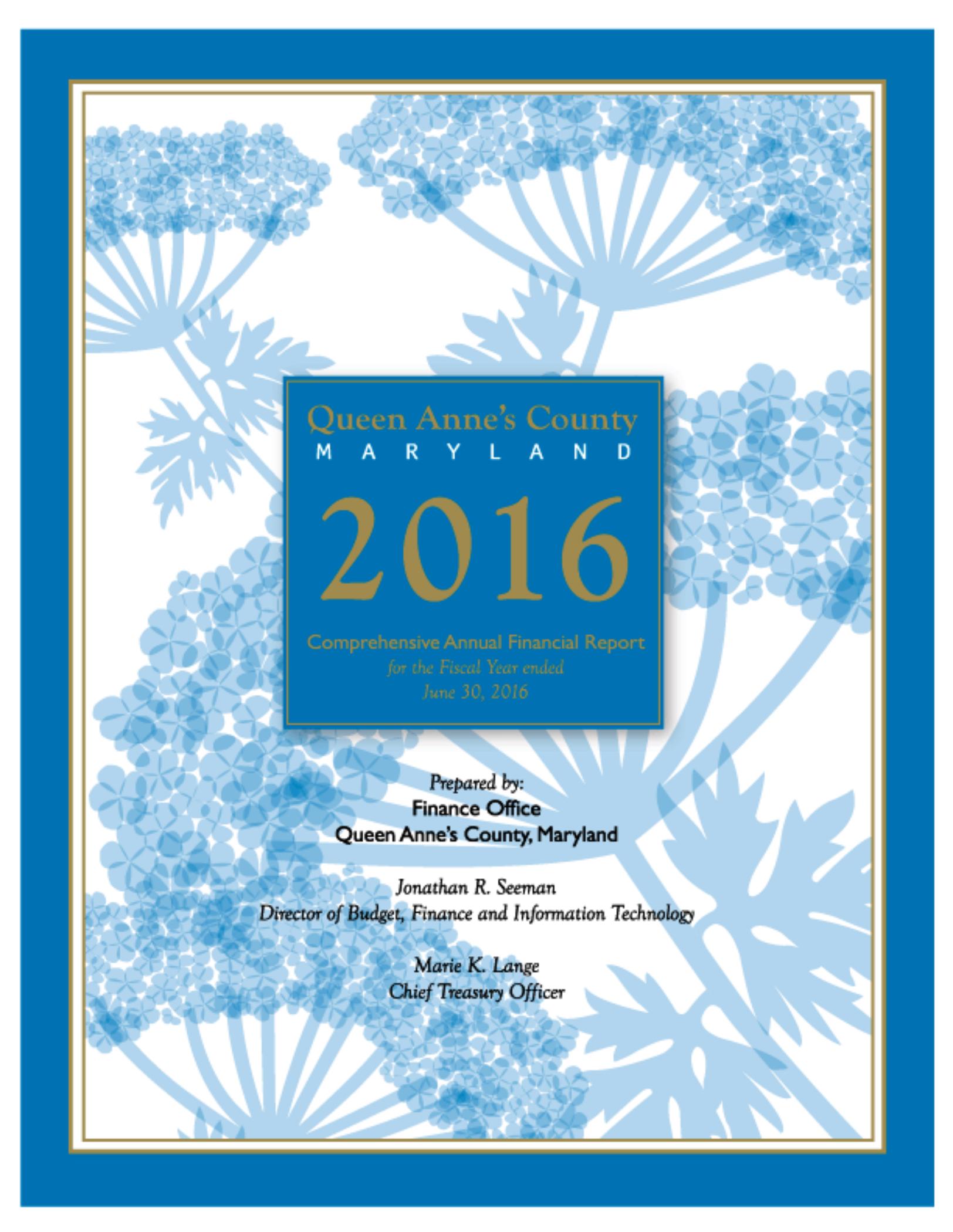
The cover features a repeating pattern of Queen Anne's lace flowers in a light blue color against a darker blue background. A central white square with a thin blue border contains the text. The text is centered and reads: "Queen Anne's County" in a serif font, "M A R Y L A N D" in a spaced-out sans-serif font, "2016" in a large serif font, and "Comprehensive Annual Financial Report" in a sans-serif font, followed by "for the Fiscal Year ended" and "June 30, 2016" in a smaller italicized sans-serif font.

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

2016

Comprehensive Annual Financial Report
for the Fiscal Year ended
June 30, 2016



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

2016

Comprehensive Annual Financial Report
*for the Fiscal Year ended
June 30, 2016*

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

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

Marie K. Lange
Chief Treasury Officer

**QUEEN ANNE'S COUNTY, MARYLAND
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FISCAL YEAR ENDED JUNE 30, 2016
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**QUEEN ANNE'S COUNTY, MARYLAND
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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
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*County Administrator: Gregg A. Todd
Director, Budget, Finance and IT: Jonathan R. Seeman
Chief Treasury Officer: Marie Lange*

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 10, 2016

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, 2016.

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, 2016, 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, 2016, 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 48,517 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.

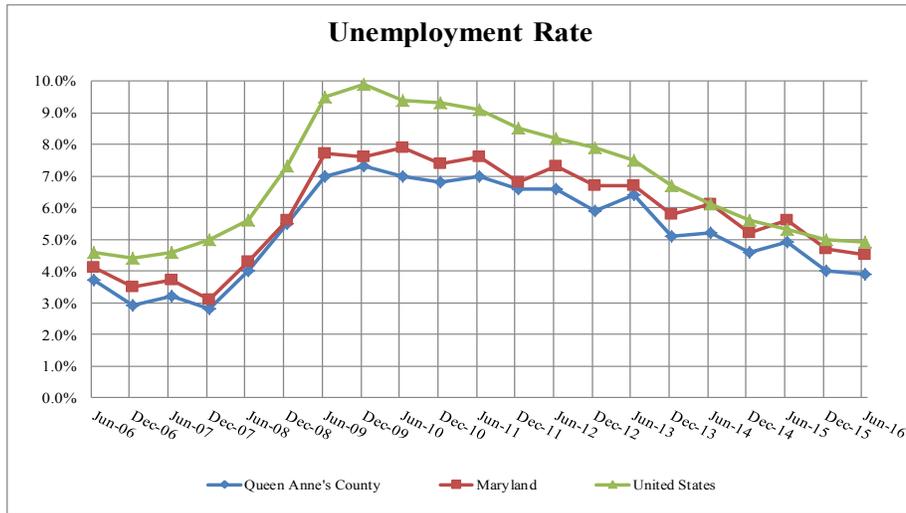
The Office of Budget, Finance, and Information Technology is responsible for budgetary control. The appropriated budgets are prepared at the fund, function (e.g., public safety), and department (e.g., Detention Center) level. Expenditures/expenses may not legally exceed appropriations, based on the level 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 2016 rate for the County was 3.9%, compared to the state’s rate of 4.5% and the U.S.’s rate of 4.9%. The 2016 average rate for the County was 4.2%.



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 remained fairly constant in fiscal year 2016, increasing by only 0.4% to \$64.9 million. Property tax revenue is projected to increase into fiscal year 2017 with revenue projected to be approximately \$1.2 million above the 2016 fiscal year level. Local income tax is the County’s other main

revenue source. Income tax collections increased by 8.2% in fiscal year 2016, from \$42.9 million in fiscal year 2015 to \$46.4 million in fiscal year 2016. The increase is related to capital gains. Based on newer estimates from the State of Maryland, income tax revenue is expected to increase 3 to 3.5% in fiscal year 2017.

Recordation tax improved in fiscal year 2016 with an increase of 3.4% over fiscal year 2015, from \$5.1 million in fiscal year 2015 to \$5.2 million in fiscal year 2016. In addition to an increase in recordation tax revenue, the transfer tax revenue also increased in fiscal year 2016 by 7.0%, from \$1.8 million in fiscal year 2015 to \$1.9 million in fiscal year 2016.

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. The Ordinance requires the County to maintain a Rainy Day Fund for contingencies in an amount equal to 7% of the following year's budgeted general fund operating revenues. The County funded the Rainy Day Fund with the required amount of \$8,882,114 in fiscal year 2016.

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. The Resolution requires the County to fund the Special Fund by the amount that General Fund revenues and transfers exceed General Fund expenditures, not to exceed \$1,000,000 in any fiscal year. The transfer to the Special Fund shall only be made after the requirements of the Rainy Day Fund have been met. The Special Fund shall not, in any event, exceed a total of \$4,000,000. The County funded the Special Fund with the required amount of \$1,000,000 in fiscal year 2016. The current balance of the Special Fund is \$3,000,000.

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 evaluate future County revenue levels and consider the impact of economic factors such as changes in personal income and assessable base growth; and to evaluate future expenditure levels with consideration of County long-term obligations and any pressure for growth in costs.

The Committee recommends general expenditure guidelines based on projected revenue, and the amount of new County debt authorization for the upcoming fiscal year. The Committee report includes the effect its recommendations will have on future budgets. 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 2017, prioritizes capital expenditures over these years to meet the County's needs. The six-year program totals \$147.7 million and includes: \$39.6 million for various Sanitary District projects (includes the Southern Kent Island Sewer Service at \$27.1 million); \$25.1 million for administration and general services (includes \$19 million for the new courthouse); \$24.7 million for Roads Board capital projects; \$11.0 million for various school related projects and \$13.5 million for parks.

FINANCIAL POLICIES

Bond Ratings - The financial policies and management practices of Queen Anne's County were recognized by two major rating agencies. Fitch Rating Service issued an AA+ bond rating and Moody's issued a rating of Aa2.

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.

For fiscal year 2016, Queen Anne’s County general obligation debt was 1.61% of the total taxable assessable base, and the per capita debt measurement was \$2,525. The debt service was 9.8% of the general fund operating 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, 2015. 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.

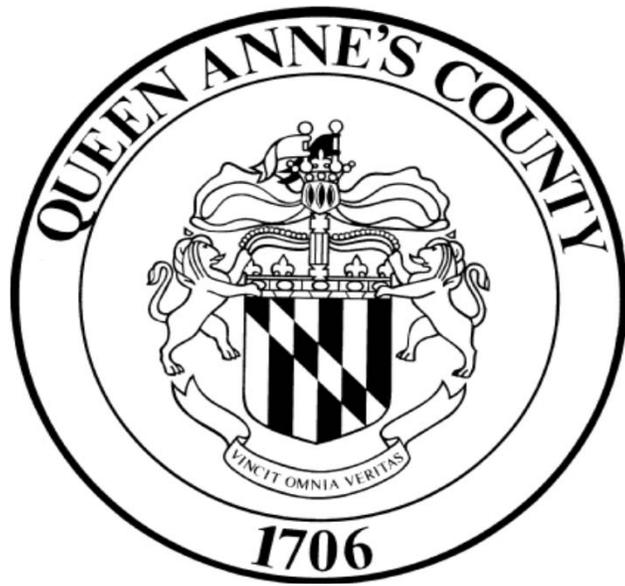
A Certificate of Achievement is valid for a period of one year only. Queen Anne’s County, Maryland has received a Certificate of Achievement for the last seventeen consecutive years (fiscal years 1999-2015). We believe our current comprehensive annual financial report continues to conform to the Certificate 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, James Griffin, Teresa Ward, and Lauren James. Their dedication and professionalism in the preparation of Queen Anne’s County financial statements has resulted in consistently accurate and transparent financial reporting. Special recognition is also given to George Harvey for his technical and creative input, including the cover design.

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**

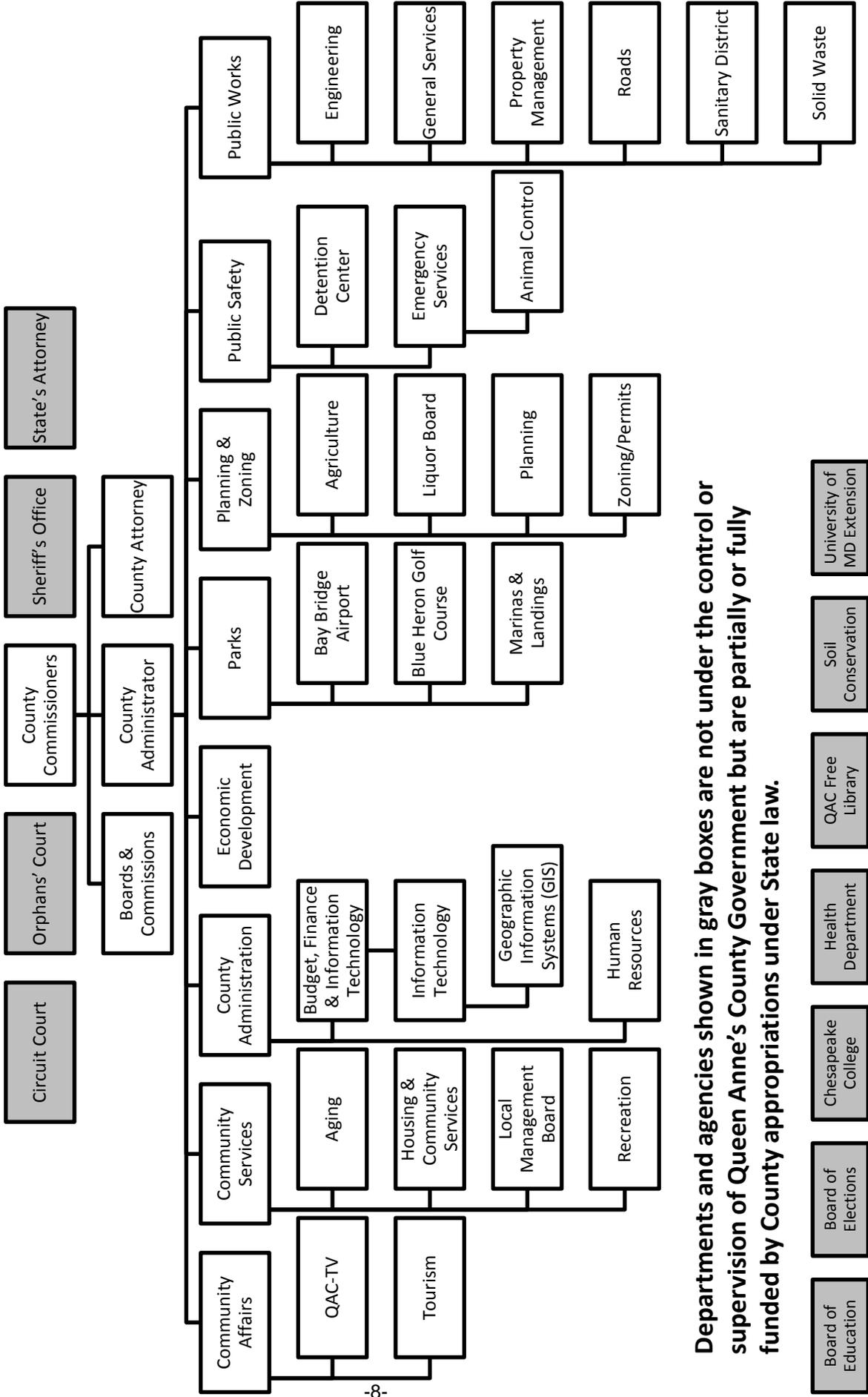
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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, 2016**

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
Marie K. Lange

County Attorney

Patrick E. Thompson, Esq.

Independent Auditor

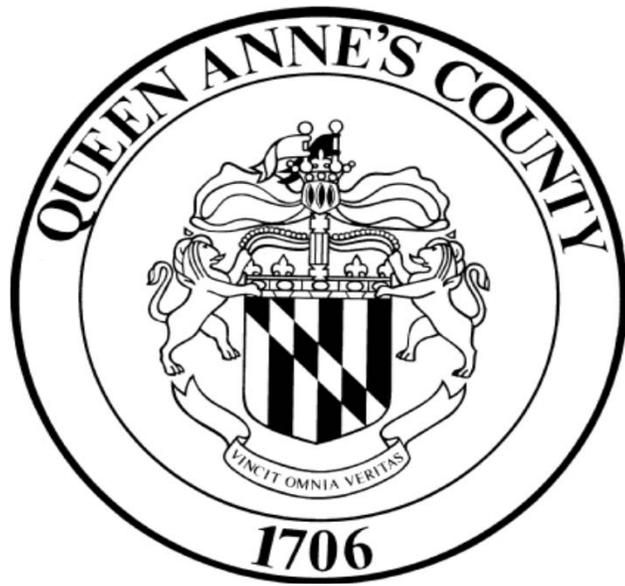
TGM Group LLC
Certified Public Accountants
Salisbury, Maryland

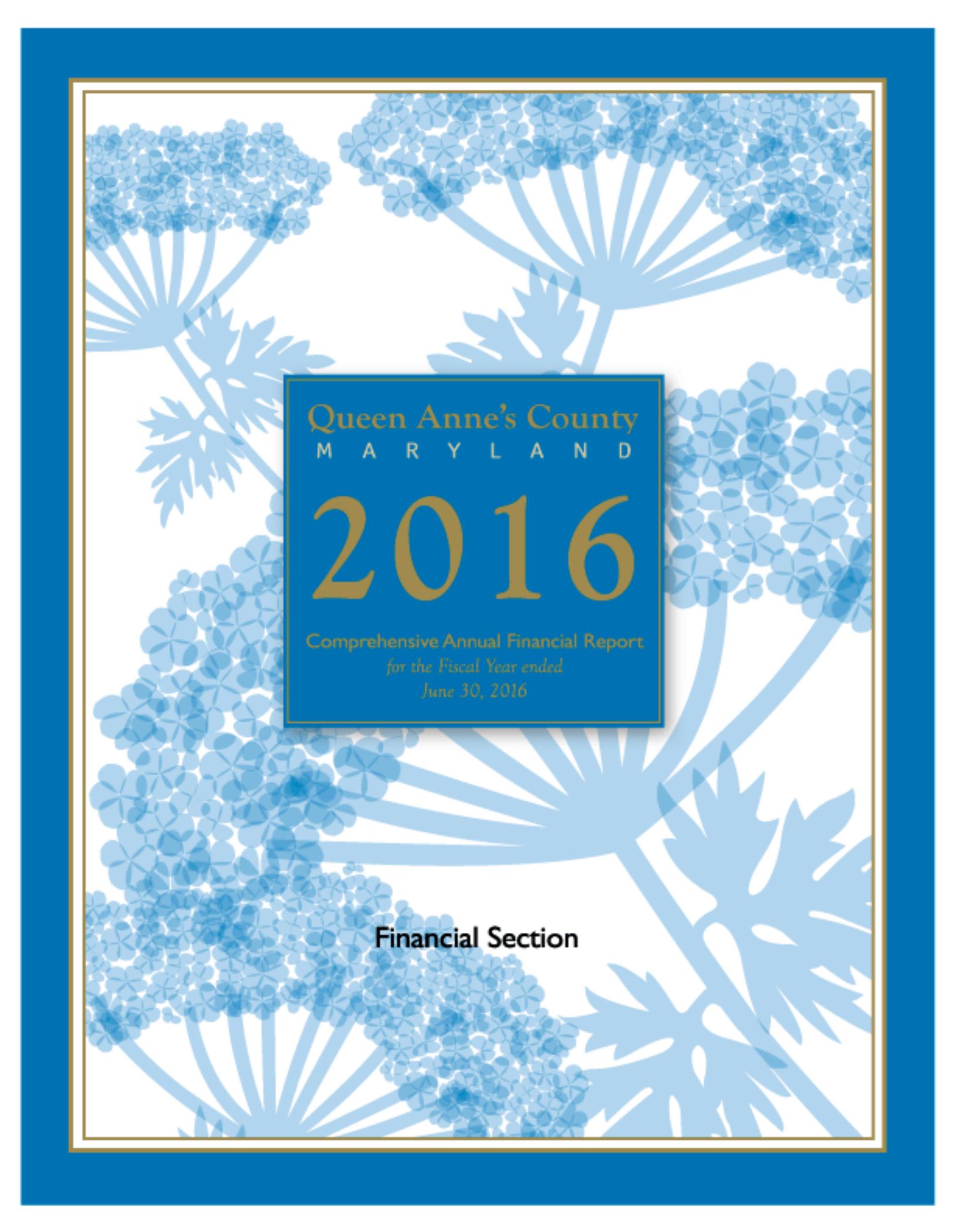
Bond Counsel

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

2016

Comprehensive Annual Financial Report
for the Fiscal Year ended
June 30, 2016

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, 2016, 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, 2016, 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.

