNITY PARTNERSHIPS FOR CHILDREN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BY COMMUNITY PARTNERSHIP AGREEMENTS (CPA) and NON-COMMUNITY PARTNERSHIP AGREEMENTS (NON-CPA)
FOR THE YEAR ENDED JUNE 30, 2018 (with Summarized Totals for the Year Ended June 30, 2017)

(CONTINUED)

Federal/State GOCCP/GOC		All Programs Subtotal	State GOC		State	Federal
Character Counts	GOCCP/GOC		CPA	Non-CPA	GOCCP	GOCCP
	Operating Fund Total				Subtotal	Non-CPA
			Subtotal	Subtotal	Subtotal	
\$ 40,926	\$ 288,285	\$ 365,535	\$ 365,535	\$ -	\$ -	\$ -
40,926	288,285	365,535	365,535	-	-	-
-	107,918	107,918	-	-	-	107,918
-	-	-	-	-	-	-
-	295,376	295,376	-	-	-	-
-	-	-	-	-	-	-
21,173	21,173	22,491	-	-	-	-
21,173	424,467	425,785	-	-	-	107,918
62,099	712,752	791,320	365,535	-	-	107,918
-	133,100	133,100	133,100	-	-	-
25,360	45,985	105,980	105,980	-	-	-
3,000	7,375	12,380	12,380	-	-	-
-	4,941	4,941	4,941	-	-	-
-	8,157	11,582	11,582	-	-	-
375	375	375	375	-	-	-
-	97	97	97	-	-	-
491	1,984	1,997	1,997	-	-	-
1,335	3,791	3,791	3,791	-	-	-
-	295	295	295	-	-	-
168	1,009	1,009	1,009	-	-	-
744	5,826	6,578	6,578	-	-	-
3,967	4,637	5,197	5,197	-	-	-
2,182	4,728	12,228	12,228	-	-	-
-	894	894	894	-	-	-
3,304	3,304	3,304	3,304	-	-	-
-	2,611	2,611	2,611	-	-	-
-	8	8	8	-	-	-
-	59,168	59,168	59,168	-	-	-
40,926	288,285	365,535	365,535	-	-	-
-	393,042	393,042	-	-	-	97,666
24,630	24,630	87,375	-	-	-	-
8,750	8,750	46,770	-	-	-	-
-	-	2,988	-	-	-	-
-	-	-	-	-	-	-
-	-	3,250	-	-	-	-
512	512	512	-	-	-	-
-	-	338	-	-	-	-
66	66	2,063	-	-	-	-
-	-	9,934	-	-	-	-
-	-	738	-	-	-	-
-	40	95	-	-	-	40
-	-	2,339	-	-	-	-
-	750	2,663	-	-	-	750
-	-	4,644	-	-	-	-
-	-	-	-	-	-	-
-	-	1,808	-	-	-	-
-	278,185	289,448	-	-	-	9,458
33,958	705,975	848,007	-	-	-	107,914
74,884	994,260	1,213,542	365,535	-	-	107,914
(12,785)	(281,508)	(422,222)	-	-	-	4
12,785	281,512	422,226	-	-	-	-
\$ -	\$ 4	4	-	-	-	4
		55,932	606,662	(5,612)	3,491	(25,478)
		\$ 55,936	\$ 606,662	\$ (5,612)	\$ 3,491	\$ (25,474)

CONTINUED

QUEEN ANNE'S COUNTY
COMMUNITY PARTNERSHIPS FOR CHILDREN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BY COMMUNITY PARTNERSHIP AGREEMENTS (CPA) and NON-COMMUNITY PARTNERSHIP AGREEMENTS (NON-CPA)
FOR THE YEAR ENDED JUNE 30, 2018 (with Summarized Totals for the Year Ended June 30, 2017)

(CONTINUED)

	Other Non-CPA State Grants	Other	Total Community Partnerships Operating Funds	Returned Reinvestment Fund	2018 Total	2017 Summarized Total
REVENUES						
CPA						
Intergovernmental						
GOC	\$ -	\$ -	\$ 365,535	\$ -	\$ 365,535	\$ 331,486
Subtotal CPA	-	-	365,535	-	365,535	331,486
Non-CPA						
Intergovernmental						
Federal GOCCP Youth Strategies	-	-	107,918	-	107,918	22,233
GOC - non-CPA	-	-	-	-	-	49,279
Other State Grant Funding	295,376	-	295,376	-	295,376	295,269
Investment Income	-	-	-	248	248	212
Miscellaneous	-	22,491	22,491	1,000	23,491	30,948
Subtotal Non-CPA	295,376	22,491	425,785	1,248	427,033	397,941
Total Revenues	295,376	22,491	791,320	1,248	792,568	729,427
EXPENDITURES						
CPA						
Program Contracted Services	-	-	133,100	-	133,100	120,906
Other Expenditures						
Salaries	-	-	105,980	-	105,980	88,355
Fringe Benefit Costs	-	-	12,380	-	12,380	5,005
Auditing	-	-	4,941	-	4,941	-
Consultants	-	-	11,582	-	11,582	-
Equipment Rental	-	-	375	-	375	-
Postage	-	-	97	-	97	-
Office Supplies	-	-	1,997	-	1,997	-
Program Supplies	-	-	3,791	-	3,791	-
Printing and Publishing	-	-	295	-	295	21,414
Equipment Operation	-	-	1,009	-	1,009	-
Business Travel	-	-	6,578	-	6,578	-
Meetings & Conferences	-	-	5,197	-	5,197	-
Training	-	-	12,228	-	12,228	-
Advertising	-	-	894	-	894	-
Marketing/Promotions	-	-	3,304	-	3,304	6,390
Communications	-	-	2,611	-	2,611	-
Utilities	-	-	8	-	8	-
Other Charges	-	-	59,168	-	59,168	117,220
Subtotal CPA Expenditures	-	-	365,535	-	365,535	359,290
Non-CPA						
Program Contracted Services	295,376	-	393,042	-	393,042	340,574
Other Expenditures						
Salaries	-	87,375	87,375	-	87,375	104,749
Fringe Benefit Costs	-	46,770	46,770	-	46,770	67,762
Auditing	-	2,988	2,988	-	2,988	2,988
Consultants	-	-	-	-	-	20,897
Professional Groups	-	-	-	2,400	2,400	-
Equipment Rental	-	3,250	3,250	-	3,250	3,000
Other Contracted Services	-	512	512	-	512	-
Postage	-	338	338	-	338	500
Office Supplies	-	2,063	2,063	-	2,063	2,037
Program Supplies	-	9,934	9,934	-	9,934	-
Printing and Publishing	-	738	738	-	738	-
Business Travel	-	55	95	-	95	244
Meetings & Conferences	-	2,339	2,339	-	2,339	-
Training	-	1,913	2,663	-	2,663	16,431
Board's Expenditures	-	4,644	4,644	-	4,644	5,764
Marketing/Promotions	-	-	-	-	-	246
Communications	-	1,808	1,808	-	1,808	1,813
Other Charges	-	279,990	289,448	-	289,448	225,570
Subtotal Non-CPA Expenditures	295,376	444,717	848,007	2,400	850,407	792,575
Total Expenditures	295,376	444,717	1,213,542	2,400	1,215,942	1,151,865
Excess of Revenues Over (Under) Expenditures	-	(422,226)	(422,222)	(1,152)	(423,374)	(422,438)
OTHER FINANCING SOURCES						
Transfers In for:						
Program Contracted Services	-	422,226	422,226	-	422,226	393,454
Net Increase (Decrease) in Fund Balances	-	-	4	(1,152)	(1,148)	(28,984)
Fund Balances, July 1	-	(523,131)	55,932	9,808	65,740	94,724
Fund Balances, June 30	\$ -	\$ (523,131)	\$ 55,936	\$ 8,656	\$ 64,592	\$ 65,740



QUEEN ANNE'S COUNTY
COMMUNITY PARTNERSHIPS FOR CHILDREN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

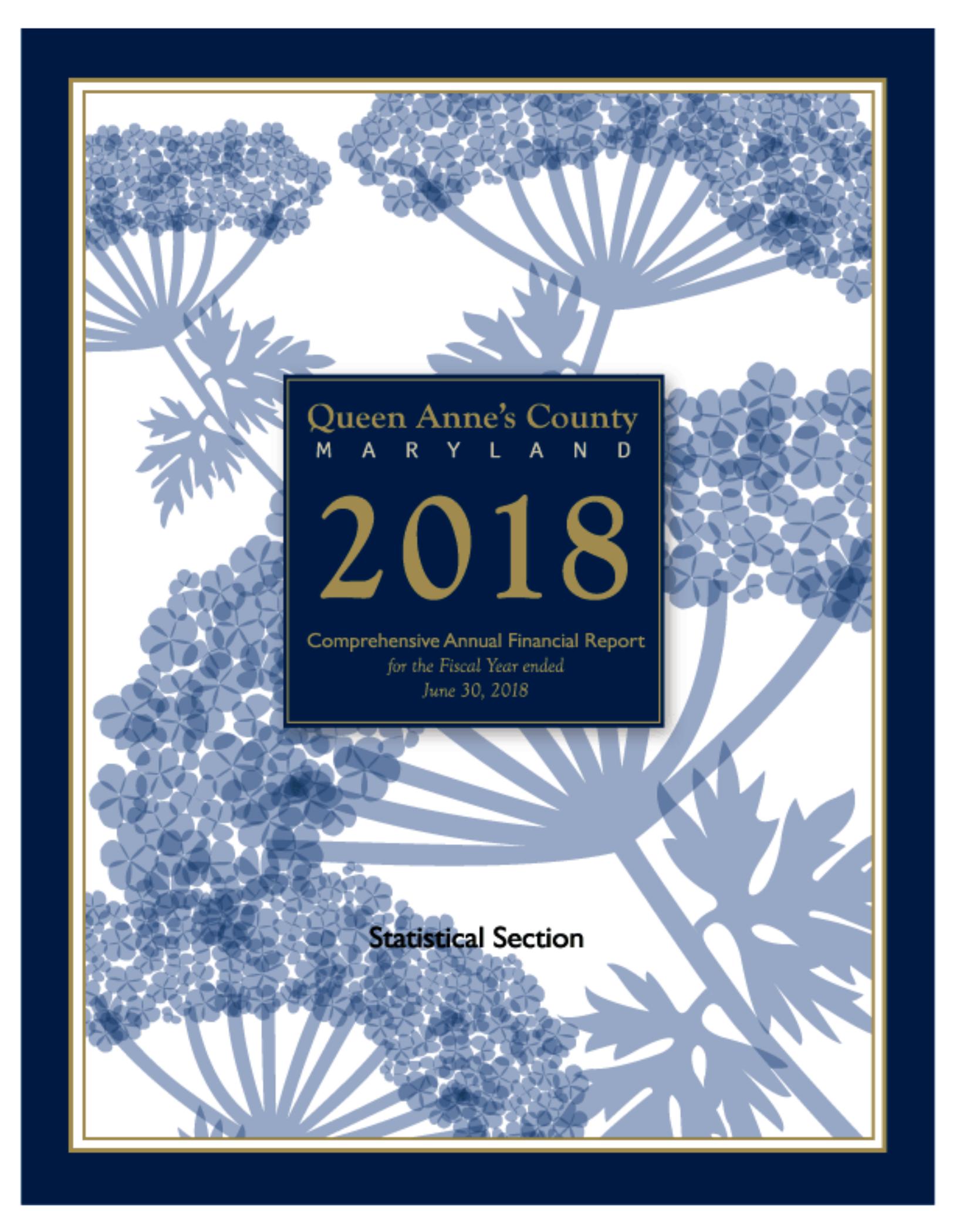
	COMMUNITY PARTNERSHIPS FOR CHILDREN				RETURNED REINVESTMENT FUND			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES								
Intergovernmental								
GOC - CPA and Non-CPA	\$ 335,286	\$ 372,536	\$ 365,535	\$ (7,001)	\$ -	\$ -	\$ -	\$ -
Federal GOCCP Youth Strategies	-	108,328	107,918	(410)	-	-	-	-
Other	296,372	296,372	295,376	(996)	-	-	-	-
Investment Income	-	-	-	-	-	-	248	248
Miscellaneous	8,496	27,885	22,491	(5,394)	-	-	1,000	1,000
Total Revenues	640,154	805,121	791,320	(13,801)	-	-	1,248	1,248
EXPENDITURES								
Program Contracted Services	480,682	518,405	526,142	(7,737)	-	-	-	-
Other Expenditures								
Salaries	197,212	214,316	193,355	20,961	-	-	-	-
Fringe Benefit Costs	73,846	60,281	59,150	1,131	-	-	-	-
Auditing	2,988	14,033	7,929	6,104	-	-	-	-
Consultants	-	13,225	11,582	1,643	-	-	-	-
Professional Groups	-	-	-	-	-	-	2,400	(2,400)
Equipment Rental	3,000	3,625	3,625	-	-	-	-	-
Other Contracted Services	-	7,137	512	6,625	-	-	-	-
Postage	1,420	741	435	306	-	-	-	-
Office Supplies	2,122	4,736	4,060	676	-	-	-	-
Program Supplies	-	18,129	13,725	4,404	-	-	-	-
Printing and Publishing	-	2,430	1,033	1,397	-	-	-	-
Equipment Operation	250	1,201	1,009	192	-	-	-	-
Business Travel	500	7,102	6,673	429	-	-	-	-
Meetings & Conferences	-	7,468	7,536	(68)	-	-	-	-
Training	2,000	11,554	14,891	(3,337)	-	-	-	-
Board's Expenditures	6,500	6,500	4,644	1,856	-	-	-	-
Advertising	-	950	894	56	-	-	-	-
Marketing/Promotions	-	2,895	3,304	(409)	-	-	-	-
Communications	1,780	3,542	4,419	(877)	-	-	-	-
Utilities	-	-	8	(8)	-	-	-	-
Rent	-	200	-	200	-	-	-	-
Other Charges	282,616	351,983	348,616	3,367	-	-	-	-
Total Expenditures	1,054,916	1,250,453	1,213,542	36,911	-	-	2,400	(2,400)
Excess of Revenues Over (Under)								
Expenditures	(414,762)	(445,332)	(422,222)	23,110	-	-	(1,152)	(1,152)
OTHER FINANCING SOURCES								
Program Contracted Services	414,762	445,332	422,226	(23,106)	-	-	-	-
Net Increase (Decrease) in Fund Balances	\$ -	\$ -	4	\$ 4	\$ -	\$ -	(1,152)	\$ (1,152)
Fund Balances, July 1			55,932				9,808	
Fund Balances, June 30			<u>\$ 55,936</u>				<u>\$ 8,656</u>	

QUEEN ANNE'S COUNTY
COMMUNITY PARTNERSHIPS FOR CHILDREN SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(Continued)

TOTAL			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 335,286	\$ 372,536	\$ 365,535	\$ (7,001)
-	108,328	107,918	(410)
296,372	296,372	295,376	(996)
-	-	248	248
<u>8,496</u>	<u>27,885</u>	<u>23,491</u>	<u>(4,394)</u>
<u>640,154</u>	<u>805,121</u>	<u>792,568</u>	<u>(12,553)</u>
480,682	518,405	526,142	(7,737)
197,212	214,316	193,355	20,961
73,846	60,281	59,150	1,131
2,988	14,033	7,929	6,104
-	13,225	11,582	1,643
-	-	2,400	(2,400)
3,000	3,625	3,625	-
-	7,137	512	6,625
1,420	741	435	306
2,122	4,736	4,060	676
-	18,129	13,725	4,404
-	2,430	1,033	1,397
250	1,201	1,009	192
500	7,102	6,673	429
-	7,468	7,536	(68)
2,000	11,554	14,891	(3,337)
6,500	6,500	4,644	1,856
-	950	894	56
-	2,895	3,304	(409)
1,780	3,542	4,419	(877)
-	-	8	(8)
-	200	-	200
<u>282,616</u>	<u>351,983</u>	<u>348,616</u>	<u>3,367</u>
<u>1,054,916</u>	<u>1,250,453</u>	<u>1,215,942</u>	<u>34,511</u>
(414,762)	(445,332)	(423,374)	21,958
<u>414,762</u>	<u>445,332</u>	<u>422,226</u>	<u>(23,106)</u>
<u>\$ -</u>	<u>\$ -</u>	(1,148)	<u>\$ (1,148)</u>
		<u>65,740</u>	
		<u>\$ 64,592</u>	



The four mile span of the magnificent Chesapeake Bay Bridge connects Queen Anne's County to the rest of the United States to the west.



Queen Anne's County
M A R Y L A N D

2018

Comprehensive Annual Financial Report
*for the Fiscal Year ended
June 30, 2018*

Statistical Section

STATISTICAL SECTION

The Statistical Section, which fully incorporates information mandated by Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section*, presents detailed information for the primary government in the following areas, as a context for understanding what the information in the Financial Section says about the County's overall financial health:

FINANCIAL TRENDS – Information to help the reader understand how the County's financial performance and well-being have changed over time.

REVENUE CAPACITY – Information to help the reader assess the County's most significant local revenue sources – the property tax and income tax.

DEBT CAPACITY – Information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION – Indicators to help the reader understand the environment within which the County's financial activities take place.

OPERATING INFORMATION – Service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

Many of these tables cover more than two fiscal years and present data from outside the accounting records. Therefore, the Statistical Section is unaudited.

QUEEN ANNE'S COUNTY, MARYLAND
 FINANCIAL TRENDS
 NET POSITION BY COMPONENT - GOVERNMENT-WIDE
 (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS
 Table 1

	2009	2010	2011	2012	2013
Governmental Activities:					
Net Investment in Capital Assets	\$ 123,217,989	\$ 121,702,025	\$ 118,274,533	\$ 118,564,684	\$ 121,246,426
Restricted	16,582,660	22,290,307	22,399,514	5,982,041	15,691,080
Unrestricted (deficit) (1)	<u>(26,672,299)</u>	<u>(45,795,597)</u>	<u>(61,193,944)</u>	<u>(44,686,543)</u>	<u>(66,089,615)</u>
Total Governmental Activities Net Position	<u>113,128,350</u>	<u>98,196,735</u>	<u>79,480,103</u>	<u>79,860,182</u>	<u>(2) 70,847,891</u>
Business-type Activities:					
Net Investment in Capital Assets	77,146,688	79,032,373	78,069,061	76,763,695	78,693,078
Restricted	19,886,675	18,180,809	16,821,905	3,513,948	3,176,328
Unrestricted	-	-	-	<u>12,591,302</u>	<u>11,031,281</u>
Total Business-type Activities Net Position	<u>97,033,363</u>	<u>97,213,182</u>	<u>94,890,966</u>	<u>92,868,945</u>	<u>(2) 92,900,687</u>
Primary Government:					
Net Investment in Capital Assets	200,364,677	200,734,398	196,343,594	195,328,379	199,939,504
Restricted	36,469,335	40,471,116	39,221,419	9,495,989	18,867,408
Unrestricted (deficit) (1)	<u>(26,672,299)</u>	<u>(45,795,597)</u>	<u>(61,193,944)</u>	<u>(32,095,241)</u>	<u>(55,058,334)</u>
Total Primary Government Net Position	<u>\$ 210,161,713</u>	<u>\$ 195,409,917</u>	<u>\$ 174,371,069</u>	<u>\$ 172,729,127</u>	<u>(2) \$ 163,748,578</u>

NOTES:

- * Government-wide net position information is reported on the accrual basis of accounting.
- * Accounting standards require that net position be reported in three components in the financial statements: net investment in capital assets, restricted; and unrestricted. Net position is considered restricted when (1) an external party, such as the state or federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the County.
- * Source: Statement of Net Position

(1) In the government-wide financial statements, the County has reported negative unrestricted amounts for some years. This is due to the fact that the County issues general obligation bonded debt for purposes of capital construction on behalf of the Queen Anne's County Board of Education. Absent the effect of this relationship, the County would have reported the following:

Government-wide unrestricted (deficit) net position would have been:

Unrestricted (deficit) net position reported above	\$ (26,672,299)	\$ (45,795,597)	\$ (61,193,944)	\$ (32,095,241)	\$ (55,058,334)
Debt issued for capital on behalf of others	50,291,243	57,677,186	72,437,047	68,278,842	63,283,726
County (deficit) net position absent the effect of this relationship	<u>\$ 23,618,944</u>	<u>\$ 11,881,589</u>	<u>\$ 11,243,103</u>	<u>\$ 36,183,601</u>	<u>\$ 8,225,392</u>

- (2) In fiscal year 2013, the County consolidated two Enterprise funds into the General Fund. This consolidation resulted in a total net position change of \$539,220 between Governmental Activities and Business-type Activities. The FY2012 Net Position has been reclassified to show this change.
- (3) FY2013 Net Position of Governmental Activities was restated in fiscal year 2014.
- (4) FY2014 Net Position of Governmental and Business-Type Activities was restated in fiscal year 2015.