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.

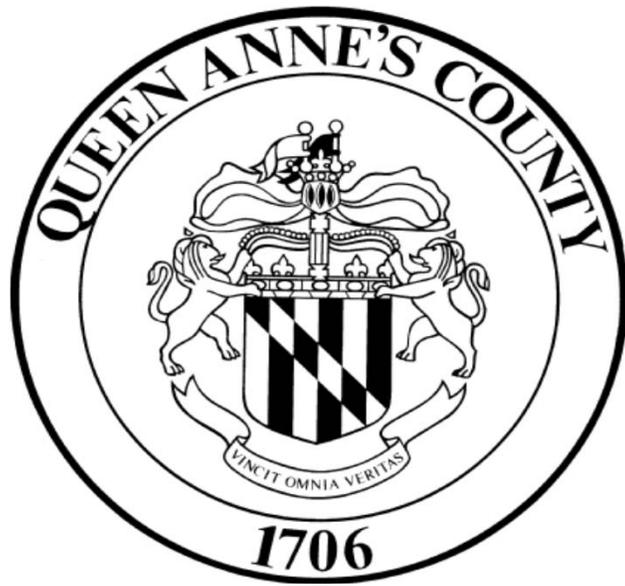
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "YSM Group LLC".

Salisbury, Maryland
December 9, 2016



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, 2016. 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, economic development incentive, BRIDGE fund, community partnerships for children, franchise fee, hotel tax, 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:

<u>Summary of Net Position</u>	Governmental Activities		Business Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 92,342,925	\$ 90,381,714	\$ 22,958,413	\$ 21,611,101	\$ 115,301,338	\$ 111,992,815
Capital Assets	161,662,075	155,865,901	94,857,600	95,643,876	256,519,675	251,509,777
Total Assets	254,005,000	246,247,615	117,816,013	117,254,977	371,821,013	363,502,592
Total Deferred Outflows of Resources	7,135,486	4,386,343	582,373	305,440	7,717,859	4,691,783
Noncurrent liabilities	181,439,310	165,920,840	22,885,272	22,764,531	204,324,582	188,685,371
Other liabilities	9,976,439	8,440,226	1,110,786	1,334,047	11,087,225	9,774,273
Total Liabilities	191,415,749	174,361,066	23,996,058	24,098,578	215,411,807	198,459,644
Total Deferred Inflows of Resources	3,762,628	3,849,435	1,553,238	1,127,090	5,315,866	4,976,525
Net position:						
Net investment in capital assets	123,466,319	125,434,538	80,909,015	80,787,152	204,375,334	206,221,690
Restricted amounts	21,063,295	20,464,486	1,699,914	3,061,534	22,763,209	23,526,020
Unrestricted amounts (deficit)	(78,567,505)	(73,475,567)	10,240,161	8,486,063	(68,327,344)	(64,989,504)
Total Net Position	\$ 65,962,109	\$ 72,423,457	\$ 92,849,090	\$ 92,334,749	\$ 158,811,199	\$ 164,758,206

The County's total current and other assets increased by \$3.3 million, or 3.0 percent, to \$115.3 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 2016 by \$158.8 million.

Net position is divided into three categories: net investment in capital assets; restricted amounts; and unrestricted amounts. By far the largest portion, \$204.4 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 \$63.3 million at June 30, 2016. Absent the effect of this relationship, the County would have reported a negative unrestricted amount of \$5.0 million on its government-wide financial statements, rather than the negative unrestricted net assets of \$68.3 million reported herein. For a multi-year view of this calculation, see the Footnote presented in Table 1 of the Statistical Section.

An additional \$22.8 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: \$10.2 million related to general government services; \$5.0 million restricted for educational purposes; \$4.5 million for economic/community development; \$614 thousand for public safety; and \$777 thousand for conservation of natural resources. For business-type activities, this amount includes \$947 thousand restricted to meet Sanitary District debt covenants and \$753 thousand restricted by Sanitary District developer exaction project requirements.

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.

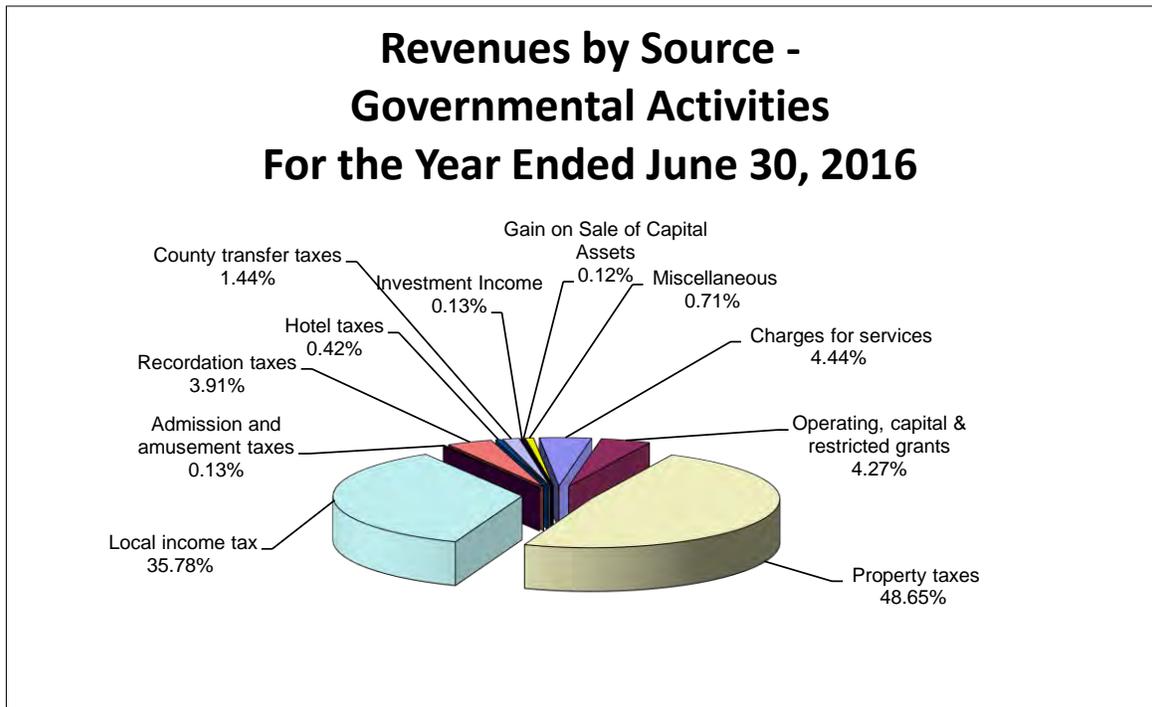
Statement of Activities

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	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 5,945,984	\$ 5,496,912	\$ 9,731,231	\$ 9,613,091	\$ 15,677,215	\$ 15,110,003
Operating grants and contributions	4,759,143	4,662,151	174,717	206,615	4,933,860	4,868,766
Capital grants and contributions	967,936	339,966	1,958,051	1,862,257	2,925,987	2,202,223
General revenues:						
Property taxes	65,185,546	64,672,721	-	-	65,185,546	64,672,721
Local income tax	47,928,725	44,643,870	-	-	47,928,725	44,643,870
Other local taxes						
Admission and amusement taxes	169,679	155,396	-	-	169,679	155,396
Recordation taxes	5,244,614	5,071,013	-	-	5,244,614	5,071,013
Hotel taxes	559,555	480,752	-	-	559,555	480,752
County transfer taxes	1,923,016	1,797,855	-	-	1,923,016	1,797,855
Investment income	174,691	94,092	320,443	323,585	495,134	417,677
Gain on sale of capital assets	161,106	1,098,632	-	-	161,106	1,098,632
Miscellaneous	949,046	1,076,893	746,167	815,430	1,695,213	1,892,323
Total Revenues	133,969,041	129,590,253	12,930,609	12,820,978	146,899,650	142,411,231
Expenses:						
Governmental Activities:						
General government	13,936,312	10,849,277	-	-	13,936,312	10,849,277
Public safety	27,525,712	25,297,450	-	-	27,525,712	25,297,450
Public works	19,522,534	14,363,603	-	-	19,522,534	14,363,603
Health	2,032,657	1,856,158	-	-	2,032,657	1,856,158
Social services	5,300,871	4,775,440	-	-	5,300,871	4,775,440
Education	60,752,025	65,633,331	-	-	60,752,025	65,633,331
Libraries	1,622,848	1,458,348	-	-	1,622,848	1,458,348
Conservation of natural resources	1,799,234	587,147	-	-	1,799,234	587,147
Economic and Community development	3,391,547	1,763,024	-	-	3,391,547	1,763,024
Interest and fiscal charges	4,345,527	4,039,622	-	-	4,345,527	4,039,622
Business-type Activities:						
Water and sewer	-	-	10,615,466	10,412,432	10,615,466	10,412,432
Airport	-	-	966,896	1,014,491	966,896	1,014,491
Golf course	-	-	505,085	496,065	505,085	496,065
Public landings and marinas	-	-	529,943	537,823	529,943	537,823
Total Expenses	140,229,267	130,623,400	12,617,390	12,460,811	152,846,657	143,084,211
Increase (Decrease) in Net Position before Transfers	(6,260,226)	(1,033,147)	313,219	360,167	(5,947,007)	(672,980)
Transfers in (out)	(201,122)	(360,177)	201,122	360,177	-	-
Increase (Decrease) in Net Position	(6,461,348)	(1,393,324)	514,341	720,344	(5,947,007)	(672,980)
Net Position, prior year	72,423,457	73,816,781	92,334,749	91,614,405	164,758,206	165,431,186
Net Position - current year	\$ 65,962,109	\$ 72,423,457	\$ 92,849,090	\$ 92,334,749	\$ 158,811,199	\$ 164,758,206

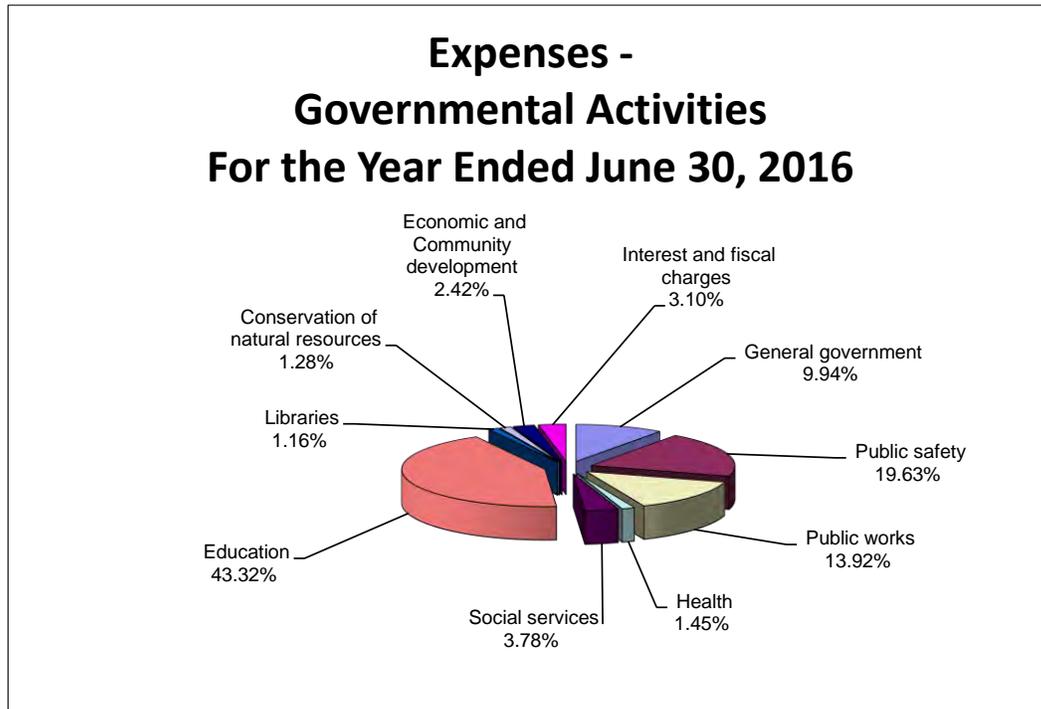
Governmental activities:

Revenues for governmental activities were \$134.0 million for fiscal year 2016. The following chart depicts revenues by source for governmental activities:



- Taxes comprise the largest source of County revenue, totaling \$121.0 million (90.3 percent) of total revenue for fiscal year 2016. Of that amount, property and local income tax together yielded \$113.1 million (84.4 percent) of all revenue. Each County sets its own property and income tax rates, within parameters established by the State. For fiscal year 2016, 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 \$5.9 million, reflect fees charged to County citizens. These primarily support general government (\$1.6 million or 26.3 percent), public safety (\$1.4 million or 22.8 percent), public works (\$1.3 million or 22.5 percent), and education (\$1.2 million or 20.7 percent).
- Operating grants and contributions, totaling \$4.8 million, reflect grants from Federal and State agencies that support specific County programs. Programs that benefitted the most were: social services (\$1.8 million or 38.5 percent), public safety (\$1.1 million or 22.9 percent), and public works (\$1.0 million or 21.6 percent).
- Capital grants and contributions, totaling \$968 thousand, reflect contributions from Federal and State agencies, as well as developers. Conservation of natural resources benefitted the most from capital grants and contributions during the year (\$573 thousand or 59.2 percent).

Expenses for all governmental activities were \$140.2 million for fiscal year 2016. 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 \$60.8 million (43.3 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	
	2016	2015	2016	2015	2016	2015
Education	\$ 60,752,025	\$ 65,633,331	\$ 1,230,994	\$ 1,249,332	\$ (59,521,031)	\$ (64,383,999)
Public Safety	27,525,712	25,297,450	2,618,600	2,416,536	(24,907,112)	(22,880,914)
Public Works	19,522,534	14,363,603	2,475,257	1,883,076	(17,047,277)	(12,480,527)
General Government	13,936,312	10,849,277	2,117,741	2,246,838	(11,818,571)	(8,602,439)
Social Services	5,300,871	4,775,440	2,050,804	2,164,825	(3,250,067)	(2,610,615)
Economic and Community Development	3,391,547	1,763,024	467,804	365,902	(2,923,743)	(1,397,122)
Conservation of Natural Resources	1,799,234	587,147	711,863	172,520	(1,087,371)	(414,627)
Other	8,001,032	7,354,128	-	-	(8,001,032)	(7,354,128)
Total	\$ 140,229,267	\$ 130,623,400	\$ 11,673,063	\$ 10,499,029	\$ (128,556,204)	\$ (120,124,371)

Of the total cost of \$140.2 million for governmental activities, \$11.7 million (8.4 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 \$5.9 million, while governments and other organizations that benefited indirectly from these programs contributed operating grants of \$4.8 million and capital grants of \$968 thousand.

County taxpayers paid for most of the remaining \$128.6 million in net program costs, through a variety of County taxes, for a total of \$121.0 million. Net program costs of services provided to the public, in order of net cost, were: \$59.5 million for education; \$24.9 million for public safety; \$17.0 million for public works; \$11.8 million for general government; \$3.3 million for social services; \$2.9 million for economic and community development; \$1.1 million for conservation of natural resources; and \$8.0 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 2016, governmental activities decreased the County's net position overall by \$6.5 million, compared to a decrease of \$1.4 million in fiscal year 2015. The following discussion explains changes in net position relative to the prior fiscal year.

Revenues for governmental activities increased by \$4.4 million (3.4 percent). The following key revenues changed, when compared to the prior fiscal year:

- Local income tax increased by \$3.3 million (7.4 percent), from \$44.6 million to \$47.9 million. The growth in income tax appears to be related to areas which have a disproportionate impact on higher level incomes, such as growth in stock values, investment income and capital gains.
- Capital grants and contributions increased by \$628 thousand (184.7 percent), from \$340 thousand in fiscal year 2015 to \$968 thousand in fiscal year 2016. The key factor for this change is that conservation of natural resources increased by \$569 thousand. The majority of this increase (\$555 thousand) related to grant funding received in fiscal year 2016 for the purchase of a land conservation easement. No such activity occurred in the prior year.
- Charges for Services increased by \$449 thousand (8.2 percent), from \$5.5 million in fiscal year 2015 to \$5.9 million in fiscal year 2016. Of this increase, \$233 thousand resulted from an increase in housing and community services funding received from developers. An additional \$110 thousand resulted from increases in public safety funding.
- Gain on sale of capital assets decreased by \$938 thousand (85.3 percent), from \$1.1 million in fiscal year 2015 to \$161 thousand in fiscal year 2016. In fiscal year 2015, land was sold for a gain of \$970 thousand.