QUEEN ANNE'S COUNTY, MARYLAND
 FINANCIAL TRENDS
 NET POSITION BY COMPONENT - GOVERNMENT-WIDE
 (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS
 Table 1

(CONTINUED)

	2014	2015	2016	2017	2018
\$	127,369,959	\$ 125,434,538	\$ 123,466,319	\$ 120,249,244	\$ 114,794,226
	17,616,132	20,464,486	21,063,295	13,094,534	13,275,244
	<u>(71,169,310)</u>	<u>(73,475,567)</u>	<u>(78,567,505)</u>	<u>(67,189,342)</u>	<u>(58,025,753)</u>
(3)	<u>73,816,781</u>	(4) <u>72,423,457</u>	<u>65,962,109</u>	<u>66,154,436</u>	<u>70,043,717</u>
	79,783,160	80,787,152	80,909,015	86,163,078	84,386,291
	3,110,033	3,061,534	1,699,914	1,700,836	1,060,134
	<u>8,721,212</u>	<u>8,486,063</u>	<u>10,240,161</u>	<u>4,116,300</u>	<u>7,458,996</u>
	<u>91,614,405</u>	(4) <u>92,334,749</u>	<u>92,849,090</u>	<u>91,980,214</u>	<u>92,905,421</u>
	207,153,119	206,221,690	204,375,334	206,412,322	199,180,517
	20,726,165	23,526,020	22,763,209	14,795,370	14,335,378
	<u>(62,448,098)</u>	<u>(64,989,504)</u>	<u>(68,327,344)</u>	<u>(63,073,042)</u>	<u>(50,566,757)</u>
(3)	<u>\$ 165,431,186</u>	(4) <u>\$ 164,758,206</u>	<u>\$ 158,811,199</u>	<u>\$ 158,134,650</u>	<u>\$ 162,949,138</u>
	\$ (62,448,098)	\$ (64,989,504)	\$ (68,327,344)	\$ (63,073,042)	\$ (50,566,757)
	67,651,486	66,219,608	63,271,304	59,207,136	58,625,356
	<u>\$ 5,203,388</u>	<u>\$ 1,230,104</u>	<u>\$ (5,056,040)</u>	<u>\$ (3,865,906)</u>	<u>\$ 8,058,599</u>

QUEEN ANNE'S COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS
 Table 2-a

	2009	2010	2011	2012	2013
Expenses					
Governmental Activities:					
General Government	\$ 13,317,683	\$ 14,089,387	\$ 15,968,633	\$ 13,421,531	\$ 13,639,728
Public Safety	23,570,049	25,361,341	25,413,678	25,469,721	26,174,144
Public Works	10,237,718	9,432,489	9,098,949	10,373,286	11,891,013
Health	1,590,004	1,663,321	1,701,677	1,642,723	1,812,920
Social Services	5,617,621	5,554,667	5,001,240	4,526,166	5,560,196
Education	53,296,238	53,491,659	57,506,341	53,693,309	49,459,783
Parks & Recreation (3)	5,060,018	3,618,427	3,090,228	-	-
Library	1,414,008	1,473,689	1,457,336	1,302,163	1,304,076
Conservation of Natural Resources	2,473,308	5,281,372	3,811,748	2,802,337	838,775
Economic/Community Development	2,197,116	2,001,306	1,893,570	887,837	1,108,912
Interest and Fiscal Charges	2,831,002	3,510,678	4,078,105	4,196,072	4,042,236
Total Governmental Activities Expenses	121,604,765	125,478,336	129,021,505	118,315,145	115,831,783
Business-type Activities:					
Water and Sewer	10,689,782	10,610,705	10,905,989	10,711,211	11,783,515
Golf Course (4)	2,178,163	2,789,901	4,099,507	2,269,933	538,420
Public Landings and Marinas (5)	38,050	96,739	67,395	110,884	535,837
Airport	879,906	1,017,780	1,167,655	1,457,087	913,845
Total Business-type Activities Expenses	13,785,901	14,515,125	16,240,546	14,549,115	13,771,617
Total Primary Government Expenses	135,390,666	139,993,461	145,262,051	132,864,260	129,603,400
Program Revenues					
Governmental Activities:					
General Government					
Charges for Services	1,055,945	1,261,230	1,086,641	1,081,808	1,272,807
Operating Grants and Contributions	403,018	546,176	694,347	742,205	697,712
Capital Grants and Contributions	5,567	44,743	118,100	116,710	135,032
Total Revenue	1,464,530	1,852,149	1,899,088	1,940,723	2,105,551
Public Safety					
Charges for Services	1,394,463	1,263,212	1,090,545	1,320,647	1,387,591
Operating Grants and Contributions	1,266,869	1,891,120	1,461,080	1,113,018	1,328,493
Capital Grants and Contributions	273,176	303,566	82,885	191,223	249,594
Total Revenue	2,934,508	3,457,898	2,634,510	2,624,888	2,965,678
Public Works					
Charges for Services	714,765	791,796	872,352	1,107,426	1,636,604
Operating Grants and Contributions	7,566,648	632,923	546,719	488,027	624,653
Capital Grants and Contributions	298,500	264,078	901,289	541,887	1,687,783
Total Revenue	8,579,913	1,688,797	2,320,360	2,137,340	3,949,040
Social Services					
Charges for Services	68,386	67,423	69,382	71,655	71,973
Operating Grants and Contributions	2,928,291	2,666,917	2,050,062	2,076,096	2,613,905
Capital Grants and Contributions	348,124	2,688,245	215,748	18,691	51,023
Total Revenue	3,344,801	5,422,585	2,335,192	2,166,442	2,736,901
Education					
Charges for Services	740,213	852,201	755,443	1,169,425	1,052,691
Operating Grants and Contributions	8,050	433,000	-	-	-
Capital Grants and Contributions	161,673	-	-	-	-
Total Revenue	909,936	1,285,201	755,443	1,169,425	1,052,691
Parks & Recreation					
Charges for Services	240,954	177,568	187,901	-	-
Operating Grants and Contributions	509	123,336	1,868	-	-
Capital Grants and Contributions	1,087,329	631,504	199,698	-	-
Total Revenue	1,328,792	932,408	389,467	-	-
Conservation of Natural Resources					
Charges for Services	97,481	101,019	75,354	98,593	63,105
Operating Grants and Contributions	55,847	93,002	1,006,138	36,872	400,193
Capital Grants and Contributions	691,085	4,191,024	1,923,471	998,757	-
Total Revenue	844,413	4,385,045	3,004,963	1,134,222	463,298
Economic/Community Development					
Charges for Services	4,786	-	4,236	159,492	234,100
Operating Grants and Contributions	641,305	-	239,893	245,143	176,216
Capital Grants and Contributions	-	-	110,561	81,867	575,440
Total Revenue	646,091	-	354,690	486,502	985,756
Total Governmental Activities Program Revenues	20,052,984	19,024,083	13,693,713	11,659,542	14,258,915

QUEEN ANNE'S COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS

Table 2-a

(CONTINUED)

	2014	2015	2016	2017	2018
\$	14,133,149	\$ 10,849,277	\$ 13,936,312	\$ 13,177,254	\$ 15,833,152
	26,666,211	25,297,450	27,525,712	27,997,262	27,130,890
	12,365,647	14,363,603	19,522,534	20,753,117	17,665,141
	2,083,201	1,856,158	2,032,657	2,006,219	1,996,939
	5,040,139	4,775,440	5,300,871	5,418,152	5,152,409
	54,882,430	65,633,331	60,752,025	59,211,517	62,296,920
	-	-	-	-	-
	1,336,098	1,458,348	1,622,848	1,710,668	1,785,580
	2,395,762	587,147	1,799,234	616,237	2,567,600
	1,528,035	1,763,024	3,391,547	1,860,222	2,477,129
	3,987,943	4,039,622	4,345,527	4,150,101	4,294,929
	124,418,615	130,623,400	140,229,267	136,900,749	141,200,689
	11,059,306	10,412,432	10,615,466	11,818,087	12,297,109
	515,325	496,065	505,085	540,504	509,150
	544,945	537,823	529,943	572,360	534,966
	807,226	1,014,491	966,896	1,053,899	1,077,168
	12,926,802	12,460,811	12,617,390	13,984,850	14,418,393
	137,345,417	143,084,211	152,846,657	150,885,599	155,619,082
	1,500,273	1,505,857	1,565,170	1,552,164	1,669,311
	606,649	644,297	582,571	563,016	660,790
	589,988	96,684	(30,000)	-	1,080,084
	2,696,910	2,246,838	2,117,741	2,115,180	3,410,185
	1,286,945	1,244,752	1,354,350	1,350,626	1,505,267
	1,081,577	1,052,666	1,088,597	1,037,879	1,294,733
	282,139	119,118	175,653	5,406	166,001
	2,650,661	2,416,536	2,618,600	2,393,911	2,966,001
	1,425,012	1,275,538	1,337,358	1,472,664	1,779,206
	712,550	527,538	1,029,019	980,075	822,659
	2,221,299	80,000	108,880	161,084	282,028
	4,358,861	1,883,076	2,475,257	2,613,823	2,883,893
	65,537	68,187	76,404	73,066	71,131
	2,026,675	2,056,111	1,834,000	1,893,648	2,018,289
	67,392	40,527	140,400	58,500	58,500
	2,159,604	2,164,825	2,050,804	2,025,214	2,147,920
	1,721,379	1,249,332	1,230,994	1,319,433	1,272,301
	-	-	-	-	-
	-	-	-	-	-
	1,721,379	1,249,332	1,230,994	1,319,433	1,272,301
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	73,279	72,688	70,708	60,826	110,655
	103,892	96,195	68,152	186,333	131,321
	75,820	3,637	573,003	-	1,439,284
	252,991	172,520	711,863	247,159	1,681,260
	508,000	80,558	311,000	620,000	316,500
	255,100	285,344	156,804	231,360	810,319
	(69,569)	-	-	-	-
	693,531	365,902	467,804	851,360	1,126,819
	14,533,937	10,499,029	11,673,063	11,566,080	15,488,379

CONTINUED

QUEEN ANNE'S COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS
 Table 2-a

(CONTINUED)

	2009	2010	2011	2012	2013
Business-type Activities:					
Water and Sewer					
Charges for Services	\$ 7,695,100	\$ 8,224,428	\$ 8,192,471	\$ 7,977,667	\$ 8,181,434
Operating Grants and Contributions	-	98,492	-	55,728	161,600
Capital Grants and Contributions	682,935	208,115	837,426	347,573	2,048,768
Total Revenue	8,378,035	8,531,035	9,029,897	8,380,968	10,391,802
Golf Course (4)					
Charges for Services	1,526,244	1,633,203	1,568,227	1,501,550	313,364
Operating Grants and Contributions	45,824	41,838	39,572	52,915	-
Capital Grants and Contributions	69,068	289,895	196,487	28,680	-
Total Revenue	1,641,136	1,964,936	1,804,286	1,583,145	313,364
Public Landings and Marinas (5)					
Charges for Services	100,250	62,600	84,987	102,290	440,270
Operating Grants and Contributions	-	29,017	16,241	14,183	42,914
Capital Grants and Contributions	-	545,123	588,326	78,314	18,692
Total Revenue	100,250	636,740	689,554	194,787	501,876
Airport					
Charges for Services	34,907	50,585	37,955	58,589	48,072
Operating Grants and Contributions	-	33,922	3,715	47,412	2,621
Capital Grants and Contributions	289,112	1,519,810	448,600	693,162	2,472,782
Total Revenue	324,019	1,604,317	490,270	799,163	2,523,475
Total Business-type Activities Program Revenues	10,443,440	12,737,028	12,014,007	10,958,063	13,730,517
Total Primary Government Program Revenues	30,496,424	31,761,111	25,707,720	22,617,605	27,989,432
Net (Expense) Revenue (1)					
Governmental activities	(101,551,781)	(106,454,253)	(115,327,792)	(106,655,603)	(101,572,868)
Business-type activities	(3,342,461)	(1,778,097)	(4,226,539)	(3,591,052)	(41,100)
Total Primary Government Net Expense	\$ (104,894,242)	\$ (108,232,350)	\$ (119,554,331)	\$ (110,246,655)	\$ (101,613,968)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes (2)	\$ 95,530,316	\$ 90,469,883	\$ 96,093,533	\$ 105,693,926	\$ 107,978,036
Investment income	642,472	144,553	136,523	126,650	107,095
Gain on Sale of Capital Assets	1,540,404	26,731	281,158	27,627	163,426
Miscellaneous	2,182,525	786,719	711,868	1,254,255	1,051,760
Transfers In (Out)	(3,348,074)	(559,331)	(611,922)	(605,996)	(337,843)
Total Governmental Activities	96,547,643	90,868,555	96,611,160	106,496,462	108,962,474
Business-type Activities:					
Investment income	595,279	436,045	407,629	374,665	356,374
Miscellaneous	918,688	962,540	884,772	1,127,590	855,504
Transfers In (Out)	3,348,074	559,331	611,922	605,996	359,277
Total Business-type Activities	4,862,041	1,957,916	1,904,323	2,108,251	1,571,155
Total Primary Government	101,409,684	92,826,471	98,515,483	108,604,713	110,533,629
Change in Net Position					
Governmental activities	(5,004,138)	(15,585,698)	(18,716,632)	(159,141)	7,389,606
Business-type activities	1,519,580	179,819	(2,322,216)	(1,482,801)	1,530,055
Total Primary Government	\$ (3,484,558)	\$ (15,405,879)	\$ (21,038,848)	\$ (1,641,942)	\$ 8,919,661

NOTES:

* Government-wide net position information is reported on the accrual basis of accounting.

* Source: Statement of Activities.

(1) Net (expense)/revenue is the difference between the expenses and program revenues of a function or program. It indicates the degree to which a function or program is supported with its own fees and program-specific grants versus its reliance upon funding from taxes and general revenues. Numbers in parentheses indicate that expenses were greater than program revenues and therefore general revenues were needed to finance that function or program. Numbers without parentheses mean that program revenues were more than sufficient to cover expenses.

(2) See Table 2-b for detail of General Tax Revenues.

(3) Beginning in FY12, Parks & Recreation governmental activities are included in public works.

(4) Prior to FY13, this section included data for the Golf Course, Recreation Programs, Public Landings, and Property Management Funds. Beginning in FY13, this section only includes Golf Course Fund data.

(5) Prior to FY13, this section only included data for the Public Marinas Funds. Beginning in FY13, this section includes data for both Public Marinas and Public Landings, as these funds were combined to form one fund.

QUEEN ANNE'S COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN NET POSITION - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)
 LAST TEN FISCAL YEARS

Table 2-a

(CONTINUED)

2014	2015	2016	2017	2018
\$ 8,341,848	\$ 8,840,213	\$ 8,956,360	\$ 8,222,317	\$ 9,214,383
90,000	90,000	85,099	90,000	90,000
665,268	1,862,257	1,958,051	2,222,796	4,198,378
9,097,116	10,792,470	10,999,510	10,535,113	13,502,761
297,293	295,955	305,528	318,599	340,123
-	-	-	-	-
-	-	-	-	-
297,293	295,955	305,528	318,599	340,123
423,478	423,723	423,427	443,176	451,524
36,439	43,304	36,781	33,542	104,829
-	-	-	-	-
459,917	467,027	460,208	476,718	556,353
49,061	53,200	45,916	33,256	25,857
2,420	73,311	52,837	245,738	60,858
7,457	-	-	-	-
58,938	126,511	98,753	278,994	86,715
9,913,264	11,681,963	11,863,999	11,609,424	14,485,952
24,447,201	22,180,992	23,537,062	23,175,504	29,974,331
(109,884,678)	(120,124,371)	(128,556,204)	(125,334,669)	(125,712,310)
(3,013,538)	(778,848)	(753,391)	(2,375,426)	67,559
\$ (112,898,216)	\$ (120,903,219)	\$ (129,309,595)	\$ (127,710,095)	\$ (125,644,751)
\$ 112,123,625	\$ 116,821,607	\$ 121,011,135	\$ 123,299,031	\$ 131,444,679
95,286	94,092	174,691	444,063	978,955
346,765	1,098,632	161,106	53,936	87,734
877,629	1,076,893	949,046	2,065,465	630,895
(589,737)	(360,177)	(201,122)	(335,499)	(183,026)
112,853,568	118,731,047	122,094,856	125,526,996	132,959,237
343,568	323,585	320,443	361,840	439,716
793,951	815,430	746,167	809,211	865,879
589,737	360,177	201,122	335,499	183,026
1,727,256	1,499,192	1,267,732	1,506,550	1,488,621
114,580,824	120,230,239	123,362,588	127,033,546	134,447,858
2,968,890	(1,393,324)	(6,461,348)	192,327	7,246,927
(1,286,282)	720,344	514,341	(868,876)	1,556,180
\$ 1,682,608	\$ (672,980)	\$ (5,947,007)	\$ (676,549)	\$ 8,803,107

QUEEN ANNE'S COUNTY, MARYLAND

FINANCIAL TRENDS

GENERAL TAX REVENUES - GOVERNMENTAL ACTIVITIES

LAST TEN FISCAL YEARS

Table 2-b

	2009	2010	2011	2012	2013
Local Property Taxes	\$ 55,362,114	\$ 59,267,240	\$ 60,070,368	\$ 65,937,415	\$ 65,591,225
Local Income Tax	34,834,937	25,715,247	30,624,679	34,028,234	35,769,303
Other Local Taxes	5,333,265	5,487,396	5,398,486	5,728,277	6,617,508
Total Taxes - Governmental Activities	<u>\$ 95,530,316</u>	<u>\$ 90,469,883</u>	<u>\$ 96,093,533</u>	<u>\$ 105,693,926</u>	<u>\$ 107,978,036</u>

	2014	2015	2016	2017	2018
Local Property Taxes	\$ 64,712,683	\$ 64,672,721	\$ 65,185,546	\$ 66,487,004	\$ 67,736,404
Local Income Tax	40,899,804	44,643,870	47,928,725	48,624,679	55,211,695
Other Local Taxes	6,511,138	7,505,016	7,896,864	8,187,348	8,496,580
Total Taxes - Governmental Activities	<u>\$ 112,123,625</u>	<u>\$ 116,821,607</u>	<u>\$ 121,011,135</u>	<u>\$ 123,299,031</u>	<u>\$ 131,444,679</u>

NOTES:

* Government-wide general tax revenue information is reported on the accrual basis of accounting.

* Source: Statement of Activities.

QUEEN ANNE'S COUNTY, MARYLAND
 FINANCIAL TRENDS
 FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS

Table 3

	2009	2010	2011	2012	2013
General Fund:					
Reserved	\$ 8,643,600	\$ 7,734,692	\$ -	\$ -	\$ -
Unreserved	6,381,843	6,296,418	-	-	-
Nonspendable	-	-	4,000	555,215	626,122
Restricted	-	-	333,798	340,670	8,111,614
Committed	-	-	657,068	695,944	-
Assigned	-	-	70,000	-	1,284,657
Unassigned	-	-	4,753,656	11,207,265	5,965,003
Total General Fund	<u>15,025,443</u>	<u>14,031,110</u>	<u>5,818,522</u>	<u>12,799,094</u>	<u>15,987,396</u>
All Other Governmental Funds:					
Reserved	17,007,368	15,153,381	-	-	-
Unreserved, reported in:					
Capital Projects Fund	1,723,066	12,538,916	-	-	-
Special Revenue Funds	2,751,120	7,842,939	-	-	-
Nonspendable	-	-	4,401,483	5,136,024	5,406,512
Restricted	-	-	22,065,716	12,255,292	12,724,859
Committed	-	-	1,820,818	2,054,749	3,480,382
Assigned	-	-	14,745,215	18,654,017	24,665,235
Unassigned	-	-	(172,381)	(157,828)	(135,515)
Total All Other Governmental Funds	<u>21,481,554</u>	<u>35,535,236</u>	<u>42,860,851</u>	<u>37,942,254</u>	<u>46,141,473</u>
Total All Governmental Funds	<u>\$ 36,506,997</u>	<u>\$ 49,566,346</u>	<u>\$ 48,679,373</u>	<u>\$ 50,741,348</u>	<u>\$ 62,128,869</u>

	2014	2015	2016	2017	2018
General Fund:					
Nonspendable	\$ 480,385	\$ 687,777	\$ 586,481	\$ 754,921	\$ 1,001,610
Restricted	8,375,368	8,681,112	9,002,389	10,626,394	10,999,800
Committed	1,157,360	2,000,000	3,000,000	4,000,000	5,027,897
Assigned	1,284,875	2,034,875	1,926,782	1,998,415	1,483,827
Unassigned	7,123,519	7,793,085	8,468,591	8,830,530	11,142,331
Total General Fund (1)	<u>18,421,507</u>	<u>21,196,849</u>	<u>22,984,243</u>	<u>26,210,260</u>	<u>29,655,465</u>
All Other Governmental Funds:					
Nonspendable	5,470,608	5,919,048	6,146,072	7,552,462	7,583,553
Restricted	21,824,970	17,794,372	21,316,088	8,900,465	6,815,341
Committed	4,097,033	4,209,177	3,425,701	13,447,283	15,202,215
Assigned	25,939,319	23,093,224	18,029,073	16,045,167	19,618,643
Unassigned	(115,800)	(108,185)	(115,129)	(53,665)	(48,758)
Total All Other Governmental Funds (1)	<u>57,216,130</u>	<u>50,907,636</u>	<u>48,801,805</u>	<u>45,891,712</u>	<u>49,170,994</u>
Total All Governmental Funds	<u>\$ 75,637,637</u>	<u>\$ 72,104,485</u>	<u>\$ 71,786,048</u>	<u>\$ 72,101,972</u>	<u>\$ 78,826,459</u>

NOTES:

* Fund balance information for governmental funds is reported on the modified accrual basis of accounting.
 * Source: Balance Sheet, Governmental Funds.
 (1) As of June 30, 2011, fund balance classifications changed due to the implementation of GASB 54.