Expenses for governmental activities increased by \$9.6 million (7.4 percent) and transfers out to business-type activities decreased by \$159 thousand. Key positive and negative expense changes, in order of relative importance, are:

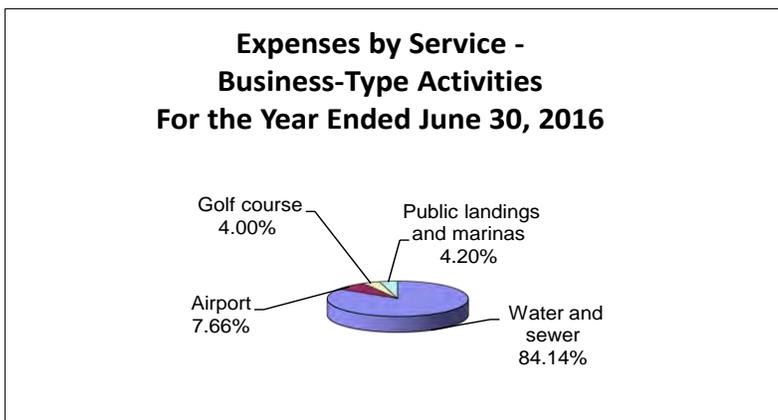
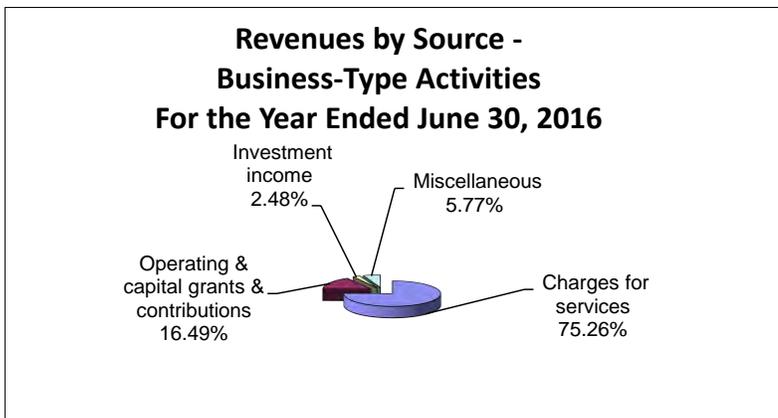
- Education expenses decreased by \$4.9 million (7.4 percent). The decrease resulted from \$6.9 million less in expenses for the renovation of Stevensville Middle School, due to the timing of the project. In fiscal year 2016, total expenses for Stevensville Middle were \$2.9 million, compared to \$9.8 million in fiscal year 2015. This decrease was offset by an increase in the operating allocation to the Board of Education by \$1.4 million in fiscal year 2016, which was funding above the maintenance of effort amount in order to pay for negotiated contracts. Expenses for textbooks also increased by \$974 thousand in fiscal year 2016 compared to fiscal year 2015.
- Public Works increased by \$5.2 million (35.9 percent). Expenses for asphalt overlays increased by \$1.9 million compared to the prior fiscal year, along with an increase of \$530 thousand in other roads expenses. The County also donated land totaling \$796 thousand. Additional details on the donated land can be found in the capital asset section of this document. There was also a loss on disposal of \$564 thousand due to infrastructure that was retired due to the county's replacement of roads. Pension expense recognized in public works increased by \$576 thousand for fiscal year 2016, as a result of the required net pension liability adjustments.
- General Government increased by \$3.1 million (28.5 percent) as a result of increases in many different areas. First of all, the County donated a parcel of land on Nesbit Road to Shore Health Systems, at an expense of \$603 thousand. Additional details on the donated land can be found in the capital asset section of this document. Secondly, pension expense for general government increased by \$499 thousand for fiscal year 2016, as a result of the required net pension liability adjustments. Also, workmen's compensation expense charged to general government increased by \$441 thousand. This increase was offset by savings in workmen's compensation in other areas. There were also several

departments that had increases in the fiscal year 2016 expenses compared to prior year as a result of salary increases and other charges.

- Public Safety expenses increased by \$2.2 million (8.8 percent). The expense related to pensions costs for public safety increased by \$1.6 million as a result of net pension liability requirements. The Sheriff's Office also had an increase of \$544 thousand in expenses for fiscal year 2016 as a result of additional equipment purchased and an increase in salary costs.
- Economic and Community Development increased by \$1.6 million (92.4 percent) mainly as a result of increased disbursements of \$1.0 million from the Economic Development Incentive program. There were more businesses eligible for the program in fiscal year 2016. In addition, the County provided funding in the amount of \$195 thousand to the Queen Anne's County Public Housing Authority. There were also other miscellaneous increases in expenses such as housing and community services and in the hotel tax fund (economic development and tourism).
- Conservation of Natural Resources increased by \$1.2 million (206.4 percent). One reason for the increase is easement acquisitions in fiscal year 2016 (\$684 thousand total) compared to no acquisitions in 2015. Generally, the timing of easement purchases is affected by the evaluation process of the identified land, as well as the availability of State funds. In addition, there were expenses totaling \$510 thousand for Narrows Pointe Shore Erosion, of which there were not any expenses in fiscal year 2015.

Business-type activities:

Revenues, transfers in, and expenses for business-type activities were \$12.9 million, \$201 thousand, and \$12.6 million, respectively, for fiscal year 2016. 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 \$514 thousand in fiscal year 2016, which is a decrease of \$206 thousand compared to the prior year's increase of \$720 thousand. The fiscal year 2016 change in net position resulted primarily from:

- Operating expenses before transfers increased by \$157 thousand (1.3 percent), from \$12.5 million in fiscal year 2015 to \$12.6 million in fiscal year 2016, for all business-type activities. Sanitary expenses increased by \$203 thousand (due to increase in pension expense), along with an increase of \$9 thousand for the Golf Course. Offsetting a portion of these increases were decreases of \$48 thousand for the Airport and \$8 thousand for Public Landings and Marinas.

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 \$71.8 million, compared to \$72.1 million for the prior year. Approximately 11.6 percent of this total (\$8.4 million) constitutes *unassigned fund balance*, which is available for spending. The total *unassigned fund balance* of \$8.4 million is comprised of \$8.5 million of positive unassigned fund balance for the general fund, reduced by negative unassigned fund balances of \$115 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* (\$6.7 million), at 9.4 percent of the total fund balance, is not available for spending and includes amounts related to inventory and loans receivable. *Restricted fund balance* of \$30.3 million (42.2 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 \$8.9 million for the rainy day fund. *Committed fund balance* of \$6.4 million (9.0 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 \$3.0 million for the Special Fund.

The remaining 27.8 percent of fund balance (\$20.0 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 \$23.0 million, which is an increase of \$1.8 million from the fiscal year 2015 balance of \$21.2 million.

Of the total \$23.0 million in fund balance, \$8.5 million is unassigned, meaning that there are no constraints on how the funds can be spent. In fiscal year 2013, the County Commissioners adopted Ordinance No. 12-21 for the purpose of re-establishing the Rainy Day Fund, and requires the County to maintain a Rainy Day Fund for contingencies in an amount equal to 7% of budgeted General Fund operating revenues. As a result of that Ordinance, \$8.9 million of rainy day funds are included in the General Fund's restricted fund balance of \$9.0 million for fiscal year 2016. The remaining fund balance is comprised of \$586 thousand in nonspendable, \$3.0 million in committed, and \$1.9 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, 2016, the General Capital Projects Fund has a total fund balance of \$28.2 million, compared to \$30.8 million at the end of the prior fiscal year. The \$28.2 million in total fund balance is comprised of \$1.1 million of nonspendable fund balance, \$9.5 million in restricted fund balance, mainly for unspent bond proceeds, \$2.8 million of fund balance committed for specific projects, and \$14.8 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, 2016, the Roads Capital Projects Fund has a total fund balance of \$3.5 million, compared to \$3.6 million at the end of the prior fiscal year. Of this total \$3.5 million fund balance, \$2.8 million has been assigned to fund ongoing projects, while \$611 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 2016 amounted to \$10.8 million, which is \$2.1 million more than the prior year.

Total net position of the Sanitary District amounted to \$71.2 million at the end of fiscal year 2016, which increased by \$873 thousand when compared to the prior year.

The *unrestricted net position* of the Bay Bridge Airport Enterprise Fund at year end amounted to negative \$511 thousand compared to a negative \$220 thousand at the end of the prior fiscal year, reflecting an decrease of \$291 thousand. The decrease is the result of a combination of less revenue and also less transfers in from the General Fund.

Total net position of the Bay Bridge Airport amounted to \$15.5 million at the end of fiscal year 2016, which is a decrease from the prior year amount of \$15.8 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 \$126.4 million. Amendments increased spending authority by \$1.2 million during fiscal year 2016, when compared to the original budget of \$125.2 million.

Major components of these expenditure budget increases are as follows:

- Budgeted Transfers Out to General Capital Projects increased by \$1.8 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 Parks and Public Works Expenditures increased by \$245 thousand, partially due to employees transferred from other departments to the Public Works Administration. This increase was offset by savings in other departments.
- Budgeted Volunteer Fire and Rescue Services Expenditures decreased by \$395 thousand due to savings associated with workmen's compensation expense which was charged to miscellaneous non-departmental for fiscal year 2016.
- Budgeted Debt Service Expenditures decreased by \$325 thousand due to savings resulting from the timing of bond payments for the fiscal year 2016 bonds.
- Budgeted Miscellaneous Expenditures decreased by \$346 thousand due to a variety of savings, mostly associated with contingencies. Offsetting a portion of the savings in contingencies was an increase in miscellaneous non-departmental due to the workmen's compensation costs.

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 \$353 thousand. Actual expenditures, and other financing uses, were less than final budgetary appropriations by \$2.5 million. The net effect of these two disparities was a positive variance of actual to final budget of \$2.9 million.

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

Revenues:

- Transfers In were \$570 thousand less than the final budget (31.0 percent), as a result of the full transfer in from School Impact fees not being made in the fiscal year. Management determined that it was more advantageous to only transfer a portion of the budgeted amount and leave the remaining money in the Impact Fee Fund in anticipation of future Board of Education projects.

Expenditures:

- Final Budgeted Salaries and Benefits were \$32.9 million for the year, while actual costs were \$32.7 million. They were underspent at year-end by \$183 thousand (0.6 percent). The Sheriff's Office was underspent by \$483 thousand and general services was underspent by \$175 thousand. This was due to the number of vacant positions during the fiscal year and the lapsed funds associated with the recruitment of staff. Offsetting these savings were several departments that were overspent in salaries and wages due to promotions and other staffing changes.
- Final Budgeted Other Operating Charges were \$93.5 million for the year, while actual costs were \$91.2 million. These costs were lower than budget at year end by \$2.3 million (2.5 percent). Operating Charges include contracted services, supplies, debt service, transfers out, and other charges.
 - Contracted Services were underspent by \$285 thousand, with the largest savings realized by the detention center (\$166 thousand) and solid waste (\$125 thousand).
 - Supplies were underspent by \$339 thousand, largely due to savings by solid waste (\$154 thousand) and roads (\$121 thousand).

- Other Charges were underspent by \$974 thousand, primarily due to savings of \$463 thousand for intergovernmental costs. The majority of the intergovernmental savings related to the municipal tax set-off. The Health Department also realized savings of \$206 thousand. This represents the unspent portion of their allocation and was returned to the County in fiscal year 2016. In addition, insurance costs was underspent by \$124 thousand due to savings in retiree health care costs and also general insurance expenses. The solid waste department also realized savings of \$93 thousand. The remaining savings for other charges were spread throughout the General Fund.
- Debt service was underspent by \$132 thousand due to the timing of the 2016 bond payments.
- Transfers Out were underspent by \$592 thousand, due to savings realized by the Department of Aging (\$345 thousand), the Department of Housing (\$107 thousand) and the Golf Course Enterprise Fund (\$140 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, 2016 amounted to \$256.5 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	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Land and Land Improvements	\$ 86,313,290	\$ 87,485,213	\$ 15,420,127	\$ 15,420,127	\$ 101,733,417	\$ 102,905,340
Intangible Rights - Easements	821,819	821,819	6,140	6,140	827,959	827,959
Construction in Progress	17,424,099	10,986,604	1,913,025	850,582	19,337,124	11,837,186
Buildings	28,059,042	28,801,993	6,188,615	6,801,057	34,247,657	35,603,050
Improvements other than Buildings	7,735,674	7,438,743	10,194,045	10,711,646	17,929,719	18,150,389
Infrastructure	10,682,853	11,029,472	50,166,007	50,040,254	60,848,860	61,069,726
Auto, Machinery, and Equipment	10,625,298	9,302,057	10,969,641	11,814,070	21,594,939	21,116,127
Total	<u>\$ 161,662,075</u>	<u>\$ 155,865,901</u>	<u>\$ 94,857,600</u>	<u>\$ 95,643,876</u>	<u>\$ 256,519,675</u>	<u>\$ 251,509,777</u>

Queen Anne’s County’s total investment in capital assets for the current fiscal year, net of depreciation, increased by 2.0 percent, or \$5.0 million. Of this amount, governmental investment in capital assets increased by \$5.8 million, while business-type investment in capital assets decreased by \$786 thousand.

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	2015	Additions	Transfers	Retirements	2016
Land and Land Improvements	\$ 87,485,213	\$ 791,089	\$ -	\$ (1,963,012)	\$ 86,313,290
Intangible Rights - Easements	821,819	-	-	-	821,819
Construction in Progress	10,986,604	7,347,862	(910,367)	-	17,424,099
Buildings	41,684,071	184,709	-	-	41,868,780
Improvements other than Buildings	9,577,406	170,421	454,956	-	10,202,783
Infrastructure	18,926,771	-	-	(141,013)	18,785,758
Auto, Machinery, and Equipment	31,518,205	2,712,692	455,411	(2,038,230)	32,648,078
Total Assets before depreciation	201,000,089	11,206,773	-	(4,142,255)	208,064,607
Less Depreciation	(45,134,188)	(3,249,925)	-	1,981,581	(46,402,532)
Total Assets after depreciation	<u>\$ 155,865,901</u>	<u>\$ 7,956,848</u>	<u>\$ -</u>	<u>\$ (2,160,674)</u>	<u>\$ 161,662,075</u>
Business-Type Activities					
Changes in Capital Assets	2015	Additions	Transfers	Retirements	2016
Land and Land Improvements	\$ 15,420,127	\$ -	\$ -	\$ -	\$ 15,420,127
Intangible Rights - Easements	6,140	-	-	-	6,140
Construction in Progress	850,582	1,062,443	-	-	1,913,025
Buildings	14,703,860	-	-	-	14,703,860
Improvements other than Buildings	14,824,467	-	-	-	14,824,467
Infrastructure	77,866,782	1,958,050	-	-	79,824,832
Auto, Machinery, and Equipment	23,986,201	295,603	-	(49,047)	24,232,757
Total Assets before depreciation	147,658,159	3,316,096	-	(49,047)	150,925,208
Less Depreciation	(52,014,283)	(4,102,372)	-	49,047	(56,067,608)
Total Assets after depreciation	<u>\$ 95,643,876</u>	<u>\$ (786,276)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,857,600</u>

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

- Land and Land Improvements decreased by a net amount of \$1.2 million. The County donated the following right-of-ways and parcels to external entities as follows: (a) parcel to the YMCA of the Chesapeake (\$676 thousand); (b) parcel on Nesbit Road to Shore Health Systems (\$603 thousand); (c) three right-of-ways and a lot to the Town of Centreville as part of the property development surrounding the new County office building (\$120 thousand). Also roads infrastructure (\$564 thousand) was retired due to the county's replacement of roads. Additionally, the County purchased three parcels of land: (a) two parcels for the new Courthouse (\$608 thousand); and (b) parcel on Chester River Heights Road (\$183 thousand).
- Construction in Progress (CIP) increased by a net amount of \$6.4 million. The following factors contributed to this increase:

Costs reclassified from Construction in Progress include: (a) County-wide fiber infrastructure (\$439 thousand); (b) Emergency Services mobile data terminals (\$184 thousand); (c) Improvements to the public safety network equipment (\$148 thousand); and (d) Site improvements to the solid waste transfer stations (\$140 thousand).

Major additions to Construction in Progress include: (a) Construction phase work for the new County office building (\$5.9 million); (b) Upgrade of the radio system for the Emergency Services Department (\$547 thousand); (c) Architectural and site work related to construction of the new Courthouse (\$481 thousand); (d) White Marsh park lacrosse field construction (\$102 thousand); and (e) Animal health lab renovations (\$51 thousand).

- Buildings increased by \$185 thousand. This increase resulted from the completion of two new storage facilities servicing the Roads and Parks departments.
- Improvements other than buildings increased by a net amount of \$625 thousand. The increase resulted primarily from the completion of the following site improvement projects: (a) County-wide fiber infrastructure (\$459 thousand); and (b) Parking lot upgrades at various parks locations (\$131 thousand).
- Infrastructure decreased by \$141 thousand as a result of roads infrastructure retired due to the County's replacement of roads.
- Auto, Machinery and Equipment increased by \$1.1 million. The following factors contributed to this net increase:

Additions totaled \$3.1 million and included: (a) Emergency Services department vehicle and equipment replacement (\$1.1 million); (b) Roads Department replacement vehicles and equipment (\$535 thousand); (c) Solid Waste department vehicle and equipment replacement (\$409 thousand); (d) Sheriff's Department vehicle and equipment replacement (\$309 thousand); (e) Parks Department vehicle and equipment replacement (\$254 thousand); (f) QACTV equipment replacement (\$182 thousand); and (g) General Services and DPW Administration vehicle and equipment replacement (\$118 thousand).

Retired assets of \$2.0 million included the following, the majority of which were fully depreciated: (a) Obsolete computer software, hardware, and other office equipment sold or discarded (\$1.0 million); (b) Sheriff vehicles sold as part of replacement program (\$190 thousand); (c) Obsolete General Services and DPW Administration equipment sold or discarded (\$182 thousand); (d) Obsolete Emergency Services equipment sold or discarded (\$182 thousand); (e) Vehicles traded by the Solid Waste department (\$123 thousand); and (f) Solid Waste disposal equipment discarded (\$88 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 \$1.1 million. Major additions to construction in progress included: (a) planning and design work for phase one of the southern Kent Island sewer system (\$707 thousand); (b) improvements to the Bay Bridge Airport property including new hangar construction and due diligence activities for future land acquisitions (\$248 thousand); and (c) improvements to the golf course including irrigation and driving range (\$107 thousand).
- Infrastructure increased by \$2.0 million as a result of various water and sewer infrastructure contributed by commercial developers to be maintained by the County.
- Auto, Machinery and Equipment increased by a net amount of \$247 thousand. The following factors contributed to this net increase:

Additions of \$296 thousand include the following: (a) new sewer pumps, well pumps and other sanitation equipment (\$127 thousand); (b) weather reporting station at the Bay Bridge Airport (\$94 thousand); (c) Bay Bridge Airport equipment replacement (\$57 thousand); and (d) Public Landings vehicle replacement (\$17 thousand).

Fully depreciated vehicles with a historical cost of \$49 thousand were sold by the Sanitary District.

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 \$204.3 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 \$204.3 million in debt, \$22.9 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	
	2016	2015	2016	2015	2016	2015
	Bonds, Notes, and Premiums	\$ 120,891,108	\$ 112,844,838	\$ 13,992,498	\$ 14,929,213	\$ 134,883,606
Other Post-Employment Benefit Obligation	35,511,934	33,920,346	6,428,434	5,951,774	41,940,368	39,872,120
Net Pension Liability	22,591,512	16,857,736	2,129,736	1,573,426	24,721,248	18,431,162
Compensated Absences	2,444,756	2,297,920	334,604	310,118	2,779,360	2,608,038
Total Long-term Debt	<u>\$ 181,439,310</u>	<u>\$ 165,920,840</u>	<u>\$ 22,885,272</u>	<u>\$ 22,764,531</u>	<u>\$ 204,324,582</u>	<u>\$ 188,685,371</u>

During the 2016 fiscal year, the County’s total net debt increased by \$15.6 million (8.3 percent). Of this amount, governmental debt increased by \$15.5 million (9.4 percent), while business-type debt increased by \$121 thousand (0.5 percent). In fiscal year 2016, the County issued 2016 bonds totaling \$14.0 million and 2016 refunding bonds totaling \$8.5 million. The County also borrowed an additional \$510 thousand in fiscal year 2016 for the Narrows Pointe Shore Erosion loan and signed a note with SunTrust Equipment Financing & Leasing Corporation for \$1.2 million. In addition, the total Other Post-Employment Benefit Obligations increased by \$2.1 million and the net pension liability increased by \$6.3 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 \$6.1 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 2016, Queen Anne’s County Government received an “AA+” bond rating from Fitch Rating Service and an “Aa2” 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 2017 fiscal year:

- Property assessments are projected to increase by 2.53 percent over the previous year, based on State Assessment Office values used to compute the Constant Yield rate.
- Income tax revenue was projected at \$46.5 million for the 2017 budget, however, the County has since revised the estimate for income tax revenue to be 3.0% to 3.5% above the actual 2016 receipts of \$46.4 million.

The following are a few of the highlights from the fiscal year 2017 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 \$1.1 million above Maintenance of Effort in fiscal year 2017;
- The County's pay for performance system will continue in fiscal year 2017 using the rating levels of 1, 2, and 3; and
- County employees shall receive a one percent cost of living allowance as of July 1, 2016.

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 2016 Comprehensive Annual Financial Report (CAFR)).

Basic Financial Statements

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF NET POSITION
JUNE 30, 2016

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Equity in Pooled Cash and Investments	\$ 53,904,648	\$ 13,327,345	\$ 67,231,993
Cash and Cash Equivalents	-	-	-
Taxes Receivable (Net)	797,729	-	797,729
Accounts and Loans Receivable (Net)	7,944,895	726,855	8,671,750
Special Assessments (Net)	617,986	-	617,986
Internal Balances	1,741,102	(1,741,102)	-
Due from Primary Government	-	-	-
Due from Other Governments	15,068,973	179,955	15,248,928
Bond Interest Reimbursement Receivable - Build America Bond	90,163	3,705	93,868
Inventories	580,083	595,770	1,175,853
Prepaid Items	13,889	22,398	36,287
Restricted Assets:			
Equity in Pooled Cash and Investments	11,583,457	7,915,738	19,499,195
Accounts Receivable (Net)	-	546,683	546,683
Special Assessments Receivable (Net)	-	1,381,066	1,381,066
Capital Assets:			
Nondepreciable Assets	104,559,208	17,339,292	121,898,500
Depreciable Assets, Net	57,102,867	77,518,308	134,621,175
Total Assets	<u>254,005,000</u>	<u>117,816,013</u>	<u>371,821,013</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows related to Pensions	5,553,438	538,460	6,091,898
Deferred Charge on Refunding	1,582,048	43,913	1,625,961
Total Deferred Outflows of Resources	<u>7,135,486</u>	<u>582,373</u>	<u>7,717,859</u>
LIABILITIES			
Accounts Payable and Other Current Liabilities	5,935,333	484,733	6,420,066
Accrued Interest Payable	1,420,658	90,067	1,510,725
Due to Component Units	1,380,929	-	1,380,929
Due to Other Governmental Agencies	329,683	-	329,683
Unearned Revenue	909,836	470,379	1,380,215
Escrow Deposits	-	65,607	65,607
Noncurrent Liabilities:			
Due within One Year	10,508,579	1,429,061	11,937,640
Due in More than One Year	170,930,731	21,456,211	192,386,942
Total Liabilities	<u>191,415,749</u>	<u>23,996,058</u>	<u>215,411,807</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows related to Pensions	1,846,942	172,385	2,019,327
Deferred Assessments	617,986	1,380,853	1,998,839
Deferred Fees	1,297,700	-	1,297,700
Total Deferred Inflows of Resources	<u>3,762,628</u>	<u>1,553,238</u>	<u>5,315,866</u>
NET POSITION			
Net Investment in Capital Assets	123,466,319	80,909,015	204,375,334
Amounts Restricted for:			
General Government	10,161,108	-	10,161,108
Education	5,048,382	-	5,048,382
Economic/Community Development	4,463,015	-	4,463,015
Public Safety	613,636	-	613,636
Conservation of Natural Resources	777,047	-	777,047
Social Services	107	-	107
Debt Service	-	946,614	946,614
Capital Projects	-	753,300	753,300
Other Purposes	-	-	-
Unrestricted Amounts (Deficit)	(78,567,505)	10,240,161	(68,327,344)
Total Net Position	<u>\$ 65,962,109</u>	<u>\$ 92,849,090</u>	<u>\$ 158,811,199</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, 2016

(CONTINUED)

COMPONENT UNITS	
BOARD OF EDUCATION	FREE LIBRARY
\$ -	\$ -
12,555,600	945,206
-	-
280,977	-
-	-
-	-
1,381,258	-
2,289,292	-
-	-
38,979	-
13,486	41,748
-	-
-	-
-	-
30,015,455	29,850
140,870,997	1,104,732
187,446,044	2,121,536
-	-
1,091,215	-
-	-
1,091,215	-
-	-
11,687,194	53,508
-	-
-	-
93,722	-
816,906	-
-	-
707,204	-
53,971,254	1,270,777
67,276,280	1,324,285
-	-
386,144	-
-	-
-	-
386,144	-
-	-
168,123,706	1,134,582
-	-
-	-
-	-
-	-
-	-
530,131	-
33,372	10,500
(47,812,374)	(347,831)
\$ 120,874,835	\$ 797,251

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, 2016

	PRIMARY GOVERNMENT				
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL REVENUE
PRIMARY GOVERNMENT					
Governmental Activities					
General Government	\$ 13,936,312	\$ 1,565,170	\$ 582,571	\$ (30,000)	\$ 2,117,741
Public Safety	27,525,712	1,354,350	1,088,597	175,653	2,618,600
Public Works	19,522,534	1,337,358	1,029,019	108,880	2,475,257
Health	2,032,657	-	-	-	-
Social Services	5,300,871	76,404	1,834,000	140,400	2,050,804
Education	60,752,025	1,230,994	-	-	1,230,994
Library	1,622,848	-	-	-	-
Conservation of Natural Resources	1,799,234	70,708	68,152	573,003	711,863
Economic/Community Development	3,391,547	311,000	156,804	-	467,804
Interest and Fiscal Charges	4,345,527	-	-	-	-
Total Governmental Activities	140,229,267	5,945,984	4,759,143	967,936	11,673,063
Business-type Activities					
Water and Sewer	10,615,466	8,956,360	85,099	1,958,051	10,999,510
Airport	966,896	45,916	52,837	-	98,753
Golf Course	505,085	305,528	-	-	305,528
Public Landings and Marinas	529,943	423,427	36,781	-	460,208
Total Business-type Activities	12,617,390	9,731,231	174,717	1,958,051	11,863,999
Total Primary Government	\$ 152,846,657	\$ 15,677,215	\$ 4,933,860	\$ 2,925,987	\$ 23,537,062
COMPONENT UNITS					
Board of Education	\$ 113,434,959	\$ 1,409,452	\$ 12,290,146	\$ -	\$ 13,699,598
Free Library	2,138,784	5,317	267,372	-	272,689
Total Component Units	\$ 115,573,743	\$ 1,414,769	\$ 12,557,518	\$ -	\$ 13,972,287
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					
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, 2016

(CONTINUED)

NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION					
PRIMARY GOVERNMENT			COMPONENT UNITS		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	BOARD OF EDUCATION	FREE LIBRARY	
\$ (11,818,571)	\$ -	\$ (11,818,571)	\$ -	\$ -	
(24,907,112)	-	(24,907,112)	-	-	
(17,047,277)	-	(17,047,277)	-	-	
(2,032,657)	-	(2,032,657)	-	-	
(3,250,067)	-	(3,250,067)	-	-	
(59,521,031)	-	(59,521,031)	-	-	
(1,622,848)	-	(1,622,848)	-	-	
(1,087,371)	-	(1,087,371)	-	-	
(2,923,743)	-	(2,923,743)	-	-	
(4,345,527)	-	(4,345,527)	-	-	
<u>(128,556,204)</u>	<u>-</u>	<u>(128,556,204)</u>	<u>-</u>	<u>-</u>	
-	384,044	384,044	-	-	
-	(868,143)	(868,143)	-	-	
-	(199,557)	(199,557)	-	-	
-	(69,735)	(69,735)	-	-	
<u>-</u>	<u>(753,391)</u>	<u>(753,391)</u>	<u>-</u>	<u>-</u>	
<u>\$ (128,556,204)</u>	<u>\$ (753,391)</u>	<u>\$ (129,309,595)</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ -	\$ -	\$ -	\$ (99,735,361)	\$ -	
-	-	-	-	(1,866,095)	
-	-	-	(99,735,361)	(1,866,095)	
65,185,546	-	65,185,546	-	-	
47,928,725	-	47,928,725	-	-	
169,679	-	169,679	-	-	
5,244,614	-	5,244,614	-	-	
559,555	-	559,555	-	-	
1,923,016	-	1,923,016	-	-	
-	-	-	92,555,521	1,741,473	
174,691	320,443	495,134	22,942	1,972	
161,106	-	161,106	-	-	
949,046	746,167	1,695,213	157,571	81,415	
(201,122)	201,122	-	-	-	
<u>122,094,856</u>	<u>1,267,732</u>	<u>123,362,588</u>	<u>92,736,034</u>	<u>1,824,860</u>	
<u>(6,461,348)</u>	<u>514,341</u>	<u>(5,947,007)</u>	<u>(6,999,327)</u>	<u>(41,235)</u>	
<u>72,423,457</u>	<u>92,334,749</u>	<u>164,758,206</u>	<u>127,874,162</u>	<u>838,486</u>	
<u>\$ 65,962,109</u>	<u>\$ 92,849,090</u>	<u>\$ 158,811,199</u>	<u>\$ 120,874,835</u>	<u>\$ 797,251</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, 2016

	MAJOR FUNDS			NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	GENERAL CAPITAL	ROADS CAPITAL		
ASSETS					
Cash and Cash Equivalents	\$ 20,702,885	\$ 16,460,546	\$ 3,436,540	\$ 13,304,677	\$ 53,904,648
Prepaid Items	6,398	-	-	7,491	13,889
Receivables					
Taxes Receivable (Net)	731,829	-	-	65,900	797,729
Accounts and Loans Receivable	249,531	1,310,477	14,830	6,370,057	7,944,895
Special Assessments (Net)	-	-	156,595	461,391	617,986
Due from Other Governments	9,702,417	350,968	-	551,095	10,604,480
Due from Other Funds	710,914	1,358,170	-	-	2,069,084
Inventory	580,083	-	-	-	580,083
Restricted					
Restricted Equity in Pooled Cash	-	11,583,457	-	-	11,583,457
Total Assets	<u>\$ 32,684,057</u>	<u>\$ 31,063,618</u>	<u>\$ 3,607,965</u>	<u>\$ 20,760,611</u>	<u>\$ 88,116,251</u>
LIABILITIES					
Accrued Liabilities	\$ 3,498,350	\$ 1,424,887	\$ -	\$ 1,012,096	\$ 5,935,333
Due to Other Funds	-	-	-	327,982	327,982
Due to Component Units	-	1,380,929	-	-	1,380,929
Due to Other Governmental Agencies	-	-	-	329,683	329,683
Unearned Revenue	670,710	53,907	-	185,219	909,836
Total Liabilities	<u>4,169,060</u>	<u>2,859,723</u>	<u>-</u>	<u>1,854,980</u>	<u>8,883,763</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Income Taxes	4,433,442	-	-	-	4,433,442
Unavailable Property Taxes	385,207	-	-	-	385,207
Unavailable Inter-County Bonds Receivable	712,105	-	-	-	712,105
Unavailable Benefit Assessments	-	-	156,595	461,391	617,986
Unavailable Fees	-	-	-	1,297,700	1,297,700
Total Deferred Inflows	<u>5,530,754</u>	<u>-</u>	<u>156,595</u>	<u>1,759,091</u>	<u>7,446,440</u>
FUND BALANCES					
Nonspendable	586,481	1,084,055	-	5,062,017	6,732,553
Restricted	9,002,389	9,529,196	-	11,786,892	30,318,477
Committed	3,000,000	2,815,139	610,562	-	6,425,701
Assigned	1,926,782	14,775,505	2,840,808	412,760	19,955,855
Unassigned	8,468,591	-	-	(115,129)	8,353,462
Total Fund Balances	<u>22,984,243</u>	<u>28,203,895</u>	<u>3,451,370</u>	<u>17,146,540</u>	<u>71,786,048</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 32,684,057</u>	<u>\$ 31,063,618</u>	<u>\$ 3,607,965</u>	<u>\$ 20,760,611</u>	<u>\$ 88,116,251</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, 2016

Total Fund Balance - Governmental Funds		\$ 71,786,048
Amounts reported for Governmental activities in the Statement of Net Position are different because:		
<u>Receivables not included in the governmental funds because they relate to debt.</u>		
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		4,464,493
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		90,163
<u>Capital assets used in governmental fund activities are not current financial resources and therefore are not reported in the funds.</u>		
ADD Nondepreciable capital assets		
Land and Land Improvements	\$ 43,304,831	
Infrastructure	43,830,278	
Construction in Progress	17,424,099	104,559,208
ADD Depreciable capital assets		
Buildings	41,868,780	
Improvements other than Buildings	10,202,783	
Machinery and Equipment	20,669,720	
Automobiles and Trucks	11,978,358	
Infrastructure	18,785,758	
Less Accumulated depreciation	(46,402,532)	57,102,867
<u>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.</u>		
ADD Property Taxes deferred in governmental funds	385,207	
ADD Income Taxes deferred in governmental funds	4,433,442	
ADD Loans receivable deferred in governmental funds	712,105	5,530,754
<u>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.</u>		
SUBTRACT Accrued Interest Payable		(1,420,658)
SUBTRACT Long-Term Liabilities Due within One Year		
Accrued Compensated Absences	(1,478,910)	
Bonds and Notes Payable	(9,029,669)	(10,508,579)
SUBTRACT Long-Term Liabilities Due in More than One Year		
Other Post-Employment Benefit Obligation	(35,511,934)	
Net Pension Liability	(22,591,512)	
Accrued Compensated Absences	(965,846)	
Bonds and Notes Payable	(111,861,439)	(170,930,731)
ADD / SUBTRACT Deferred Inflows and Outflows		
Deferred Inflows - Maryland State Pension	(1,846,942)	
Deferred Outflows - Maryland State Pension	5,553,438	
Deferred Charge On Refunding	1,582,048	5,288,544
Total Net Position - Governmental Activities		\$ 65,962,109