QUEEN ANNE'S COUNTY, MARYLAND
FINANCIAL TRENDS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
Table 4

	2009	2010	2011	2012	2013
Revenues					
Taxes					
Local Property Taxes	\$ 55,374,053	\$ 59,242,742	\$ 60,097,959	\$ 65,918,832	\$ 65,554,079
Local Income Taxes	35,988,334	29,647,125	29,527,496	35,969,879	39,438,906
Other Local Taxes	5,333,265	5,487,396	5,398,486	5,728,277	6,617,508
State Shared Taxes	7,591,829	508,138	230,401	306,235	510,726
Licenses and Permits	874,639	863,782	919,663	877,365	1,004,774
Intergovernmental	8,049,695	12,061,066	8,777,729	5,867,211	7,588,691
Bond Interest Reimbursement - Build America Bond	-	193,567	438,022	432,212	406,337
Charges for Current Services	3,326,696	3,396,080	3,143,846	3,908,998	4,594,240
Fines and Forfeitures	115,658	258,937	78,345	222,683	119,857
Capital Contributions - Developer	-	-	-	-	-
Investment Income	642,472	144,553	136,523	126,650	107,095
Donations	76,867	140,731	109,342	46,332	36,332
Miscellaneous	2,182,525	786,719	708,455	1,254,255	1,051,760
Total Revenues	119,556,033	112,730,836	109,566,267	120,658,929	127,030,305
Expenditures					
Current					
General Government (1)	10,841,479	10,608,976	10,397,457	9,171,830	9,282,310
Public Safety	20,483,238	21,344,575	21,127,321	20,985,077	21,275,229
Public Works	8,678,715	7,671,352	7,277,767	7,733,226	9,615,805
Health	1,572,848	1,637,101	1,670,222	1,604,462	1,811,402
Social Services	5,029,493	4,767,647	4,098,650	3,533,022	4,051,741
Education	53,348,513	53,545,597	57,566,865	53,755,497	48,418,107
Parks and Recreation	3,145,367	3,055,335	2,521,175	-	-
Library	1,390,398	1,424,078	1,433,725	1,277,993	1,278,228
Conservation of Natural Resources	2,445,352	5,263,577	3,872,916	2,794,262	890,480
Economic/Community Development	1,968,587	1,847,195	1,715,524	758,089	898,129
Miscellaneous	706,792	1,373,090	4,699,452	3,704,702	4,862,189
Capital Outlay	8,594,972	7,868,741	4,838,581	2,755,949	3,370,909
Debt Service					
Principal	5,089,347	4,948,144	6,964,558	7,095,307	7,069,406
Debt Issuance Costs	(423)	145,884	129,671	162,021	(94)
Interest and Fiscal Charges	2,778,490	3,114,505	3,629,426	4,116,939	3,675,628
Total Expenditures	126,073,168	128,615,797	131,943,310	119,448,376	116,499,469
Excess (Deficiency) of Revenues over (under) Expenditures	(6,517,135)	(15,884,961)	(22,377,043)	1,210,553	10,530,836
Other Financing Sources (Uses)					
Issuance of Debt	122,780	29,299,154	21,897,570	8,010,000	564,068
Other Financing Use - Proceeds of Refunding Bonds	-	-	-	-	-
Bond Premiums	(423)	157,800	139,136	713,235	(101)
Payments to Bond Refunding Agent	-	-	-	(8,557,455)	-
Other Financing Use - Debt Service - Principal	-	-	-	-	-
Proceeds of Capital Asset Disposals	64,089	30,861	582,601	47,396	308,856
Insurance Proceeds	44,907	15,826	99,028	11,631	20,070
Transfers In	5,449,499	18,184,911	5,386,256	9,635,881	10,851,904
Transfers Out	(8,879,272)	(18,744,242)	(6,614,521)	(10,369,909)	(11,228,409)
Total Other Financing Sources (Uses)	(3,198,420)	28,944,310	21,490,070	(509,221)	516,388
Special Item					
	-	-	-	1,360,643	-
Net Increase (Decrease) in Fund Balances	\$ (9,715,555)	\$ 13,059,349	\$ (886,973)	\$ 2,061,975	\$ 11,047,224
Debt service as a percentage of non-capital expenditures (2, 3)	6.79%	6.69%	8.34%	9.66%	9.54%

NOTES:

* Governmental fund information is reported on the modified accrual basis of accounting.

* Source: Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.

(1) For all fiscal years, "General Government" includes amounts previously classified as "Miscellaneous," "Intergovernmental" and/or "Contingency."

(2) Only the principal and interest components of debt service expenditures are included in the calculation of the ratio of total debt service expenditures to noncapital expenditures.

(3) Noncapital expenditures represents Total Expenditures above, less the Net Increase in Capital Assets from the Reconciliation between the Government-Wide Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balance. Only the assets acquired (not included assets transferred or donated) from the reconciliation are used in the calculation.

QUEEN ANNE'S COUNTY, MARYLAND
 FINANCIAL TRENDS
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 Table 4

(CONTINUED)

	2014	2015	2016	2017	2018
\$	64,701,622	\$ 64,672,292	\$ 64,946,443	\$ 66,501,901	\$ 67,944,730
	40,326,921	42,889,715	46,424,552	48,578,044	51,834,189
	6,511,137	7,505,016	7,896,865	8,187,348	8,496,580
	749,366	557,834	623,256	708,566	836,677
	1,080,891	1,062,917	1,078,144	1,123,072	1,167,444
	5,588,984	4,030,576	4,696,561	3,987,308	7,539,052
	383,777	375,323	364,799	350,254	334,858
	5,357,919	4,251,835	4,617,730	5,114,605	5,298,701
	141,615	182,160	250,110	211,102	258,226
	102,316	-	-	-	-
	95,286	94,092	174,691	444,063	978,955
	39,055	41,391	45,773	60,217	57,635
	877,629	1,076,893	949,045	2,065,465	630,895
	125,956,518	126,740,044	132,067,969	137,331,945	145,377,942
	10,649,489	8,833,255	9,817,062	10,382,078	10,640,065
	22,266,458	23,133,608	23,523,103	23,866,030	25,049,431
	9,967,363	12,041,969	15,080,454	15,506,684	15,235,104
	2,030,740	1,822,856	1,992,208	1,967,956	1,971,460
	3,474,886	3,602,146	3,835,730	4,013,664	4,129,134
	59,752,944	65,683,908	60,808,143	59,266,025	62,352,046
	-	-	-	-	-
	1,310,250	1,432,500	1,597,000	1,684,820	1,765,190
	2,363,254	565,289	1,744,260	565,938	2,577,735
	1,306,516	1,616,784	3,188,928	1,710,899	2,433,171
	3,202,417	3,535,585	4,766,722	4,185,652	5,348,568
	8,669,375	8,733,509	11,050,384	14,591,632	12,311,551
	7,210,561	7,444,611	7,667,316	8,074,013	7,149,537
	196,870	403,572	218,799	196,150	229,894
	3,501,230	3,846,823	3,696,719	4,104,254	4,280,553
	135,902,353	142,696,415	148,986,828	150,115,795	155,473,439
	(9,945,835)	(15,956,371)	(16,918,859)	(12,783,850)	(10,095,497)
	22,405,542	25,384,493	15,484,639	12,775,926	16,000,000
	-	-	8,042,773	-	-
	1,118,097	1,901,240	1,650,448	618,681	908,973
	-	(14,881,834)	-	-	-
	-	-	(8,446,336)	-	-
	458,759	1,331,608	18,100	55,189	54,097
	61,942	57,916	153,534	12,241	39,940
	5,861,261	5,079,641	9,941,051	6,331,482	8,220,201
	(6,450,998)	(6,449,845)	(10,243,787)	(6,693,745)	(8,403,227)
	23,454,603	12,423,219	16,600,422	13,099,774	16,819,984
	-	-	-	-	-
\$	13,508,768	\$ (3,533,152)	\$ (318,437)	\$ 315,924	\$ 6,724,487
	8.44%	8.43%	8.16%	8.99%	8.00%



Queen Anne's County is a boater's paradise.

QUEEN ANNE'S COUNTY, MARYLAND
 REVENUE CAPACITY
 ASSESSED VALUE OF TAXABLE AND EXEMPT PROPERTY
 LAST TEN FISCAL YEARS
 Table 5

Fiscal Year	Real Property (2)			Total Direct Tax Rate (3)	Personal Property	Total	Exempt Property	Total
	Commercial Assessed Value	Residential (1) Assessed Value	Total Assessed Value		Public Utility Assessed Value (2) (4)	Taxable Assessed Value		Taxable and Exempt Property
2009	\$ 1,503,024,419	\$ 5,518,534,961	\$ 7,021,559,380	\$ 0.7700	\$ 61,513,370	\$ 7,083,072,750	\$ 547,163,868	\$ 7,630,236,618
2010	1,606,785,131	5,911,287,556	7,518,072,687	0.7700	62,858,590	7,580,931,277	596,219,654	8,177,150,931
2011	1,625,886,760	6,054,844,995	7,680,731,755	0.7671	59,364,960	7,740,096,715	644,654,739	8,384,751,454
2012	1,485,091,345	6,139,645,414	7,624,736,759	0.8471	60,635,440	7,685,372,199	694,372,116	8,379,744,315
2013	1,567,115,297	5,990,170,828	7,557,286,125	0.8471	63,194,130	7,620,480,255	732,300,804	8,352,781,059
2014	1,540,562,905	5,935,284,963	7,475,847,868	0.8471	64,411,900	7,540,259,768	696,880,673	8,237,140,441
2015	1,526,533,795	5,971,094,589	7,497,628,384	0.8471	71,076,850	7,568,705,234	708,231,797	8,276,937,031
2016	1,536,236,637	6,015,729,665	7,551,966,302	0.8471	74,544,230	7,626,510,532	713,843,531	8,340,354,063
2017	1,578,390,091	6,136,189,107	7,714,579,198	0.8471	77,685,020	7,792,264,218	771,576,578	8,563,840,796
2018	1,619,626,376	6,277,865,272	7,897,491,648	0.8471	76,903,490	7,974,395,138	784,345,727	8,758,740,865

NOTES:

* Tax exempt property is included for purposes of calculating total assessed value, which is used on Table 12-a.

- (1) Residential real property includes single-family homes, townhouses, condominiums, and apartment dwellings. The assessed value shown above has been reduced for the Homestead Credit assessment.
- (2) Real property and personal property assessments are done every three years and every year, respectively, by the State Department of Assessments and Taxation at 100% of estimated fair value.
- (3) See Table 6-a for real property direct tax rates. Tax Rates are applied per \$100 of assessed value.
- (4) The personal property tax rate for Queen Anne's County is zero.