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, 2016

	MAJOR FUNDS			NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	GENERAL CAPITAL	ROADS CAPITAL		
REVENUES					
Taxes					
Local Property Tax	\$ 64,912,515	\$ -	\$ -	\$ 33,928	\$ 64,946,443
Local Income Tax	46,424,552	-	-	-	46,424,552
Admission and Amusement Taxes	169,679	-	-	-	169,679
Recordation Taxes	4,036,356	-	-	1,208,259	5,244,615
Hotel Taxes	-	-	-	559,555	559,555
County Transfer Taxes	1,923,016	-	-	-	1,923,016
State Shared Taxes	611,835	-	-	11,421	623,256
Licenses and Permits	624,570	-	-	453,574	1,078,144
Intergovernmental	1,944,716	321,164	-	2,430,681	4,696,561
Bond Interest Reimbursement - Build America Bond	364,799	-	-	-	364,799
Charges for Current Services	2,265,561	36,116	122,332	2,193,721	4,617,730
Fines and Forfeitures	142,006	-	-	108,104	250,110
Investment Income	92,664	40,184	15,692	26,151	174,691
Donations	3,638	-	-	42,135	45,773
Miscellaneous	768,758	70,332	-	109,955	949,045
Total Revenues	124,284,665	467,796	138,024	7,177,484	132,067,969
EXPENDITURES					
Current					
General Government	7,840,346	1,015,017	-	382,964	9,238,327
Public Safety	22,422,112	587,079	-	513,912	23,523,103
Public Works	9,062,612	45,528	2,722,995	-	11,831,135
Health	1,992,208	-	-	-	1,992,208
Social Services	292,978	207,009	-	3,335,743	3,835,730
Education	54,645,127	6,163,016	-	-	60,808,143
Library	1,597,000	-	-	-	1,597,000
Conservation of Natural Resources	530,028	20,313	-	1,193,919	1,744,260
Economic/Community Development	307,515	272,471	-	2,608,942	3,188,928
Parks	3,084,985	164,334	-	-	3,249,319
Recreation	578,735	-	-	-	578,735
Intergovernmental	374,387	-	-	-	374,387
Miscellaneous	4,392,335	-	-	-	4,392,335
Capital Outlay	-	10,335,239	715,145	-	11,050,384
Debt Service					
Principal	7,622,891	-	-	44,425	7,667,316
Debt Issuance Costs	-	218,799	-	-	218,799
Interest and Fiscal Charges	3,540,352	156,367	-	-	3,696,719
Total Expenditures	118,283,611	19,185,172	3,438,140	8,079,905	148,986,828
Excess of Revenues Over (Under) Expenditures	6,001,054	(18,717,376)	(3,300,116)	(902,421)	(16,918,859)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	-	14,611,885	362,978	509,776	15,484,639
Other Financing Source - Proceeds of Refunding Bonds	-	8,042,773	-	-	8,042,773
Bond Premiums	-	1,650,448	-	-	1,650,448
Other Financing Use - Principal on Refunded Debt	-	(8,446,336)	-	-	(8,446,336)
Proceeds of Capital Asset Disposals	16,808	1,292	-	-	18,100
Insurance Proceeds	120,865	32,169	-	500	153,534
Transfers In	1,268,187	3,371,482	2,968,945	2,332,437	9,941,051
Transfers Out	(5,619,520)	(3,131,080)	(225,000)	(1,268,187)	(10,243,787)
Other Financing Sources (Uses)	(4,213,660)	16,132,633	3,106,923	1,574,526	16,600,422
Net Increase (Decrease) in Fund Balances	1,787,394	(2,584,743)	(193,193)	672,105	(318,437)
Fund Balances, July 1	21,196,849	30,788,638	3,644,563	16,474,435	72,104,485
Fund Balances, June 30	\$ 22,984,243	\$ 28,203,895	\$ 3,451,370	\$ 17,146,540	\$ 71,786,048

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, 2016

Change in Fund Balances - Total governmental funds, per Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds **\$ (318,437)**

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	\$	140,494
ADD capital assets resulting from general capital projects		10,405,049
ADD capital assets resulting from roads capital projects		661,230
SUBTRACT capital asset donations and transfers		(1,419,926)
SUBTRACT book value of disposed capital assets, net of accumulated depreciation		(740,748)
SUBTRACT current year depreciation expense		(3,249,925)
Net Increase in Capital Assets		5,796,174

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 (167,217)

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 (3,309)

Liability for retirement incentive

As part of the retirement incentives offered in fiscal years 2011 and 2012, 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 three 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 4,416

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		239,102
CHANGE in Income Tax Deferred Inflows		1,504,172

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	17,131,590	
SUBTRACT proceeds of debt	(25,177,860)	
SUBTRACT College reimbursement received	(197,588)	
SUBTRACT College savings on refunding debt	(24,367)	
ADD County's allocation to College for debt	56,118	
Change in Deferred Refunding Costs	(283,001)	(8,495,108)

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		(579,332)
Change in accrued Other Post Employment Benefit Obligation		(1,591,588)
Change in Accrued Compensated Absences		(146,836)
Change in deferred outflow of resources - Maryland State Pension (see Note 12)		3,032,144
Change in deferred inflow of resources - Maryland State Pension (see Note 12)		(1,753)
Change in net pension liability - Maryland State Pension (see Note 12)		(5,733,776)

Change in Net Position - governmental activities, per Statement of Activities **\$ (6,461,348)**

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, 2016

<u>ASSETS</u>	SANITARY DISTRICT		
	SEWER OPERATIONS	WATER OPERATIONS	RESTRICTED FUND
Current Assets			
Unrestricted			
Equity in Pooled Cash	\$ 7,373,084	\$ 4,162,432	\$ -
Accounts Receivable (Net)	472,361	206,952	-
Due from Other Funds	174,985	-	-
Due from Other Governments	40,679	4,520	-
Bond Interest Reimbursement Receivable - Build America Bond	-	-	-
Inventories	563,944	-	-
Prepaid Expenses	-	-	-
Restricted			
Restricted Equity in Pooled Cash	-	-	6,794,963
Restricted Accounts Receivable (Net)	-	-	546,072
Total Current Assets	8,625,053	4,373,904	7,341,035
Noncurrent Assets			
Restricted			
Special Assessments Receivable (Net)	-	-	1,380,057
Capital Assets			
Intangible Rights	-	6,140	-
Land, Improved and Unimproved	814,531	-	-
Buildings and Improvements to Buildings	12,977,010	180,203	-
Improvements Other Than Buildings	1,615,474	128,152	-
Vehicles	1,013,578	249,194	-
Equipment	20,622,447	1,510,249	-
Furniture and Fixtures	30,009	14,909	-
Infrastructure Improvements	55,619,401	23,889,982	-
Construction in Progress	1,141,356	-	-
Capital Assets before Depreciation	93,833,806	25,978,829	-
Less Accumulated Depreciation	(41,705,942)	(8,928,132)	-
Total Capital Assets, Net of Accumulated Depreciation	52,127,864	17,050,697	-
Total Noncurrent Assets	52,127,864	17,050,697	1,380,057
Total Assets	60,752,917	21,424,601	8,721,092
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Outflow for Pension Contributions	371,578	108,655	-
Deferred Charge on Refunding	-	-	-
Total Deferred Outflows of Resources	371,578	108,655	-
<u>LIABILITIES</u>			
Current Liabilities			
Payable from Unrestricted Assets			
Accounts Payable	295,864	123,818	-
Accrued Interest Payable	43,321	-	-
Escrow Deposits	48,707	-	-
Due to Other Funds	-	-	-
Unearned Revenue	467,924	-	-
Current Portion of Compensated Absences	125,044	48,870	-
Current Portion of Bonds/Notes Payable	906,592	-	-
Total Current Liabilities	1,887,452	172,688	-
Noncurrent Liabilities			
Payable from Unrestricted Assets			
Compensated Absences	81,663	31,916	-
Other Post-Employment Benefit Obligation	4,569,158	1,362,836	-
Net Pension Liability	1,470,921	429,518	-
Bonds/Notes Payable	9,565,047	-	-
Total Noncurrent Liabilities	15,686,789	1,824,270	-
Total Liabilities	17,574,241	1,996,958	-
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred Inflow for Pension Contributions	118,846	34,807	-
Unavailable Water and Sewer Assessments	-	-	1,380,057
Total Deferred Inflows of Resources	118,846	34,807	1,380,057
<u>NET POSITION</u>			
Net Investment in Capital Assets	41,656,225	17,050,697	-
Amounts Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	753,300
Unrestricted Amounts (Deficit)	1,775,183	2,450,794	6,587,735
Total Net Position	\$ 43,431,408	\$ 19,501,491	\$ 7,341,035

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, 2016

(CONTINUED)

SANITARY DISTRICT			NON-MAJOR ENTERPRISE FUNDS	TOTAL PRIMARY GOVERNMENT ENTERPRISE FUNDS
DEBT SERVICE FUND	TOTAL	BAY BRIDGE AIRPORT		
\$ -	\$ 11,535,516	\$ 975,760	\$ 816,069	\$ 13,327,345
-	679,313	36,681	10,861	726,855
-	174,985	-	-	174,985
-	45,199	110,447	24,309	179,955
-	-	584	3,121	3,705
-	563,944	23,874	7,952	595,770
-	-	22,398	-	22,398
1,120,775	7,915,738	-	-	7,915,738
611	546,683	-	-	546,683
<u>1,121,386</u>	<u>21,461,378</u>	<u>1,169,744</u>	<u>862,312</u>	<u>23,493,434</u>
<u>1,009</u>	<u>1,381,066</u>	<u>-</u>	<u>-</u>	<u>1,381,066</u>
-	6,140	-	-	6,140
-	814,531	11,931,964	2,673,632	15,420,127
-	13,157,213	1,233,204	313,443	14,703,860
-	1,743,626	7,615,114	5,465,727	14,824,467
-	1,262,772	73,470	63,690	1,399,932
-	22,132,696	225,196	425,036	22,782,928
-	44,918	-	4,979	49,897
-	79,509,383	315,449	-	79,824,832
-	1,141,356	659,417	112,252	1,913,025
-	119,812,635	22,053,814	9,058,759	150,925,208
-	(50,634,074)	(3,922,902)	(1,510,632)	(56,067,608)
-	69,178,561	18,130,912	7,548,127	94,857,600
1,009	70,559,627	18,130,912	7,548,127	96,238,666
<u>1,122,395</u>	<u>92,021,005</u>	<u>19,300,656</u>	<u>8,410,439</u>	<u>119,732,100</u>
-	480,233	15,055	43,172	538,460
-	-	18,743	25,170	43,913
-	480,233	33,798	68,342	582,373
-	419,682	18,153	46,898	484,733
-	43,321	33,023	13,723	90,067
-	48,707	16,900	-	65,607
174,985	174,985	1,308,296	432,806	1,916,087
-	467,924	-	2,455	470,379
-	173,914	5,582	22,917	202,413
-	906,592	135,078	184,978	1,226,648
174,985	2,235,125	1,517,032	703,777	4,455,934
-	113,579	3,645	14,967	132,191
-	5,931,994	245,770	250,670	6,428,434
-	1,900,439	59,239	170,058	2,129,736
-	9,565,047	2,033,294	1,167,509	12,765,850
-	17,511,059	2,341,948	1,603,204	21,456,211
174,985	19,746,184	3,858,980	2,306,981	25,912,145
-	153,653	4,847	13,885	172,385
796	1,380,853	-	-	1,380,853
796	1,534,506	4,847	13,885	1,553,238
-	58,706,922	15,981,283	6,220,810	80,909,015
946,614	946,614	-	-	946,614
-	753,300	-	-	753,300
-	10,813,712	(510,656)	(62,895)	10,240,161
<u>\$ 946,614</u>	<u>\$ 71,220,548</u>	<u>\$ 15,470,627</u>	<u>\$ 6,157,915</u>	<u>\$ 92,849,090</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, 2016

	SANITARY DISTRICT		
	SEWER OPERATIONS	WATER OPERATIONS	RESTRICTED FUND
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 5,675,620	\$ 2,230,254	\$ 1,048,991
Intergovernmental	80,579	4,520	-
Bond Interest Reimbursement - Build America Bond	-	-	-
Material Sales	442	5,268	-
Miscellaneous Revenues	27,967	145,512	-
Total Operating Revenues	<u>5,784,608</u>	<u>2,385,554</u>	<u>1,048,991</u>
<u>OPERATING EXPENSES</u>			
Cost of Sales and Services			
Collection	2,445,905	-	-
Distribution	-	166,443	-
Treatment	1,044,998	1,085,772	-
Shop	179,392	84,867	-
Airport	-	-	-
Recreation	-	-	-
Total Cost of Sales and Services	<u>3,670,295</u>	<u>1,337,082</u>	<u>-</u>
Administration and Inspection	650,437	541,162	-
Other Post-Employment Benefit Contributions	356,611	94,262	-
Pension Liability Adjustment	188,872	54,203	-
Depreciation	3,010,475	553,346	-
Total Operating Expenses	<u>7,876,690</u>	<u>2,580,055</u>	<u>-</u>
Operating Income (Loss)	<u>(2,092,082)</u>	<u>(194,501)</u>	<u>1,048,991</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Investment Income	100,415	85,556	122,569
Interest Expense	(158,380)	-	-
Gain on Disposal of Capital Assets	344	132	-
Total Non-Operating Revenues (Expenses)	<u>(57,621)</u>	<u>85,688</u>	<u>122,569</u>
Income (Loss) Before Contributions and Transfers	<u>(2,149,703)</u>	<u>(108,813)</u>	<u>1,171,560</u>
Capital Contributions, Fees and Grants	<u>950,371</u>	<u>1,007,680</u>	<u>-</u>
<u>TRANSFERS</u>			
Transfers In	1,059,710	-	1,366,638
Transfers Out	(5,000)	(5,000)	(1,052,371)
Net Transfers In (Out)	<u>1,054,710</u>	<u>(5,000)</u>	<u>314,267</u>
Change in Net Position	(144,622)	893,867	1,485,827
Total Net Position - Beginning of Year	<u>43,576,030</u>	<u>18,607,624</u>	<u>5,855,208</u>
Total Net Position - End of Year	<u>\$ 43,431,408</u>	<u>\$ 19,501,491</u>	<u>\$ 7,341,035</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, 2016

(CONTINUED)

SANITARY DISTRICT			BAY BRIDGE AIRPORT	NON-MAJOR ENTERPRISE FUNDS	TOTAL PRIMARY GOVERNMENT ENTERPRISE FUNDS
DEBT SERVICE FUND	TOTAL				
\$ 1,495	\$ 8,956,360	\$ 45,916	\$ 728,955	\$ 9,731,231	
-	85,099	50,497	24,309	159,905	
-	-	2,340	12,472	14,812	
-	5,710	219,132	45,020	269,862	
-	173,479	283,391	19,435	476,305	
<u>1,495</u>	<u>9,220,648</u>	<u>601,276</u>	<u>830,191</u>	<u>10,652,115</u>	
-	2,445,905	-	-	2,445,905	
-	166,443	-	-	166,443	
-	2,130,770	-	-	2,130,770	
-	264,259	-	-	264,259	
-	-	476,587	-	476,587	
-	-	-	785,042	785,042	
-	5,007,377	476,587	785,042	6,269,006	
-	1,191,599	-	-	1,191,599	
-	450,873	4,846	20,941	476,660	
-	243,075	7,044	20,509	270,628	
-	3,563,821	393,080	145,471	4,102,372	
-	10,456,745	881,557	971,963	12,310,265	
<u>1,495</u>	<u>(1,236,097)</u>	<u>(280,281)</u>	<u>(141,772)</u>	<u>(1,658,150)</u>	
11,679	320,219	224	-	320,443	
(817)	(159,197)	(85,339)	(63,554)	(308,090)	
-	476	-	489	965	
<u>10,862</u>	<u>161,498</u>	<u>(85,115)</u>	<u>(63,065)</u>	<u>13,318</u>	
<u>12,357</u>	<u>(1,074,599)</u>	<u>(365,396)</u>	<u>(204,837)</u>	<u>(1,644,832)</u>	
-	1,958,051	-	-	1,958,051	
1,052,371	3,478,719	58,905	152,217	3,689,841	
(2,426,348)	(3,488,719)	-	-	(3,488,719)	
<u>(1,373,977)</u>	<u>(10,000)</u>	<u>58,905</u>	<u>152,217</u>	<u>201,122</u>	
(1,361,620)	873,452	(306,491)	(52,620)	514,341	
<u>2,308,234</u>	<u>70,347,096</u>	<u>15,777,118</u>	<u>6,210,535</u>	<u>92,334,749</u>	
<u>\$ 946,614</u>	<u>\$ 71,220,548</u>	<u>\$ 15,470,627</u>	<u>\$ 6,157,915</u>	<u>\$ 92,849,090</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, 2016

	SANITARY DISTRICT		
	SEWER OPERATIONS	WATER OPERATIONS	RESTRICTED FUND
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers and users	\$ 5,421,245	\$ 2,202,453	\$ 509,735
Receipts from other operating sources	68,309	155,300	-
Receipts from bond interest reimbursement - Build America Bond	-	-	-
Increase in accounts receivable	-	(4,520)	-
Payments to suppliers	(1,797,914)	(847,159)	-
Payments to employees and on behalf of employees	(2,690,124)	(995,736)	-
Net Cash Provided by Operating Activities	<u>1,001,516</u>	<u>510,338</u>	<u>509,735</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Transfers in from other funds	1,059,710	-	1,366,638
Receipts from interfund loans	212,793	-	-
Transfers to other funds	(5,000)	(5,000)	(1,052,371)
Principal paid on interfund loans	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,267,503</u>	<u>(5,000)</u>	<u>314,267</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Proceeds from the disposition of capital assets	344	132	-
Adjustment for capital grants	-	-	-
Principal paid on capital debt	(897,616)	-	-
Proceeds from the sale of bonds	-	-	-
Proceeds from refunding of long term debt	-	-	-
Premium on sale of bonds	-	-	-
Interest paid on capital debt	(162,093)	-	-
Acquisition and construction of capital assets	(811,409)	(23,427)	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,870,774)</u>	<u>(23,295)</u>	<u>-</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
Net Cash Provided by Investing Activities - Investment Income	<u>100,415</u>	<u>85,556</u>	<u>122,569</u>
Net Increase (Decrease) in Cash and Cash Equivalents	498,660	567,599	946,571
Balances - Beginning of the year	<u>6,874,424</u>	<u>3,594,833</u>	<u>5,848,392</u>
Balances - End of the year	<u>\$ 7,373,084</u>	<u>\$ 4,162,432</u>	<u>\$ 6,794,963</u>
<u>Reconciliation of operating income (loss) to net cash provided by operating activities</u>			
Operating income (loss)	\$ (2,092,082)	\$ (194,501)	\$ 1,048,991
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	3,010,475	553,346	-
Effect of changes in operating assets and liabilities:			
Accounts receivable, net	(153,626)	(27,801)	(539,256)
Special assessments receivable, net	-	-	(427,479)
Operating grants receivable	(40,679)	(4,520)	-
Build America Bonds Interest receivable	-	-	-
Inventories and Prepaid Expenses	(40,039)	-	-
Vendor accounts payable	(141,809)	31,424	-
Compensated absences	14,542	3,925	-
Other Post-Employment Benefit Obligation	356,611	94,262	-
Pension Obligation	188,872	54,203	-
Escrow deposits payable	(241)	-	-
Deferred revenue collected in advance	(100,508)	-	427,479
Net Cash Provided by Operating Activities	<u>\$ 1,001,516</u>	<u>\$ 510,338</u>	<u>\$ 509,735</u>
<u>Noncash investing, capital and financing activities:</u>			
Donation of capital assets (infrastructure) by developers	<u>\$ 950,371</u>	<u>\$ 1,007,680</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, 2016