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

**QUEEN ANNE'S COUNTY, MARYLAND
REVENUE CAPACITY
REAL PROPERTY TAX RATES - COUNTY DIRECT RATE
LAST TEN FISCAL YEARS
Table 6-a**

Fiscal Year	County Direct Rate (1)
2009	\$ 0.7700
2010	0.7700
2011	0.7671
2012	0.8471
2013	0.8471
2014	0.8471
2015	0.8471
2016	0.8471
2017	0.8471
2018	0.8471

NOTES:

- * No discounts are allowed.
- * Taxes are levied as of July 1, are due by September 30, and become delinquent October 1.
- * Owner occupied properties may elect to pay on an annual basis. If no election is made, taxes are paid on a semi-annual basis with payment due by September 30 and December 31
- * Non-owner occupied properties must pay on an annual basis.
- * Interest at one percent per month is assessed on delinquent tax bills.
- * Revised tax bills based upon certifications from the State received after September 1 may be paid within thirty days without interest.
- * Delinquent taxes on real property are collected by sale.
- * Costs of tax sale, which vary, are added to the redemption.
- * Tax sale date: Third Tuesday in May.
- * The personal property tax rate for Queen Anne's County is zero.

(1) Tax Rates are applied per \$100 of assessed value.

QUEEN ANNE'S COUNTY, MARYLAND
REVENUE CAPACITY
REAL PROPERTY TAX RATES - COUNTY SPECIAL TAXING DISTRICTS
LAST TEN FISCAL YEARS
Table 6-b

Fiscal Year	Kent Narrows Commercial Management and Waterfront Improvement District
2009	\$ 0.0600
2010	0.0600
2011	0.0600
2012	0.0600
2013	0.0600
2014	0.0600
2015	0.0600
2016	0.0600
2017	0.0600
2018	0.0600

NOTES:

- * Tax rates are per \$100 of assessed value.
- * The personal property tax rate for Queen Anne's County is zero.

QUEEN ANNE'S COUNTY, MARYLAND
REVENUE CAPACITY
REAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - TOWNS
LAST TEN FISCAL YEARS
Table 6-c

Fiscal Year	Town of Centreville	Town of Barclay	Town of Church Hill	Town of Millington	Town of Queen Anne
2009	\$ 0.3950	\$ 0.1000	\$ 0.3400	\$ 0.2800	\$ 0.1800
2010	0.3800	0.1000	0.3400	0.2800	0.1800
2011	0.3800	0.1000	0.3400	0.2800	0.1800
2012	0.3800	0.2000	0.3400	0.2800	0.1800
2013	0.3800	0.2000	0.3400	0.2800	0.1800
2014	0.3800	0.2000	0.3400	0.2800	0.1800
2015	0.3800	0.2000	0.3400	0.2800	0.1800
2016	0.3800	0.2000	0.3400	0.2800	0.1800
2017	0.4100	0.2000	0.3400	0.2800	0.1800
2018	0.4050	0.2000	0.3400	0.2800	0.1800

NOTES:

- * Tax rates are per \$100 of assessed value.
- * The personal property tax rate for Queen Anne's County is zero.
- * Taxes collected by the County for other fiscal units, including overlapping governments, are remitted based on actual collections.

QUEEN ANNE'S COUNTY, MARYLAND
REVENUE CAPACITY
REAL PROPERTY TAX RATES - OVERLAPPING GOVERNMENTS - TOWNS
LAST TEN FISCAL YEARS
Table 6-c

(CONTINUED)

	Town of Queenstown	Town of Sudlersville	Town of Templeville
\$	0.2000	\$ 0.1670	\$ 0.3600
	0.1810	0.1670	0.3600
	0.1904	0.1670	0.3600
	0.1890	0.1670	0.3600
	0.1890	0.1670	0.3600
	0.1890	0.1670	0.3600
	0.1895	0.1670	0.3600
	0.1850	0.1670	0.3600
	0.1810	0.1670	0.5788
	0.1773	0.1670	0.3600

**QUEEN ANNE'S COUNTY, MARYLAND
REVENUE CAPACITY
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS
CURRENT FISCAL YEAR AND NINE YEARS AGO
Table 7**

For the Fiscal Year Ended June 30, 2018		
	Assessable Base	Ratio: Taxpayer Base to Total Assessable Base
Second Horizon Group Limited Partnership	\$ 71,684,600	0.90 %
KRM Development Corporation	30,258,300	0.38
Aspen Institute for Humanistic Studies	23,529,133	0.30
Washington Brick and Terra Cotta	15,541,500	0.19
Maryland General Land Co LLC	15,504,900	0.19
Great American Life Insurance Co	14,251,500	0.18
K Hovnanian at Kent Island LLC	13,007,900	0.16
Beach Harbor Campers Co-Operative	12,668,300	0.16
Anne Arundel Real Estate Holding	10,844,200	0.14
Shore Health System Inc	10,156,433	0.13
Total	\$ 217,446,766	2.73 %
Total Assessable Base	\$ 7,974,395,138	100.00 %

For the Fiscal Year Ended June 30, 2009		
	Assessable Base	Ratio: Taxpayer Base to Total Assessable Base
Second Horizon Group Limited Partnership	\$ 46,985,218	0.66 %
KRM Development Corporation	36,871,333	0.52
Great American Life Insurance Company	25,675,400	0.36
White's Heritage Partners	25,292,490	0.36
Waterford Centreville, LLC	13,799,182	0.19
Reliable Development Company	13,016,740	0.18
Washington Brick and Terra Cotta Company	12,556,666	0.18
JSE Investment	12,021,658	0.17
K Hovnanian's Four Seasons at Kent Island	11,838,400	0.17
Mears Point Association	11,693,204	0.17
Total	\$ 209,750,291	2.96 %
Total Assessable Base	\$ 7,083,072,750	100.00 %

Source: State of Maryland Department of Assessments and Taxation

QUEEN ANNE'S COUNTY, MARYLAND
REVENUE CAPACITY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
Table 8

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2009	\$ 53,839,023	\$ 53,756,369	99.85%	\$ 80,374	\$ 53,836,743	100.00%
2010	57,788,231	57,720,564	99.88%	61,985	57,782,549	99.99%
2011	58,758,234	58,696,129	99.89%	55,435	58,751,564	99.99%
2012	64,549,671	64,459,862	99.86%	80,384	64,540,246	99.99%
2013	63,904,147	63,596,067	99.52%	55,677	63,651,744	99.61%
2014	63,184,321	62,834,349	99.45%	86,529	62,920,878	99.58%
2015	63,338,629	63,231,601	99.83%	69,696	63,301,297	99.94%
2016	63,799,184	63,647,404	99.76%	80,401	63,727,805	99.89%
2017	65,217,648	65,107,115	99.83%	103,497	65,210,612	99.83%
2018	66,768,776	66,721,619	99.93%	-	66,721,619	99.93%

NOTES:

* This table includes data for all property taxes billed applicable to all funds for Queen Anne's County, Maryland to include General, Special Revenue, and Enterprise Funds. Property taxes billed for the State of Maryland and various municipalities are excluded.

QUEEN ANNE'S COUNTY, MARYLAND
DEBT CAPACITY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Table 9

Governmental Activities					Ratios		
Fiscal Year	General Obligation Bonds	Notes Payable	Capital Leases	Total Governmental Activities	Total Primary Government	Debt to Total Personal Income (1)	Outstanding Debt per Capita (1)
2009	\$ 64,411,805	\$ 913,183	\$ 155,482	\$ 65,480,470	\$ 88,563,993	4.19%	\$ 1,881
2010	87,967,432	1,652,082	105,884	89,725,398	111,337,131	6.47%	2,289
2011	102,791,729	1,070,632	54,089	103,916,450	124,067,449	7.20%	2,590
2012	97,127,263	889,256	-	98,016,519	116,192,021	6.95%	2,431
2013	90,092,100	1,146,755	-	91,238,855	107,497,099	6.12%	2,210
2014	107,883,563	958,156	-	108,841,719	123,479,930	6.97%	2,538
2015	112,060,053	784,785	-	112,844,838	127,774,051	6.89%	2,618
2016	118,977,909	1,913,199	-	120,891,108	134,883,606	7.24%	2,780
2017	123,519,157	1,698,425	-	125,217,582	144,731,805	7.64%	2,960
2018	132,567,304	1,417,461	-	133,984,765	162,445,781	8.39%	3,322

NOTES:

(1) See Table 14 for personal income and population data, which are used in calculating these ratios.

QUEEN ANNE'S COUNTY, MARYLAND
DEBT CAPACITY
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Table 10

Fiscal Year	General Bonded Debt (1)	Percentage of Total Taxable Assessable Base (2)	Per Capita (3)
2009	\$ 67,870,465	0.96%	\$ 1,441
2010	91,412,798	1.21%	1,879
2011	106,250,557	1.37%	2,218
2012	100,063,806	1.30%	2,093
2013	92,582,575	1.21%	1,903
2014	109,937,299	1.46%	2,260
2015	115,600,348	1.53%	2,369
2016	122,498,768	1.61%	2,525
2017	126,736,636	1.63%	2,592
2018	135,543,499	1.70%	2,772

NOTES:

* General Bonded Debt includes all general obligation debt, regardless of purpose or repayment source, and other bonded debt financed with general government resources. Other debt is excluded because it is not in the form of bonds.

(1) General Bonded Debt is comprised of both governmental and business-type activities from Table 9.

(2) See Table 5 for taxable assessable base.

(3) See Table 14 for population data.



One of our ever popular and graceful residents...an Osprey on the beach at Terrapin Park.

QUEEN ANNE'S COUNTY, MARYLAND
DEBT CAPACITY
COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2018
Table 11

Name of Jurisdiction	Gross Debt
Queen Anne's County:	
County Government	
Total Net Direct Debt (1)	<u>\$ 133,984,765</u>
Towns: (2)	
Centreville (100%)	18,417,648
Millington (100%)	1,165,000
Queenstown (100%)	5,548,243
Sudlersville (100%)	4,700,000
Town of Barclay (100%)	13,266
Total Net Overlapping Debt	<u>29,844,157</u>
Total Net Direct and Overlapping Debt	<u><u>\$ 163,828,922</u></u>

NOTES:

- (1) Net direct debt of the County includes Governmental Activities general obligation bonds, notes payable, and capital leases. See Table 9. Overlapping debt is the debt of other governmental entities located within the County that is payable in whole or in part by taxpayers of the County.
- (2) Entities are located wholly within Queen Anne's County. Debt information reported by municipalities.

QUEEN ANNE'S COUNTY, MARYLAND
DEBT CAPACITY
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
Table 12-a

	2009	2010	2011	2012	2013
Computation of Legal Debt Margin - for Queen Anne's County					
Other than Debt related to the Sanitary District:					
Authorized debt limit under Title 5 (Subtitle 4) (1)	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
Authorized bonded debt under specific public laws					
Enterprise Funds, excluding Sanitary District (4)	1,446,993	1,862,866	2,340,495	2,304,876	2,160,475
General Obligation Debt (4)	64,411,805	87,967,432	102,791,729	97,127,263	90,092,100
Subtotal	<u>65,858,798</u>	<u>89,830,298</u>	<u>105,132,224</u>	<u>99,432,139</u>	<u>92,252,575</u>
Total authorized debt under Title 5 and specific public laws	73,858,798	97,830,298	113,132,224	107,432,139	100,252,575
LESS Outstanding bonds, notes payable, and capital leases (5)	88,563,993	111,337,131	124,067,449	116,192,021	107,497,099
Less: Sanitary District debt (4)	21,616,088	19,735,239	17,803,690	15,870,626	14,097,769
Subtotal	<u>66,947,905</u>	<u>91,601,892</u>	<u>106,263,759</u>	<u>100,321,395</u>	<u>93,399,330</u>
Legal Debt Margin - Other than the Sanitary District	<u>\$ 6,910,893</u>	<u>\$ 6,228,406</u>	<u>\$ 6,868,465</u>	<u>\$ 7,110,744</u>	<u>\$ 6,853,245</u>
Debt related to the Sanitary District Proprietary Fund:					
Total taxable assessed value (3)	\$ 7,083,072,750	\$ 7,580,931,277	\$ 7,740,096,715	\$ 7,685,372,199	\$ 7,620,480,255
Plus exempt property (3)	<u>547,163,868</u>	<u>596,219,654</u>	<u>644,654,739</u>	<u>694,372,116</u>	<u>732,300,804</u>
Total assessed value	<u>\$ 7,630,236,618</u>	<u>\$ 8,177,150,931</u>	<u>\$ 8,384,751,454</u>	<u>\$ 8,379,744,315</u>	<u>\$ 8,352,781,059</u>
Debt Limit - 6% of total assessed value (2)	\$ 457,814,197	\$ 490,629,056	\$ 503,085,087	\$ 502,784,659	\$ 501,166,864
LESS Sanitary District	21,616,088	19,735,239	17,803,690	15,870,626	14,097,769
Less: Restricted Cash and Investments in the Debt Service Fund available for payment of principal	<u>4,180,188</u>	<u>3,925,026</u>	<u>3,658,194</u>	<u>3,244,564</u>	<u>2,840,468</u>
	<u>17,435,900</u>	<u>15,810,213</u>	<u>14,145,496</u>	<u>12,626,062</u>	<u>11,257,301</u>
Legal Debt Margin - Sanitary District	<u>\$ 440,378,297</u>	<u>\$ 474,818,843</u>	<u>\$ 488,939,591</u>	<u>\$ 490,158,597</u>	<u>\$ 489,909,563</u>

NOTES:

- (1) Title 5, Subtitle 4 (1), of the Code of Public Local Laws of Queen Anne's County authorizes the County to borrow up to \$8,000,000 for general operating and capital improvement expenditures. This authority is in addition to any bonded debt authorized under specific public local laws.
- (2) Title 24, Subtitle 1, Section 24-146(A) of the Code of Public Local Laws of Queen Anne's County authorizes the County to borrow an amount not to exceed 6% of the total value of property assessed. The proceeds of such borrowings must be used for sewer and water system construction payments.
- (3) See Table 5.
- (4) See Note 9, Section B.
- (5) See Note 9.

QUEEN ANNE'S COUNTY, MARYLAND
DEBT CAPACITY
COMPUTATION OF LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS
Table 12-a

(CONTINUED)

2014	2015	2016	2017	2018
\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
2,053,736	3,540,295	3,520,859	3,217,479	2,976,195
107,883,563	112,060,053	118,977,909	123,519,157	132,567,304
<u>109,937,299</u>	<u>115,600,348</u>	<u>122,498,768</u>	<u>126,736,636</u>	<u>135,543,499</u>
117,937,299	123,600,348	130,498,768	134,736,636	143,543,499
123,479,930	127,774,051	134,883,606	144,731,805	162,445,781
12,584,475	11,388,918	10,471,639	16,296,744	25,484,821
<u>110,895,455</u>	<u>116,385,133</u>	<u>124,411,967</u>	<u>128,435,061</u>	<u>136,960,960</u>
<u>\$ 7,041,844</u>	<u>\$ 7,215,215</u>	<u>\$ 6,086,801</u>	<u>\$ 6,301,575</u>	<u>\$ 6,582,539</u>
\$ 7,540,259,768	\$ 7,568,705,234	\$ 7,626,510,532	\$ 7,792,264,218	\$ 7,974,395,138
<u>696,880,673</u>	<u>708,231,797</u>	<u>713,843,531</u>	<u>771,576,578</u>	<u>784,345,727</u>
<u>\$ 8,237,140,441</u>	<u>\$ 8,276,937,031</u>	<u>\$ 8,340,354,063</u>	<u>\$ 8,563,840,796</u>	<u>\$ 8,758,740,865</u>
\$ 494,228,426	\$ 496,616,222	\$ 500,421,244	\$ 513,830,448	\$ 525,524,452
12,584,475	11,388,918	10,471,639	16,296,744	25,484,821
2,763,304	2,695,383	1,120,775	947,445	1,060,045
<u>9,821,171</u>	<u>8,693,535</u>	<u>9,350,864</u>	<u>15,349,299</u>	<u>24,424,776</u>
<u>\$ 484,407,255</u>	<u>\$ 487,922,687</u>	<u>\$ 491,070,380</u>	<u>\$ 498,481,149</u>	<u>\$ 501,099,676</u>

QUEEN ANNE'S COUNTY, MARYLAND
DEBT CAPACITY
COMPUTATION OF LOCAL DEBT LIMIT
LAST TEN FISCAL YEARS
Table 12-b

	2009	2010	2011	2012	2013
Computation of Local Debt Limit, as Authorized under Article 95, Section 22F of the Annotated Code of Maryland and per criteria established by Queen Anne's County Resolution No. 13-04, as adopted May 2013.					
CALCULATION PER FIRST FINANCIAL CRITERIA:					
The sum of all outstanding and new general obligation and/or bonded debt is 2.5% or less of the total taxable assessed base.					
Total Taxable Assessed Base (1)	\$ 7,083,072,750	\$ 7,580,931,277	\$ 7,740,096,715	\$ 7,685,372,199	\$ 7,620,480,255
	2.5%	2.5%	2.5%	2.5%	2.5%
2.5% of Total Taxable Assessed Base	\$ 177,076,819	\$ 189,523,282	\$ 193,502,418	\$ 192,134,305	\$ 190,512,006
LESS Outstanding and New General Obligation Debt applicable to limit (2) (3)					
Enterprise Funds' Debt - Bonds	\$ 3,458,660	\$ 3,445,366	\$ 3,458,828	\$ 2,936,543	\$ 2,490,475
General Obligation Debt - Bonds and Notes	65,324,988	89,619,514	103,862,361	98,016,519	91,238,855
Total Outstanding and New General Obligation Debt	\$ 68,783,648	\$ 93,064,880	\$ 107,321,189	\$ 100,953,062	\$ 93,729,330
2.5% of Total Taxable Assessed Base in Excess of Total Outstanding and New General Obligation Debt	\$ 108,293,171	\$ 96,458,402	\$ 86,181,229	\$ 91,181,243	\$ 96,782,676
CALCULATION PER SECOND FINANCIAL CRITERIA:					
The sum of all outstanding and new general obligation and/or bonded debt is \$3,000 or less per capita.					
Total County Population (4)	47,091	48,650	47,899	47,798	48,650
\$3,000 Per Capita	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
	\$ 141,273,000	\$ 145,950,000	\$ 143,697,000	\$ 143,394,000	\$ 145,950,000
LESS Outstanding and New General Obligation Debt (1)	\$ 68,783,648	\$ 93,064,880	\$ 107,321,189	\$ 100,953,062	\$ 93,729,330
\$3,000 Per Capita in Excess of Total Outstanding and New General Obligation Debt	\$ 72,489,352	\$ 52,885,120	\$ 36,375,811	\$ 42,440,938	\$ 52,220,670

NOTES:

- (1) See Table 5 - Total Taxable Assessed Value.
- (2) See Note 9 A - Changes in Noncurrent Liabilities.
- (3) General Obligation Debt includes debt relating to the Sanitary District, because such debt is backed by the full faith and credit of the County, but excludes all capital leases, which are collateralized by the equipment purchased with such leases.
- (4) See Table 14 - Population.

In May, 2013, as described in Note 9 E, Queen Anne's County adopted Resolution No. 13-04, thereby continuing a local debt policy in compliance with Article 95, Section 22F of the Annotated Code of Maryland. This policy requires that the County's Director of Budget, Finance and Information Technology take the following steps:

- (a) prepare a six-year capital project plan each year;
- (b) propose an amount to be transferred from the General Fund operating balance to the General Capital Projects Fund to serve as pay-as-you-go funding in the latter Fund, in order to lessen the need for future County debt;
- (c) limit the County's non-bonded indebtedness to \$8.0 million for general operating expenses or capital improvements;
- (d) certify that the sum of outstanding general bonded debt and any new general obligation debt is 2.5% or less of the total taxable assessed base and is \$3,000 or less per capita; and

This policy also stipulates that although there is some flexibility as to the acceptable percentage of debt service to general fund expenditures, and no absolute limit has been established by the rating agencies or the Government Finance Officers Association, anything above 12% of total general fund expenditures would be a cause to carefully monitor debt service.