(CONTINUED)

SANITARY DISTRICT						TOTAL PRIMARY GOVERNMENT ENTERPRISE FUNDS
DEBT SERVICE FUND	TOTAL	BAY BRIDGE AIRPORT	NON-MAJOR ENTERPRISE FUNDS			
\$ 21,031	\$ 8,154,464	\$ 33,265	\$ 718,947	\$ 8,906,676		
-	223,609	553,020	84,356	860,985		
-	-	2,361	12,572	14,933		
-	(4,520)	-	-	(4,520)		
-	(2,645,073)	(408,910)	(427,488)	(3,481,471)		
-	<u>(3,685,860)</u>	<u>(119,615)</u>	<u>(348,620)</u>	<u>(4,154,095)</u>		
21,031	2,042,620	60,121	39,767	2,142,508		
1,052,371	3,478,719	58,905	152,217	3,689,841		
174,985	387,778	1,308,296	432,806	2,128,880		
(2,426,348)	(3,488,719)	-	-	(3,488,719)		
<u>(387,778)</u>	<u>(387,778)</u>	<u>-</u>	<u>(396,254)</u>	<u>(784,032)</u>		
(1,586,770)	(10,000)	1,367,201	188,769	1,545,970		
-	476	-	489	965		
-	-	(42,142)	-	(42,142)		
(19,663)	(917,279)	(175,513)	(488,122)	(1,580,914)		
-	-	101,614	85,636	187,250		
-	-	88,165	339,062	427,227		
-	-	13,516	33,868	47,384		
(885)	(162,978)	(75,530)	(66,449)	(304,957)		
-	<u>(834,836)</u>	<u>(399,238)</u>	<u>(123,971)</u>	<u>(1,358,045)</u>		
(20,548)	(1,914,617)	(489,128)	(219,487)	(2,623,232)		
11,679	320,219	224	-	320,443		
(1,574,608)	438,222	938,418	9,049	1,385,689		
2,695,383	19,013,032	37,342	807,020	19,857,394		
<u>\$ 1,120,775</u>	<u>\$ 19,451,254</u>	<u>\$ 975,760</u>	<u>\$ 816,069</u>	<u>\$ 21,243,083</u>		
\$ 1,495	\$ (1,236,097)	\$ (280,281)	\$ (141,772)	\$ (1,658,150)		
-	3,563,821	393,080	145,471	4,102,372		
14,192	(706,491)	(16,001)	(9,989)	(732,481)		
6,839	(420,640)	-	-	(420,640)		
-	(45,199)	-	(4,408)	(49,607)		
-	-	21	100	121		
-	(40,039)	(20,538)	(1,145)	(61,722)		
-	(110,385)	(34,323)	6,983	(137,725)		
-	18,467	2,923	3,096	24,486		
-	450,873	4,846	20,941	476,660		
-	243,075	7,044	20,509	270,628		
-	(241)	3,350	-	3,109		
<u>(1,495)</u>	<u>325,476</u>	<u>-</u>	<u>(19)</u>	<u>325,457</u>		
<u>\$ 21,031</u>	<u>\$ 2,042,620</u>	<u>\$ 60,121</u>	<u>\$ 39,767</u>	<u>\$ 2,142,508</u>		
<u>\$ -</u>	<u>\$ 1,958,051</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,958,051</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, 2016

	PRIVATE PURPOSE TRUST FUND	OTHER POST-EMPLOYMENT BENEFIT TRUST FUND	AGENCY FUNDS
	TAX SALE DEPOSITS		
ASSETS			
Cash and Cash Equivalents	\$ 115,619	\$ 3,498,418	\$ 616,029
Total Assets	<u>115,619</u>	<u>3,498,418</u>	<u>\$ 616,029</u>
LIABILITIES			
Due to Other Governments	-	157,033	\$ 221,024
Deposits and Escrows	<u>-</u>	<u>-</u>	<u>395,005</u>
Total Liabilities	<u>-</u>	<u>157,033</u>	<u>\$ 616,029</u>
NET POSITION			
Held in Trust	<u>\$ 115,619</u>	<u>\$ 3,341,385</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, 2016

		PRIVATE PURPOSE TRUST FUND
		<u>TAX SALE DEPOSITS</u>
ADDITIONS		
Total Additions - Tax Sale Collections in Excess of Tax Due	\$	10,629
DEDUCTIONS		
Distributions to Property Holders		59,238
Distributions to General Fund per State Statute		<u>71,216</u>
TOTAL DEDUCTIONS		130,454
Change in Assets		(119,825)
NET POSITION HELD IN TRUST		
Net Position-Beginning of Year		<u>235,444</u>
Net Position-End of Year	\$	<u><u>115,619</u></u>
		OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
ADDITIONS		
CONTRIBUTIONS		
Employers	\$	3,895,015
Members		<u>1,068,469</u>
TOTAL CONTRIBUTIONS		<u>4,963,484</u>
Investment Income		<u>7,616</u>
Total Additions		<u>4,971,100</u>
DEDUCTIONS		
Claims Paid		4,125,485
Miscellaneous Fees		<u>5</u>
Total Deductions		<u>4,125,490</u>
Change in Assets		845,610
NET POSITION HELD IN TRUST		
Net Position-Beginning of Year		<u>2,495,775</u>
Net Position-End of Year	\$	<u><u>3,341,385</u></u>

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
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QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016

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.

For the most part, the effect of interfund activity has been removed from these statements.

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, 2016

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, 2016

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, 2016

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 twenty non-major governmental funds, which are used to account for and report the proceeds of specific revenue sources. Included in the twenty non-major governmental funds are seventeen 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 7,000 customers.

Water Operations - This fund is used to account for the operation of the water supply system serving approximately 4,300 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, 2016

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. Currently, the only other agency participating is Kent County, Maryland.

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, 2016

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 (\$1,000 for computers) 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, 2016

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	3 - 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

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. Additional details regarding other post-employment benefits can be found in Notes 9 and 14.

Primary Government – 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, 2016, the other post-employment benefit obligation amounted to \$41,940,368, including both governmental (\$35,511,934) and business-type activities (\$6,428,434).

Component Unit - Board of Education – For the year ended June 30, 2016, the other post-employment benefit obligation for the Board of Education amounted to \$46,364,269.

Component Unit – Free Library – For the year ended June 30, 2016, the other post-employment benefit obligation for the Library amounted to \$1,270,777.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7) Net Pension Liability

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. Additional details regarding retirement benefits can be found in Note 12.

Primary Government – For the year ended June 30, 2016, the net pension liability amounted to \$24,721,248, including both governmental (\$22,591,512) and business-type activities (\$2,129,736).

Component Unit - Board of Education – For the year ended June 30, 2016, the net pension liability for the Board of Education amounted to \$4,546,868.

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 \$2,779,360 at June 30, 2016, including both governmental (\$2,444,756) and business-type activities (\$334,604).

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, 2016 amounted to \$998,798. Because payment of sick leave is contingent upon an 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, 2016

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 \$68,327,344. 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, 2016, the County has reported outstanding general obligation debt related to assets held by the Board of Education amounting to \$63,271,304 (of which \$62,895,210 has been spent and the remaining \$376,094 relates to unspent bond proceeds). Absent the effect of this relationship, the County would have reported an unrestricted net deficit of \$5,056,040 for governmental activities.

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, 2016, 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 represent 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		\$ 21,063,295
Business-type activities:		
Debt Service	\$ 946,614	
Capital Projects	<u>753,300</u>	<u>1,699,914</u>
Total Restricted Amounts		<u>\$ 22,763,209</u>

Note that unspent bond proceeds of \$9,255,182 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, 2016

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, 2016

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, 2016 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:

Statement No. 72, entitled *Fair Value Measurement and Application*

Statement No. 76; entitled, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*

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

Statement No. 73, entitled, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74 entitled, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, entitled, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB; and GASB Statement No. 77; entitled, *Tax Abatement Disclosures*.

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, 2016

NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

During the fiscal year, the Commissioners may adopt supplemental appropriations. For the year ended June 30, 2016, supplemental appropriations were as follows:

<u>Supplemental Appropriations</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase/ (Decrease)</u>
General Fund - expenditures and transfers	<u>\$ 125,160,950</u>	<u>\$ 126,407,631</u>	<u>\$ 1,246,681</u>
<u>Special Revenue Funds that adopt annual budgets</u>			
Non-Major Funds that adopt annual budgets -			
Department of Aging - expenditures	\$ 2,503,227	\$ 2,504,029	\$ 802
Housing & Community Services - expenditures	1,168,571	1,713,041	544,470
Economic Development Incentive- expenditures	466,025	1,266,025	800,000
Community Partnerships for Children - expenditures	1,274,932	1,067,632	(207,300)
Franchise Fee - expenditures & transfers	400,000	529,714	129,714
Hotel Tax - expenditures & transfers	520,000	929,105	409,105
Agricultural Transfer - expenditures	40,000	278,000	238,000
Rural Legacy - expenditures	-	555,233	555,233
Dredging Special Assessments - expenditures	44,425	554,201	509,776
Fire Company Impact Fees - expenditures	<u>200,500</u>	<u>294,765</u>	<u>94,265</u>
Total Special Revenue Funds that adopt annual budgets	<u>\$ 6,617,680</u>	<u>\$ 9,691,745</u>	<u>\$ 3,074,065</u>

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, Economic Development Incentive, BRIDGE, Community Partnerships for Children, Franchise Fee, Hotel Tax, 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, 2016. However, salary reversions are budgeted as a lump sum negative \$1,080,000, 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, 2016

NOTE 3 – CASH, INVESTMENTS AND INVESTMENT INCOME

A. DEPOSITS AND INVESTMENTS

PRIMARY GOVERNMENT AND FIDUCIARY FUNDS

Cash and investments were as follows at year-end:

	<u>Carrying</u> <u>Amount</u>	<u>Collected</u> <u>Bank Balances</u> <u>or Fair Value</u>	<u>Total</u> <u>Collateral</u>
Demand Deposit Accounts, Short-Term			
Certificates of Deposit and Petty Cash	\$ 29,793,647	\$ 28,486,308	\$ 32,544,935
Investment in Maryland Local			
Government Investment Pool (MLGIP)	<u>61,167,607</u>	<u>61,148,086</u>	<u>62,371,047</u>
	<u>\$ 90,961,254</u>	<u>\$ 89,634,394</u>	<u>\$ 94,915,982</u>

Cash and investments reconcile to the basic financial statements as follows:

<u>Cash and Investments</u>	<u>Primary</u> <u>Government</u>	<u>Fiduciary</u>	<u>Total</u>
Unrestricted			
Equity in Pooled Cash and Investments	\$ 67,231,993	\$ 4,230,066	\$ 71,462,059
Restricted			
Equity in Pooled Cash and Investments	<u>19,499,195</u>	<u>-</u>	<u>19,499,195</u>
	<u>\$ 86,731,188</u>	<u>\$ 4,230,066</u>	<u>\$ 90,961,254</u>

At year-end, the carrying amount of combined deposits was \$29,793,647. The collected bank balances were \$28,486,308 and of those balances, \$752,624 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.

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.

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 MLGIP seeks to maintain a constant value of \$1 per unit with unit value computed using the amortized cost method. In addition, the net asset value of the pool, marked to market, is calculated and maintained on a weekly basis to ensure a \$1 per unit constant value.

As of June 30, 2016, the County's investments, 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.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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

A. DEPOSITS AND INVESTMENTS (CONTINUED)

COMPONENT UNITS (BOARD OF EDUCATION AND LIBRARY)

Component Unit - Board of Education - At year-end, the carrying amount of deposits was \$12,555,600, including \$317,000 in certificates of deposit and excluding the carrying amount of fiduciary funds. At June 30, 2016, the Board had deposits of approximately \$13.4 million with local banks. Of the total deposits, approximately \$12.9 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 \$434,039 certificate of deposit, was \$945,206, while collected bank balances were \$974,172. Of the bank balances, \$349,513 was secured by the FDIC and \$624,659 was secured by collateral held by the pledging bank's trust department but not in the Library's name.

B. INVESTMENT INCOME

PRIMARY GOVERNMENT

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

Governmental Funds	Investment Income
Major Governmental Funds	
General Fund	\$ 92,664
General Capital Projects	40,184
Roads Capital Projects	15,692
Non-Major Governmental Funds	26,151
 Total Investment Income	 \$ 174,691
 <u>Business-Type Funds</u>	
Major Enterprise Funds	
Sanitary District	\$ 320,219
Bay Bridge Airport	224
 Total Investment Income	 \$ 320,443

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables as of June 30, 2016 for the governmental and business-type activities are as follows:

	General	General	Roads	Non-Major	Total	Total	Total
	Fund	Capital	Capital	Governmental	Governmental	Enterprise	Governmental
		Projects	Projects	Funds	Funds	Funds	and Enterprise
							Funds
Accounts Receivable							
Receivables							
Taxes - Real Property	\$ 427,903	\$ -	\$ -	\$ -	\$ 427,903	\$ -	\$ 427,903
Taxes - Other	303,926	-	-	65,900	369,826	-	369,826
Subtotal Taxes	<u>731,829</u>	<u>-</u>	<u>-</u>	<u>65,900</u>	<u>797,729</u>	<u>-</u>	<u>797,729</u>
Other Accounts Receivable:							
Queen Anne's County Public Housing Authority	-	1,084,056	-	-	1,084,056	-	1,084,056
Sanitary District - User and Septage Fees	-	-	-	-	-	679,313	679,313
Board of Education	26,984	-	-	-	26,984	-	26,984
Retirees Insurance	29,678	-	-	-	29,678	-	29,678
Governmental Funds - User Fees	5,916	-	14,830	-	20,746	-	20,746
Department of Emergency Service Receivables	12,949	-	-	-	12,949	-	12,949
Roads Inspection Fees	140,198	-	-	-	140,198	-	140,198
Public Landings Receivables	-	-	-	-	-	10,861	10,861
Airport - Fuel Sales and User and Rental Fees	-	-	-	-	-	36,681	36,681
Miscellaneous Receivables	33,806	226,421	-	27,478	287,705	-	287,705
Subtotal Other Accounts Receivable	<u>249,531</u>	<u>1,310,477</u>	<u>14,830</u>	<u>27,478</u>	<u>1,602,316</u>	<u>726,855</u>	<u>2,329,171</u>
Loans Receivable	-	-	-	6,342,579	6,342,579	-	6,342,579
Subtotal Other Accounts and Loans Receivable	<u>249,531</u>	<u>1,310,477</u>	<u>14,830</u>	<u>6,370,057</u>	<u>7,944,895</u>	<u>726,855</u>	<u>8,671,750</u>
Special Assessments	-	-	156,595	461,391	617,986	-	617,986
Intergovernmental							
Income Taxes Held by State	7,752,204	-	-	-	7,752,204	-	7,752,204
Grants Receivable	625,344	350,968	-	401,829	1,378,141	179,955	1,558,096
Recordation Tax	493,227	-	-	149,266	642,493	-	642,493
State-Shared Highway User Tax	119,537	-	-	-	119,537	-	119,537
Bonds Receivable	712,105	-	-	-	712,105	-	712,105
Subtotal Intergovernmental	<u>9,702,417</u>	<u>350,968</u>	<u>-</u>	<u>551,095</u>	<u>10,604,480</u>	<u>179,955</u>	<u>10,784,435</u>
Restricted Receivables							
Accounts Receivable	-	-	-	-	-	546,683	546,683
Special Assessments	-	-	-	-	-	1,381,066	1,381,066
Subtotal Restricted Receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,927,749</u>	<u>1,927,749</u>
Total Receivables	<u>\$ 10,683,777</u>	<u>\$ 1,661,445</u>	<u>\$ 171,425</u>	<u>\$ 7,448,443</u>	<u>\$ 19,965,090</u>	<u>\$ 2,834,559</u>	<u>\$ 22,799,649</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 \$4.5 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, 2016

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 \$485,634 and \$226,471, respectively, for a total of \$712,105. 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 \$4.5 million included in the Government-Wide Statement of Net Position. Details are included on the previous page.

Loans receivable in the amount of \$6,342,579 relate to the Housing and Community Services, Impact Fees, and Revolving Loan Special Revenue Funds. Loans receivable in the amount of \$4,910,365 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 \$134,514 are also repaid over a number of years.