QUEEN ANNE'S COUNTY, MARYLAND
DEBT CAPACITY
COMPUTATION OF LOCAL DEBT LIMIT
LAST TEN FISCAL YEARS
Table 12-b

(CONTINUED)

2014	2015	2016	2017	2018
\$ 7,540,259,768	\$ 7,568,705,234	\$ 7,626,510,532	\$ 7,792,264,218	\$ 7,974,395,138
2.5%	2.5%	2.5%	2.5%	2.5%
<u>\$ 188,506,494</u>	<u>\$ 189,217,631</u>	<u>\$ 190,662,763</u>	<u>\$ 194,806,605</u>	<u>\$ 199,359,878</u>
\$ 2,053,736	\$ 3,540,295	\$ 3,520,859	\$ 3,217,479	\$ 2,976,195
108,841,719	112,844,838	120,891,108	125,217,582	133,984,765
<u>\$ 110,895,455</u>	<u>\$ 116,385,133</u>	<u>\$ 124,411,967</u>	<u>\$ 128,435,061</u>	<u>\$ 136,960,960</u>
<u>\$ 77,611,039</u>	<u>\$ 72,832,498</u>	<u>\$ 66,250,796</u>	<u>\$ 66,371,544</u>	<u>\$ 62,398,918</u>
48,650	48,804	48,517	48,904	48,904
3,000	3,000	3,000	3,000	3,000
<u>\$ 145,950,000</u>	<u>\$ 146,412,000</u>	<u>\$ 145,551,000</u>	<u>\$ 146,712,000</u>	<u>\$ 146,712,000</u>
<u>\$ 110,895,455</u>	<u>\$ 116,385,133</u>	<u>\$ 124,411,967</u>	<u>\$ 128,435,061</u>	<u>\$ 136,960,960</u>
<u>\$ 35,054,545</u>	<u>\$ 30,026,867</u>	<u>\$ 21,139,033</u>	<u>\$ 18,276,939</u>	<u>\$ 9,751,040</u>

QUEEN ANNE'S COUNTY, MARYLAND
 DEMOGRAPHIC AND ECONOMIC INFORMATION
 PRINCIPAL EMPLOYERS
 CURRENT FISCAL YEAR AND NINE YEARS AGO

Table 13

For the Fiscal Year Ended June 30, 2018			
Employer	Employees	Rank	Percentage of Total County Employment
Queen Anne's County Board of Education	940	1	8.31%
Queen Anne's County Government	474	2	4.19%
Chesapeake College	455	3	4.02%
Paul Reed Smith Guitars	250	4	2.21%
Federal Resources Supply	245	5	2.17%
S.E.W. Friel	200	6	1.77%
Tidewater Direct	145	7	1.28%
AZZ Enclosures	135	8	1.19%
Genesis Healthcare	135	9	1.19%
Clinton Nurseries	130	10	1.15%
Total	3,109		27.48%

For the Fiscal Year Ended June 30, 2009			
Employer	Employees	Rank	Percentage of Total County Employment
Queen Anne's County Board of Education	980	1	7.71%
Queen Anne's County Government	522	2	4.10%
S.E.W. Friel	275	3	2.16%
Paul Reed Smith Guitars	250	4	1.97%
Chesapeake College	225	5	1.77%
Safeway	185	6	1.45%
Reeb Millwork	170	7	1.34%
Kmart	150	8	1.18%
Genesis Healthcare	150	9	1.18%
Acme	150	10	1.18%
Total	3,057		24.04%

Source: Queen Anne's County Economic Development Office; Table 15.

**QUEEN ANNE'S COUNTY, MARYLAND
 DEMOGRAPHIC AND ECONOMIC INFORMATION
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS**

Table 14

Fiscal Year	Population (1)	Total Personal Income (2)	Per Capita Income (3)	Unemployment Rate (3)	Average Registered Number of Pupils (4)
2009	47,091	\$ 2,113,538,262	\$ 44,882	7.00%	7,774
2010	48,650	1,721,674,850	35,389	7.00%	7,723
2011	47,899	1,722,448,040	35,960	7.20%	7,722
2012	47,798	1,672,547,616	34,992	6.50%	7,757
2013	48,650	1,757,238,000	36,120	6.40%	7,717
2014	48,650	1,771,687,050	36,417	5.10%	7,720
2015	48,804	1,854,356,784	37,996	4.90%	7,752
2016	48,517	1,862,664,664	38,392	3.90%	7,738
2017	48,904	1,894,198,632	38,733	3.80%	7,799
2018	48,904	1,936,256,072	39,593	3.90%	7,768

NOTES:

- (1) Source: Queen Anne's County Division of Land Use and Zoning
- (2) Personal income derived by multiplying population by per capita income.
- (3) Source: Maryland Department of Labor, Licensing, and Regulation - as of June.
- (4) Source: Queen Anne's County Board of Education.

QUEEN ANNE'S COUNTY, MARYLAND
OPERATING INFORMATION
COUNTY GOVERNMENT EMPLOYEES - FULL-TIME EQUIVALENTS
LAST TEN FISCAL YEARS
Table 15

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of Exempt Employees	29	29	26	26	28	29	30	32	35	34
Number of Full Time Employees	464	450	400	386	391	393	416	431	439	450
Number of Part Time Employees (FTE)	18	17	10	9	8	7	3	3	4	3
Total County Government Employees	<u>511</u>	<u>496</u>	<u>436</u>	<u>421</u>	<u>427</u>	<u>429</u>	<u>449</u>	<u>466</u>	<u>478</u>	<u>487</u>

NOTES:

Source: Queen Anne's County Office of Budget, Finance and Information Technology.

QUEEN ANNE'S COUNTY, MARYLAND
 OPERATING INFORMATION
 COUNTY GOVERNMENT EMPLOYEES - FULL-TIME ONLY BY FUNCTION
 LAST TEN FISCAL YEARS
 Table 16

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
General Government	89	87	77	74	82	77	81	83	87	76
Public Safety:										
Police	52	50	49	53	56	58	58	59	61	62
Fire - Emergency Management Services	69	67	64	61	64	67	71	72	73	75
Detention Center	42	42	41	42	41	41	41	41	45	41
Animal Services	8	8	10	10	6	3	3	2	2	2
Public Works	85	79	61	51	51	54	58	61	59	75
Health	1	1	1	1	1	1	1	1	1	1
Social Services	38	37	32	36	32	36	38	42	41	39
Parks (1)	45	45	31	27	27	29	39	42	44	43
Conservation of Natural Resources	3	3	3	3	4	4	3	4	4	4
Economic/Community Development	10	9	7	3	6	2	3	6	5	10
Total Governmental Activities	<u>442</u>	<u>428</u>	<u>376</u>	<u>361</u>	<u>370</u>	<u>372</u>	<u>396</u>	<u>413</u>	<u>422</u>	<u>428</u>
Business-Type Activities:										
Sanitary District	45	45	44	45	45	46	46	46	48	51
Bay Bridge Airport	3	3	3	3	1	1	1	1	1	2
Golf	-	-	-	-	1	1	1	1	1	1
Public Landings	3	3	3	3	2	2	2	2	2	2
Total Business-Type Activities	<u>51</u>	<u>51</u>	<u>50</u>	<u>51</u>	<u>49</u>	<u>50</u>	<u>50</u>	<u>50</u>	<u>52</u>	<u>56</u>
Total Full-Time County Employees	<u>493</u>	<u>479</u>	<u>426</u>	<u>412</u>	<u>419</u>	<u>422</u>	<u>446</u>	<u>463</u>	<u>474</u>	<u>484</u>

NOTES:

- (1) Due to the consolidation of the Property Management and Recreation enterprise funds with the General Fund in fiscal year 2013, the respective employees of those funds are now reported with the Parks function of the Governmental Activities.
- Only full-time County employees are represented in this Table; data relating to full-time equivalents for part-time employees is not available at this time.
- Employees of the County's component units have been excluded from this table.

Source: Queen Anne's County Office of Budget, Finance and Information Technology.

QUEEN ANNE'S COUNTY, MARYLAND
 OPERATING INFORMATION
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS
 Table 17

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
General Government:										
Planning & Zoning:										
Number of commercial permits issued	40	35	27	99	75	51	52	50	47	55
Number of residential permits issued:										
Single Family Permits	90	153	106	119	161	133	123	84	124	145
Multi Family Permits	13	28	4	20	21	12	-	1	29	-
Renovations and Additions Permits	324	304	295	207	312	327	270	303	323	339
Total residential permits issued	427	485	405	346	494	472	393	388	476	484
Public Safety:										
Fire and Rescue:										
Number of volunteer members	663	689	689	689	689	689	683	500	400	500
Police:										
Uniformed Police Officers	54	54	55	59	61	61	64	64	64	68
Number of law violations:										
Physical arrests	1,429	917	1,216	848	1,144	1,239	1,055	903	914	1,097
Traffic violations	8,276	6,183	5,760	5,818	5,915	6,514	6,030	8,002	7,183	12,384
Detention Center:										
Detention Center Officers	37	39	40	38	40	41	41	39	38	42
Average yearly prison population	97	102	103	86	128	138	123	115	133	115
Public Works:										
Wastewater Treated - Daily (mgd)	1.7	2.1	1.7	1.9	2.0	2.0	2.1	2.0	2.0	2.2
Education:										
Number of Personnel										
Teachers	528	533	530	537	546	550	575	575	572	569
Administrators	38	37	37	39	39	41	40	40	38	37
Support	338	336	310	300	294	344	295	296	304	300
Other	76	76	64	47	47	37	34	34	34	34
Number of Students	7,774	7,723	7,722	7,757	7,717	7,720	7,752	7,738	7,799	7,768
Number of High School Graduates	590	562	566	598	537	605	589	532	550	552

NOTES:

Source: Various County departments.

QUEEN ANNE'S COUNTY, MARYLAND
 OPERATING INFORMATION
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS
 Table 18

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities:										
Public Safety:										
Fire and Rescue:										
Number of volunteer stations	10	10	10	10	9	9	9	9	9	9
Equipment:										
Engines	16	17	17	17	18	17	16	16	16	16
Tankers	9	9	9	9	9	8	8	8	8	8
Aerial Units	4	5	5	5	5	4	4	5	5	4
Rescue Units	6	7	7	7	8	6	7	6	6	5
Brush Units	8	8	8	8	8	7	7	7	7	7
Air Units (MD State Police)	3	-	-	-	-	-	-	-	-	-
Boats	1	5	5	5	5	6	6	6	6	3
Ambulance/Medic Units	16	17	17	17	17	13	14	12	13	13
Cars/Other	17	22	22	22	22	25	25	25	16	14
Police:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles										
Patrol	64	60	53	62	62	68	68	71	70	70
Other	13	17	21	3	3	12	15	10	9	14
Detention Center										
Capacity	104	148	148	148	148	148	148	148	148	148
Public Works:										
County Maintained Roads and Streets										
Paved (miles)	539	540	540	540	541	543	543	540	549	549
Unpaved (miles)	12	12	12	12	12	12	12	12	12	12
County Owned Water and Wastewater Facilities										
Water										
Miles of Mains	57	58	59	59	61	62	62	64	65	67
Water Treatment Plants	11	11	11	11	11	11	11	11	11	11
Booster Stations	2	2	2	2	2	2	2	2	2	2
Wastewater										
Miles of Mains	116	117	118	118	120	121	122	128	136	151
Wastewater Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater Collection, Lift, and Pumping Stations	31	31	31	31	31	31	31	31	32	32
Education:										
Number of Schools										
High Schools	2	2	2	2	2	2	2	2	2	2
Middle Schools	4	4	4	4	4	4	4	4	4	4
Elementary Schools	8	8	8	8	8	8	8	8	8	8
Parks and Recreation:										
Parks	33	33	33	33	33	33	33	32	32	32
Park Acreage	2,633	2,915	2,915	2,915	2,915	2,915	2,915	2,915	2,915	3,085
Public Landings	20	20	21	21	19	20	20	19	20	20
Library:										
Number of Libraries	3	3	3	3	3	3	3	3	3	3

NOTES:
 Source: Various County departments.



Deer hunting is a popular pastime on the Eastern Shore.