The remaining loan receivable balance of \$1,297,700 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 \$7,752,204 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 \$617,986 represent receivables for governmental activities. Part of this amount consists of \$156,595 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 \$461,391 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 \$1,381,066 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, 2016

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:

<u>Governmental Funds</u>	<u>Unearned Revenue</u>
General Fund	
Property Tax Deferrals	\$ 21,518
Grant Drawdowns in Excess of Expenditures	1,837
Inspection Fees Collected in Advance	<u>647,355</u>
Subtotal	<u>670,710</u>
General Capital Projects Fund	
Grant Drawdowns in excess of Expenditures	<u>53,907</u>
Non-Major Governmental Funds	
Grant Drawdowns in Excess of Expenditures	<u>185,219</u>
Total Unearned Revenue	<u><u>\$ 909,836</u></u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – CAPITAL ASSETS

PRIMARY GOVERNMENT

Changes in the County's capital assets for governmental activities for the year ended June 30, 2016 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, 2015	Increases	Transfers	Decreases	Balance June 30, 2016
Capital Assets, not being depreciated:					
Land	\$ 39,642,798	\$ 791,089	\$ -	\$ (1,398,958)	\$ 39,034,929
Intangible Rights - Easements	821,819	-	-	-	821,819
Land Improvements	3,448,083	-	-	-	3,448,083
Construction in Progress	10,986,604	7,347,862	(910,367)	-	17,424,099
Land - Inexhaustible Infrastructure Improvements	44,394,332	-	-	(564,054)	43,830,278
Total Capital Assets, not being depreciated	99,293,636	8,138,951	(910,367)	(1,963,012)	104,559,208
Capital Assets, being depreciated:					
Buildings and Building Improvements	41,684,071	184,709	-	-	41,868,780
Improvements other than Buildings	9,577,406	170,421	454,956	-	10,202,783
Vehicles	11,477,502	1,275,775	-	(774,919)	11,978,358
Equipment	9,557,978	1,244,635	455,411	(281,252)	10,976,772
Furniture and Fixtures	10,482,725	192,282	-	(982,059)	9,692,948
Infrastructure Improvements - Depreciable	18,926,771	-	-	(141,013)	18,785,758
Total Capital Assets, being depreciated	101,706,453	3,067,822	910,367	(2,179,243)	103,505,399
Less Accumulated Depreciation for:					
Buildings and Building Improvements	12,882,078	927,660	-	-	13,809,738
Improvements other than Buildings	2,138,663	328,446	-	-	2,467,109
Vehicles	6,776,202	860,048	-	(742,158)	6,894,092
Equipment	6,154,688	575,051	-	(269,423)	6,460,316
Furniture and Fixtures	9,285,258	243,748	-	(860,634)	8,668,372
Infrastructure Improvements - Depreciable	7,897,299	314,972	-	(109,366)	8,102,905
Total Accumulated Depreciation	45,134,188	3,249,925	-	(1,981,581)	46,402,532
Total Capital Assets, being depreciated, net	56,572,265	(182,103)	910,367	(197,662)	57,102,867
Governmental activities Capital Assets, net	\$ 155,865,901	\$ 7,956,848	\$ -	\$ (2,160,674)	\$ 161,662,075

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 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, 2015	Increases	Transfers	Decreases	Balance June 30, 2016
Capital Assets, not being depreciated:					
Land	\$ 12,929,533	\$ -	\$ -	\$ -	\$ 12,929,533
Land Improvements	9,500	-	-	-	9,500
Intangible Rights	6,140	-	-	-	6,140
Construction in Progress	850,582	1,062,443	-	-	1,913,025
Land - Inexhaustible Infrastructure Improvements	2,481,094	-	-	-	2,481,094
Total Capital Assets, not being depreciated	16,276,849	1,062,443	-	-	17,339,292
Capital Assets, being depreciated:					
Buildings and Improvements to Buildings	14,703,860	-	-	-	14,703,860
Improvements other than Buildings	14,824,467	-	-	-	14,824,467
Vehicles	1,431,720	17,259	-	(49,047)	1,399,932
Equipment	22,507,042	275,886	-	-	22,782,928
Furniture and Fixtures	47,439	2,458	-	-	49,897
Infrastructure Improvements - Depreciable	77,866,782	1,958,050	-	-	79,824,832
Total Capital Assets, being depreciated	131,381,310	2,253,653	-	(49,047)	133,585,916
Less Accumulated Depreciation for:					
Buildings and Improvements to Buildings	7,902,803	612,442	-	-	8,515,245
Improvements other than Buildings	4,112,821	517,601	-	-	4,630,422
Vehicles	1,074,244	70,188	-	(49,047)	1,095,385
Equipment	11,069,512	1,066,688	-	-	12,136,200
Furniture and Fixtures	28,375	3,156	-	-	31,531
Infrastructure Improvements - Depreciable	27,826,528	1,832,297	-	-	29,658,825
Total Accumulated Depreciation	52,014,283	4,102,372	-	(49,047)	56,067,608
Total Capital Assets, being depreciated, net	79,367,027	(1,848,719)	-	-	77,518,308
Business-Type activities Capital Assets, net	\$ 95,643,876	\$ (786,276)	\$ -	\$ -	\$ 94,857,600

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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	\$ 255,961
Public Safety	910,835
Public Works	1,616,922
Health	21,121
Social Services	349,620
Library	25,848
Conservation of Natural Resources	31,488
Economic/Community Development	<u>38,130</u>
	<u>\$ 3,249,925</u>
<u>Business-Type Activities</u>	
Major Enterprise Funds:	
Sanitary District	\$ 3,563,821
Bay Bridge Airport	393,080
Non-Major Enterprise Funds	<u>145,471</u>
	<u>\$ 4,102,372</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – CAPITAL ASSETS (CONTINUED)

COMPONENT UNITS

Board of Education: Capital asset activity for the year ended June 30, 2016 is as follows:

<u>Board of Education</u>	Balance <u>June 30, 2015</u>	Increases	Decreases	Balance <u>June 30, 2016</u>
Capital Assets, not being depreciated:				
Land	\$ 6,363,040	\$ -	\$ -	\$ 6,363,040
Construction in Progress	<u>20,720,345</u>	<u>2,932,070</u>	<u>-</u>	<u>23,652,415</u>
Total Capital Assets, not being depreciated	<u>27,083,385</u>	<u>2,932,070</u>	<u>-</u>	<u>30,015,455</u>
Capital Assets, being depreciated:				
Land Improvements	5,368,196	5,395	(3,900)	5,369,691
Buildings	184,267,991	-	(73,732)	184,194,259
Furniture and Equipment	<u>14,695,699</u>	<u>853,681</u>	<u>(273,560)</u>	<u>15,275,820</u>
Total Capital Assets, being depreciated	<u>204,331,886</u>	<u>859,076</u>	<u>(351,192)</u>	<u>204,839,770</u>
Less Accumulated Depreciation for:				
Land Improvements	3,979,941	176,227	(3,900)	4,152,268
Building	47,976,534	3,767,939	(42,391)	51,702,082
Furniture and Equipment	<u>7,143,087</u>	<u>1,200,421</u>	<u>(229,085)</u>	<u>8,114,423</u>
Total Accumulated Depreciation	<u>59,099,562</u>	<u>5,144,587</u>	<u>(275,376)</u>	<u>63,968,773</u>
Total Capital Assets, being depreciated, net	<u>145,232,324</u>	<u>(4,285,511)</u>	<u>(75,816)</u>	<u>140,870,997</u>
Capital Assets, net	<u>\$ 172,315,709</u>	<u>\$ (1,353,441)</u>	<u>\$ (75,816)</u>	<u>\$ 170,886,452</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 – CAPITAL ASSETS (CONTINUED)

COMPONENT UNITS (CONTINUED)

Queen Anne's County Free Library: Capital asset activity for the year ended June 30, 2016 is as follows:

<u>Library</u>	<u>Balance June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2016</u>
Capital Assets, not being depreciated:				
Artwork	\$ 29,850	\$ -	\$ -	\$ 29,850
Capital Assets, being depreciated:				
Books and Media	2,180,086	159,860	(305,915)	2,034,031
Building Improvements	311,523	13,057	-	324,580
Equipment	22,870	-	-	22,870
Total Capital Assets, being depreciated	<u>2,514,479</u>	<u>172,917</u>	<u>(305,915)</u>	<u>2,381,481</u>
Less Accumulated Depreciation	<u>1,420,715</u>	<u>131,357</u>	<u>(275,323)</u>	<u>1,276,749</u>
Total Capital Assets, being depreciated, net	<u>1,093,764</u>	<u>41,560</u>	<u>(30,592)</u>	<u>1,104,732</u>
Capital Assets, net	<u>\$ 1,123,614</u>	<u>\$ 41,560</u>	<u>\$ (30,592)</u>	<u>\$ 1,134,582</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016:

	Due from Fund				Total Due
	Non-Major Governmental	Sanitary District	Bay Bridge Airport	Non-Major Enterprise	
<u>Due to Fund</u>					
General Fund	\$ 278,108	\$ -	\$ -	\$ 432,806	\$ 710,914
General Capital Projects	49,874	-	1,308,296	-	1,358,170
Sanitary District	-	174,985	-	-	174,985
Total Due to Other Funds	<u>\$ 327,982</u>	<u>\$ 174,985</u>	<u>\$ 1,308,296</u>	<u>\$ 432,806</u>	<u>\$ 2,244,069</u>

Note that there is a \$329 reconciling item between the Board of Education and the County as of June 30, 2016 due to a timing difference for an expense incurred by the Board of Education.

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, 2016

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, 2016:

	<u>Transfers in Fund</u>							Total Transfers In
	Total Transfers Out	General Fund	General Capital Projects	Roads Capital	Non-Major Governmental	Major Enterprise	Non-Major Enterprise	
Transfers Out Fund								
General Fund	\$ 5,619,520	\$ -	\$ 3,361,482	\$ -	\$ 2,107,437	\$ 25,000	\$ 125,601	\$ 5,619,520
General Capital Projects (1)	3,131,080	-	-	2,968,945	-	33,905	26,616	3,029,466
Roads Capital Projects	225,000	-	-	-	225,000	-	-	225,000
Total Major Governmental Funds	<u>8,975,600</u>	<u>-</u>	<u>3,361,482</u>	<u>2,968,945</u>	<u>2,332,437</u>	<u>58,905</u>	<u>152,217</u>	<u>8,873,986</u>
Non-Major Governmental	<u>1,268,187</u>	<u>1,268,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,268,187</u>
Sanitary District - Sewer	5,000	-	5,000	-	-	-	-	5,000
Sanitary District - Water	5,000	-	5,000	-	-	-	-	5,000
Sanitary District - Restricted	1,052,371	-	-	-	-	1,052,371	-	1,052,371
Sanitary District - Debt Service	2,426,348	-	-	-	-	2,426,348	-	2,426,348
Total Major Enterprise Funds	<u>3,488,719</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>3,478,719</u>	<u>-</u>	<u>3,488,719</u>
Total Transfers Out	<u>\$ 13,732,506</u>	<u>\$ 1,268,187</u>	<u>\$ 3,371,482</u>	<u>\$ 2,968,945</u>	<u>\$ 2,332,437</u>	<u>\$ 3,537,624</u>	<u>\$ 152,217</u>	<u>\$ 13,630,892</u>

(1) In fiscal year 2016, the General Capital Projects Fund transferred 2015 bond proceeds in the amounts of \$101,614 to the Bay Bridge Airport Fund. The transaction was appropriately recorded on the Enterprise Fund books as an increase in debt liability and on the General Capital Projects Fund's books as a transfer out. Since enterprise funds and governmental funds record such transactions differently, the \$101,614 is reported in the above table only as a transfer out with no corresponding transfer in.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 - NONCURRENT LIABILITIES

A. CHANGES IN NONCURRENT LIABILITIES

During the year ended June 30, 2016, the following changes occurred in the noncurrent liabilities of the primary government's governmental activities:

<u>PRIMARY GOVERNMENT</u>						
<u>Governmental Activities</u>	Balance June 30, 2015	Additions of debt	Retirements and Repayments	Balance June 30, 2016	Due Within One Year	Due in More than One Year
General Bonds Payable	\$ 102,262,737	\$ 21,977,137	\$ 15,990,993	\$ 108,248,881	\$ 7,864,499	\$ 100,384,382
General Bonds Payable - Related to PHA	1,158,825	-	74,769	1,084,056	75,139	1,008,917
General Bonds Payable - Related to Ches College	4,631,710	-	167,217	4,464,493	173,649	4,290,844
Notes Payable	784,785	1,550,275	421,861	1,913,199	390,700	1,522,499
Bond Premiums	4,006,781	1,650,448	476,750	5,180,479	525,682	4,654,797
Subtotal Governmental Activities Debt	112,844,838	25,177,860	17,131,590	120,891,108	9,029,669	111,861,439
Other Post-Employment Benefit Obligation	33,920,346	3,712,904	2,121,316	35,511,934	-	35,511,934
Net Pension Liability	16,857,736	5,733,776	-	22,591,512	-	22,591,512
Compensated Absences	2,297,920	1,490,740	1,343,904	2,444,756	1,478,910	965,846
Total Governmental Activities Debt	<u>\$ 165,920,840</u>	<u>\$ 36,115,280</u>	20,596,810	<u>\$ 181,439,310</u>	<u>\$ 10,508,579</u>	<u>\$ 170,930,731</u>
Less College Reimbursements			(197,588)			
Total Governmental Retirements and Repayments			<u>\$ 20,399,222</u>			

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	\$ 15,990,993
Notes Payable	421,861
LESS: Payment to Bond Refunding Agent	(8,446,336)
LESS: Distributions of 2015 Bonds	(101,614)
LESS: College Reimbursements	(197,588)
Total Principal Payments	<u>\$ 7,667,316</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 \$197,588 for this year's principal and interest payments.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

A. CHANGES IN NONCURRENT LIABILITIES (CONTINUED)

During the year ended June 30, 2016, the following changes occurred in the noncurrent liabilities of the primary government's business-type activities:

<u>PRIMARY GOVERNMENT</u>						
<u>Business-Type Activities</u>	Balance June 30, 2015	Additions of debt	Retirements and Repayments	Balance June 30, 2016	Due Within One Year	Due in More than One Year
Golf Course	\$ 441,075	\$ 424,698	\$ 441,075	\$ 424,698	\$ 127,298	\$ 297,400
Bay Bridge Airport	2,028,016	189,779	175,513	2,042,282	125,889	1,916,393
Public Landings and Marinas	927,637	-	47,047	880,590	48,525	832,065
Sanitary District	11,388,918	-	917,279	10,471,639	906,592	9,565,047
Subtotal Debt	14,785,646	614,477	1,580,914	13,819,209	1,208,304	12,610,905
Bond Premiums						
Golf Course	15,205	33,868	8,292	40,781	8,655	32,126
Bay Bridge Airport	121,444	13,516	8,870	126,090	9,189	116,901
Public Landings and Marinas	6,918	-	500	6,418	500	5,918
Subtotal Bond Premiums	143,567	47,384	17,662	173,289	18,344	154,945
Subtotal Business-Type Activities Debt	14,929,213	661,861	1,598,576	13,992,498	1,226,648	12,765,850
Other Post-Employment Benefit Obligation	5,951,774	476,660	-	6,428,434	-	6,428,434
Net Pension Liability	1,573,426	556,310	-	2,129,736	-	2,129,736
Compensated Absences	310,118	205,854	181,368	334,604	202,413	132,191
Total Business-Type Activities Debt	<u>\$ 22,764,531</u>	<u>\$ 1,900,685</u>	<u>\$ 1,779,944</u>	<u>\$ 22,885,272</u>	<u>\$ 1,429,061</u>	<u>\$ 21,456,211</u>

Additions of debt listed for the Airport include \$101,614 in distributions of the 2015 bonds (see comment in Note 8), along with distributions from the 2016 refunding bonds.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

A. CHANGES IN NONCURRENT LIABILITIES (CONTINUED)

During the year ended June 30, 2016, the following changes occurred in the noncurrent liabilities of the primary government's Component Units:

<u>COMPONENT UNITS</u>	Balance June 30, 2015	Additions of new debt	Retirements and Repayments	Balance June 30, 2016	Due Within One Year	Due in More than One Year
Queen Anne's County						
Board of Education						
Retirement Incentives	\$ 8,905	\$ -	\$ 3,128	\$ 5,777	\$ 3,128	\$ 2,649
Compensated Absences	1,095,985	-	97,187	998,798	370,230	628,568
Capital Leases	3,085,047	-	322,301	2,762,746	333,846	2,428,900
Other Post-Employment Benefit Obligation	40,085,868	8,032,000	1,753,599	46,364,269	-	46,364,269
Net Pension Liability	3,569,488	977,380	-	4,546,868	-	4,546,868
Subtotal	47,845,293	9,009,380	2,176,215	54,678,458	707,204	53,971,254
Free Library						
Other Post-Employment Benefit Obligation	1,259,558	11,219	-	1,270,777	-	1,270,777
Total Noncurrent Liabilities: Component Units	<u>\$ 49,104,851</u>	<u>\$ 9,020,599</u>	<u>\$ 2,176,215</u>	<u>\$ 55,949,235</u>	<u>\$ 707,204</u>	<u>\$ 55,242,031</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 2009, the County implemented the provisions of Governmental Accounting Standards Board (GASB) Statement 43, *Financial Reporting for Post-Employment Benefit Plans Other than Pension Plans* and GASB 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits 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, 2016

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, 2016, 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, 2016</u>	<u>Due Within One Year</u>	<u>Due in More than One Year</u>
<u>General Obligation Bonds Payable</u>							
2006 Public Facilities	General	4.000%-5.375%	2027	\$ 22,510,212	\$ 1,079,987	\$ 1,079,987	\$ -
2009 Public Facilities	General	1.400%-5.625%	2030	28,499,154	21,585,717	1,193,766	20,391,951
2011 Public Facilities	General	2.00%-4.25%	2031	21,532,570	17,599,895	863,585	16,736,310
2012 Refunding Bonds	General	2.00%-4.00%	2023	8,010,000	5,678,264	726,403	4,951,861
2014 Public Facilities	General	2.00%-4.00%	2034	17,590,000	15,430,404	600,174	14,830,230
2015 Public Facilities	General	3.00%-5.00%	2036	11,622,756	11,521,142	380,984	11,140,158
2015 Refunding Bonds	General	2.00%-5.00%	2027	13,521,625	13,376,335	-	13,376,335
2016 Public Facilities	General	2.00%-4.00%	2036	13,934,364	13,934,364	-	13,934,364
2016 Refunding Bonds	General	2.00%-5.00%	2019	8,042,773	8,042,773	3,019,600	5,023,173
2006 Public Facilities	Due from PHA	4.000%-5.375%	2027	399,728	19,178	19,178	-
2009 Public Facilities	Due from PHA	1.400%-5.625%	2030	872,644	675,610	37,364	638,246
2012 Refunding Bonds (2003 Bonds)	Due from PHA	3.50%-4.50%	2023	335,000	151,736	18,597	133,139
2015 Refunding Facilities (2006 Bonds)	Due from PHA	2.00%-3.00%	2027	240,112	237,532	-	237,532
2014 Public Facilities	Due from other Counties	2.00%-4.00%	2034	4,800,000	4,464,493	173,649	4,290,844
Subtotal Bonds Payable					<u>113,797,430</u>	<u>8,113,287</u>	<u>105,684,143</u>
<u>Notes Payable</u>							
State of Maryland - Price Ck.	Spec. Rev.	0.00%	2021	625,000	120,000	24,000	96,000
State of Maryland - Grove Ck.	Spec. Rev.	0.00%	2034	510,617	367,642	20,425	347,217
State of Maryland - Narrows Pointe	Spec. Rev.	0.00%	2030	15,542	525,318	-	525,318
Suntrust Financing	General	2.01%	2016	564,068	115,059	115,059	-
Suntrust Financing	General	2.51%	2020	1,215,590	785,180	231,216	553,964
Subtotal Notes Payable					<u>1,913,199</u>	<u>390,700</u>	<u>1,522,499</u>
Subtotal Bonds and Notes Payable					115,710,629	8,503,987	107,206,642
Bond Premiums					<u>5,180,479</u>	<u>525,682</u>	<u>4,654,797</u>
Subtotal Governmental Activities Debt					120,891,108	9,029,669	111,861,439
Other Post-Employment Benefit Obligation					35,511,934	-	35,511,934
Net Pension Liability					22,591,512	-	22,591,512
Compensated Absences					<u>2,444,756</u>	<u>1,478,910</u>	<u>965,846</u>
Total Governmental Activities					<u>\$ 181,439,310</u>	<u>\$ 10,508,579</u>	<u>\$ 170,930,731</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 for governmental activities are as follows:

Year Ending June 30,	Governmental Bonds Payable			Governmental Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 8,113,287	\$ 4,337,640	\$ 12,450,927	\$ 390,700	\$ 26,439	\$ 417,139
2018	7,331,838	4,148,272	11,480,110	806,762	18,299	825,061
2019	7,631,976	3,866,633	11,498,609	287,394	12,350	299,744
2020	7,900,179	3,555,498	11,455,677	118,401	6,252	124,653
2021	6,445,519	3,254,900	9,700,419	44,425	-	44,425
2022-2026	33,591,699	12,022,706	45,614,405	102,125	-	102,125
2027-2031	29,336,766	5,408,386	34,745,152	102,125	-	102,125
2032-2036	12,487,060	1,188,197	13,675,257	61,267	-	61,267
2037	959,106	15,587	974,693	-	-	-
	<u>\$ 113,797,430</u>	<u>\$ 37,797,819</u>	<u>\$ 151,595,249</u>	<u>\$ 1,913,199</u>	<u>\$ 63,340</u>	<u>\$ 1,976,539</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 \$376,302 during fiscal year 2016, 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	\$ 1,111,301	\$ (361,490)	\$ 749,811
Business-Type Activities			
Bay Bridge Airport	7,174	(2,340)	4,834
Public Landings and Marinas	38,191	(12,472)	25,719
Total Business-Type Activities	45,365	(14,812)	30,553
Total	<u>\$ 1,156,666</u>	<u>\$ (376,302)</u>	<u>\$ 780,364</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016 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, 2016	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	\$ 85,636	\$ -	\$ 85,636
2016 Refunding Bonds	2.00%-5.00%	2019	339,062	339,062	127,298	211,764
Bond Premiums				40,781	8,655	32,126
Subtotal Golf Course				465,479	135,953	329,526
<u>Bay Bridge Airport</u>						
2006 Public Facilities Bonds	4.000%-5.375%	2027	288,928	13,862	13,862	-
2009 Public Facilities Bonds	1.400%-5.625%	2030	180,501	139,745	7,728	132,017
2011 Public Facilities Bonds	2.00%-4.25%	2031	21,968	19,858	1,005	18,853
2014 Public Facilities Bonds	2.00%-4.00%	2034	964,940	930,103	36,177	893,926
2015 Public Facilities Bonds	3.00%-5.00%	2036	577,244	678,858	34,016	644,842
2015 Refunding Bonds	2.00%-5.00%	2027	173,556	171,691	-	171,691
2016 Refunding Bonds	2.00%-4.00%	2036	88,165	88,165	33,101	55,064
Bond Premiums				126,090	9,189	116,901
Subtotal Airport				2,168,372	135,078	2,033,294
<u>Public Landings and Marinas</u>						
2006 Public Facilities Bonds	4.000%-5.375%	2027	41,132	1,973	1,973	-
2009 Public Facilities Bonds	1.400%-5.625%	2030	947,976	743,928	41,142	702,786
2011 Public Facilities Bonds	2.00%-4.25%	2031	133,908	110,247	5,410	104,837
2015 Refunding Bonds	2.00%-5.00%	2027	24,707	24,442	-	24,442
Bond Premiums				6,418	500	5,918
Subtotal Public Landings and Marinas				887,008	49,025	837,983
<u>Sanitary District</u>						
Maryland Water Quality-2005 Enhancement	1.00%	2027	18,252,291	10,471,639	906,592	9,565,047
Total Business-Type Activities Debt				13,992,498	1,226,648	12,765,850
Other Post-Employment Benefit Obligation				6,428,434	-	6,428,434
Net Pension Liability				2,129,736	-	2,129,736
Compensated Absences				334,604	202,413	132,191
Total Business-Type Activities				\$ 22,885,272	\$ 1,429,061	\$ 21,456,211

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016, are as follows:

Year Ending June 30,	Business-Type Bonds Payable			Business-Type Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 301,712	\$ 132,651	\$ 434,363	\$ 906,592	\$ 153,117	\$ 1,059,709
2018	223,160	124,274	347,434	915,658	144,051	1,059,709
2019	233,024	114,813	347,837	924,815	134,895	1,059,710
2020	239,821	105,236	345,057	934,063	125,647	1,059,710
2021	154,481	96,436	250,917	943,404	116,307	1,059,711
2022-2026	873,302	369,719	1,243,021	4,860,431	438,121	5,298,552
2027-2031	873,234	175,691	1,048,925	986,676	58,267	1,044,943
2032-2036	442,942	38,651	481,593	-	-	-
2037	5,894	95	5,989	-	-	-
	<u>\$ 3,347,570</u>	<u>\$ 1,157,566</u>	<u>\$ 4,505,136</u>	<u>\$ 10,471,639</u>	<u>\$ 1,170,405</u>	<u>\$ 11,642,044</u>

C. ISSUANCE OF NEW DEBT

PRIMARY GOVERNMENT

On March 1, 2016, Queen Anne's County issued Public Facilities Bonds of 2016 for \$14,020,000. These General Obligation Bonds carry interest rates of 2.0 to 4.0 percent and mature serially through 2036. The primary use of the bond proceeds is to provide funding for the Department of Emergency Services radio system upgrade, the new County courthouse, and the renovation of Stevensville Middle School, with minor amounts earmarked for construction of general government and enterprise capital projects. Moody's Investor Service has assigned the rating of Aa2 and Fitch Ratings has assigned a rating of AA+ to the Queen Anne's County 2016 Bonds.

Queen Anne's County also issued Public Facilities Refunding Bonds of 2016 for \$8,470,000 on March 1, 2016. These bonds carry interest rates of 2.0 to 5.0 percent and mature serially through 2019. The net proceeds of \$9,125,938 (after receipt of \$593,017, a re-offering premium net of underwriting fees, insurance, and other issuance costs) were used to refund \$8,895,000 of the Public Facilities Refunding Bonds of 2005. The savings or aggregate difference in debt service from refunding the 2005 refunding bonds was \$663,499. The economic gain or net present value of savings from the refunding was \$665,430.

Between November 2015 and May 2016, the County received a total of \$509,776 in loan proceeds from the State of Maryland Department of Natural Resources for the remainder of the Narrows Pointe Shore Erosion Loan. The County also received \$15,542 for this loan in May 2014. The total loan amount is \$525,318 which will be repaid, without interest, in fifteen annual installments beginning July 2017.

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%. As of June 30, 2016, there is approximately \$175,000 remaining to be drawn down on the SunTrust loan. The outstanding balance of the loan as of June 30, 2016 is \$785,180.

**QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)

D. MUNICIPAL LEASE

PRIMARY GOVERNMENT

In August 2012, the County signed a note with SunTrust Equipment Financing & Leasing Corporation for the purchase of five replacement vehicles for the Sheriff’s Office and two ambulances for Emergency Services. The total amount of the note was \$564,068 and is payable over five years. This note is secured by the vehicles purchased. The first payment was made in August 2012. The annual interest rate is 2.0118%. The outstanding balance as of June 30, 2016 is \$115,059.

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, 2016 amounted to \$5,310. Minimum future lease revenues are as follows:

Fiscal Year Ending June 30,	lease payments
2017	\$ 5,525
2018	5,525
2019	5,598
2020	5,635
2021	5,635
2022-2026	28,893
2027-2031	29,824
2032-2035	20,453
Minimum Future Rental Revenue	<u>\$ 107,088</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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; (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; and (5) review and revise this Debt Policy as necessary no later than September 1, 2015. 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 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, 2016

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, 2016 are as follows:

Business -Type Activities	Sanitary District		Total
	Restricted	Debt Service	
Current Restricted Assets			
Equity in Pooled Cash	\$ 6,794,963	\$ 1,120,775	\$ 7,915,738
Accounts Receivable (Net)	546,072	611	546,683
Subtotal Current Restricted Assets	<u>7,341,035</u>	<u>1,121,386</u>	<u>8,462,421</u>
Noncurrent Restricted Assets			
Special Assessments Receivable (Net)	1,380,057	1,009	1,381,066
LESS Deferred Inflows - Unavailable Water and Sewer Assessments	<u>(1,380,057)</u>	<u>(796)</u>	<u>(1,380,853)</u>
Net Noncurrent Restricted Assets	<u>-</u>	<u>213</u>	<u>213</u>
Net Restricted Assets	<u>\$ 7,341,035</u>	<u>\$ 1,121,599</u>	<u>\$ 8,462,634</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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:

<u>Governmental Activities</u>	
Total Debt excluding Compensated Absences, Pension and OPEB Obligations (includes \$1,582,048 for deferred charge on refunding)	\$ (119,309,060)
Add back: Debt relating to Board of Education Assets	\$ 62,895,210
Add back: Unspent portion of Bond Proceeds for Board of Education debt	376,094
Add back: Unspent portion of Bond Proceeds for Governmental debt	8,879,088
Add back: Debt relating to Chesapeake College	6,865,896
Add back: Debt relating to PHA	1,084,056
Add back: Debt relating to non-capital assets (Dredging)	<u>1,012,960</u>
 Add back debt unrelated to Capital Assets	 81,113,304
 Net Assets Invested in Capital Assets	 <u>161,662,075</u>
 Net Investment in Capital Assets	 <u>\$ 123,466,319</u>

BUSINESS-TYPE ACTIVITIES

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

<u>Business-Type Activities</u>	<u>Sanitary District</u>				<u>Total Sanitary</u>	<u>Bay Bridge Airport</u>	<u>Non-Major Enterprise Funds</u>	<u>Total Enterprise Funds</u>
	<u>Sewer Operating</u>	<u>Water Operating</u>	<u>Restricted Fund</u>	<u>Debt Service Fund</u>				
Capital Assets, net of Accumulated Depreciation	\$ 52,127,864	\$ 17,050,697	\$ -	\$ -	\$ 69,178,561	\$ 18,130,912	\$ 7,548,127	\$ 94,857,600
Less: Debt excluding Compensated Absences, OPEB, and Net Pension Liability	(10,471,639)	-	-	-	(10,471,639)	(2,168,372)	(1,352,487)	(13,992,498)
Plus: Deferred Charge on Refunding	-	-	-	-	-	18,743	25,170	43,913
Net Investment in Capital Assets	<u>41,656,225</u>	<u>17,050,697</u>	<u>-</u>	<u>-</u>	<u>58,706,922</u>	<u>15,981,283</u>	<u>6,220,810</u>	<u>80,909,015</u>
 Restricted Amounts								
Debt Service	-	-	-	946,614	946,614	-	-	946,614
Capital Projects	-	-	753,300	-	753,300	-	-	753,300
 Total Restricted Amounts	 -	 -	 753,300	 946,614	 1,699,914	 -	 -	 1,699,914
 Total Unrestricted Amounts	 <u>1,775,183</u>	 <u>2,450,794</u>	 <u>6,587,735</u>	 <u>-</u>	 <u>10,813,712</u>	 <u>(510,656)</u>	 <u>(62,895)</u>	 <u>10,240,161</u>
 Total Net Position	 <u>\$ 43,431,408</u>	 <u>\$ 19,501,491</u>	 <u>\$ 7,341,035</u>	 <u>\$ 946,614</u>	 <u>\$ 71,220,548</u>	 <u>\$ 15,470,627</u>	 <u>\$ 6,157,915</u>	 <u>\$ 92,849,090</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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					
Inventory	\$ 580,083	\$ -	\$ -	\$ -	\$ 580,083
Prepaid Items	6,398	-	-	7,491	13,889
Loans Receivable	-	1,084,055	-	5,054,526	6,138,581
Subtotal Nonspendable	<u>586,481</u>	<u>1,084,055</u>	<u>-</u>	<u>5,062,017</u>	<u>6,732,553</u>
Restricted					
Rainy Day Fund	8,882,114	-	-	-	8,882,114
Unspent Bond Proceeds	-	9,255,182	-	-	9,255,182
Impact Fees	-	247,546	-	6,248,287	6,495,833
Economic and Community Development	-	-	-	4,463,015	4,463,015
Agricultural Easements	-	-	-	583,951	583,951
Inmate Welfare	-	-	-	230,199	230,199
Sheriff's Drug Task Force	-	-	-	68,238	68,238
Critical Areas	-	-	-	174,459	174,459
Mosquito Control	116,906	-	-	-	116,906
Sheriff - Federal Confiscated Funds	3,369	-	-	-	3,369
Vehicle Acquisition	-	26,468	-	-	26,468
Dredging	-	-	-	18,636	18,636
Donor-Specified Purposes	-	-	-	107	107
Subtotal Restricted	<u>9,002,389</u>	<u>9,529,196</u>	<u>-</u>	<u>11,786,892</u>	<u>30,318,477</u>
Committed					
Developer Exactions	-	79,633	610,562	-	690,195
Rubble Surcharge	-	761,754	-	-	761,754
Special Fund	3,000,000	-	-	-	3,000,000
Courthouse Project	-	1,973,752	-	-	1,973,752
Subtotal Committed	<u>3,000,000</u>	<u>2,815,139</u>	<u>610,562</u>	<u>-</u>	<u>6,425,701</u>
Assigned					
Encumbrances	-	8,015,362	1,890,965	-	9,906,327
Income Tax Contingency	825,000	-	-	-	825,000
Capital Projects	-	2,247,201	339,828	-	2,587,029
Subsequent Years' Expenditures	1,101,782	4,512,942	610,015	412,760	6,637,499
Subtotal Assigned	<u>1,926,782</u>	<u>14,775,505</u>	<u>2,840,808</u>	<u>412,760</u>	<u>19,955,855</u>
Unassigned					
General Fund	8,468,591	-	-	-	8,468,591
Fire Company Impact Fees	-	-	-	(49,874)	(49,874)
Housing and Community Services	-	-	-	(65,255)	(65,255)
Subtotal Unassigned	<u>8,468,591</u>	<u>-</u>	<u>-</u>	<u>(115,129)</u>	<u>8,353,462</u>
Total Governmental Funds Balances	<u>\$ 22,984,243</u>	<u>\$ 28,203,895</u>	<u>\$ 3,451,370</u>	<u>\$ 17,146,540</u>	<u>\$ 71,786,048</u>

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

	General Capital	Roads Capital
General Government	\$ 2,810,819	\$ -
Parks & Recreation	2,090,910	-
Economic Development	1,374,303	-
Public Safety	531,674	-
Public Works	481,471	-
Conservation of Natural Resources	461,780	-
Education	264,405	-
Resurfacing Contracts and Materials	-	1,703,965
Roads Equipment Shed	-	174,000
Roads Construction Equipment	-	13,000
Total Encumbrances	<u>\$ 8,015,362</u>	<u>\$ 1,890,965</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 2016 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.

Settlements - During fiscal years 2016 and 2015, settlements did not exceed insurance coverage for any type of policy in effect. In fiscal year 2014, the County paid out \$259,305 in front and back wages as a result of a settlement involving a former employee.

**QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

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, 2016

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, 2016

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, 2016

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, 2016

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, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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 assumption changes in the 2015 valuation: Investment return assumption changed from 7.65% to 7.55% Inflation assumption changed from 2.90% to 2.70%
Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: eight years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuation: 25 years for the State System, 26 years for the LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: seven years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	In the 2012 actuarial valuation, 3.00% general, 3.50% wage. In the 2013 actuarial valuation, 2.95% general, 3.45% wage.
Salary Increases	In the 2012 actuarial valuation, 3.50% to 10.75% including inflation. In the 2013 actuarial valuation, 3.45% to 10.70% including inflation.
Investment Rate of Return	In the 2012 actuarial valuation, 7.75%. In the 2013 actuarial valuation, 7.70%.
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-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, 2016

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	35%	6.30%
Fixed Income	10%	0.60%
Credit Opportunity	10%	3.20%
Real Return	14%	1.80%
Absolute Return	10%	4.20%
Private Equity	10%	7.20%
Real Estate	10%	4.40%
Cash	1%	0.00%
Total	100%	

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, 2015.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of the pension plan investment expense, was 2.71%. 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 7.55% 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 7.55%. 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, 2016

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 7.55%, 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 6.55%	Current Discount	1% Increase to 8.55%
County	\$ 34,939,693	\$ 24,721,248	\$ 16,248,120
Board of Education	6,426,301	4,546,868	2,988,444

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, 2016, 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	\$ 4,546,868
State's proportionate share of the net pension liability	61,362,581
Total	\$ 65,909,449

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 12 - RETIREMENT PLANS (CONTINUED)

The net pension liability was measured as of June 30, 2015, 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, 2016

NOTE 12 - RETIREMENT PLANS (CONTINUED)

At June 30, 2016, 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	0.1189567%	0.0218792%
Employer's proportionate share of the collective net pension liability	\$ 24,721,248	\$ 4,546,868
Pension expense recognized by the employer for the year ended June 30, 2016	\$ 2,974,012	\$ 818,792
Deferred outflows of resources June 30, 2015	\$ 2,773,908	\$ 512,789
Year end June 30, 2015 contributions	(2,507,287)	(461,154)
Difference between expected and actual experience	2,177,428	400,484
Change in assumptions	1,237,495	227,607
Amortization of items allowed by GASB 68	(66,655)	(12,909)
Year end June 30, 2016 contributions	2,477,009	424,398
Deferred outflows of resources June 30, 2016	\$ 6,091,898	\$ 1,091,215
Deferred inflows of resources June 30, 2015	\$ 2,017,411	\$ 390,704
Difference between expected and actual experience	506,269	93,116
Amortization of items allowed by GASB 68	(504,353)	(97,676)
Deferred inflows of resources June 30, 2016	\$ 2,019,327	\$ 386,144
NPL June 30, 2015	\$ 18,431,162	\$ 3,569,488
Change in NPL factored for contributions	6,290,086	977,380
NPL June 30, 2016	\$ 24,721,248	\$ 4,546,868

The \$2,477,009 and \$424,398 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, 2017. Other amounts reported as deferred outflows of resources will be amortized over a five year period, as follows:

	2015 Amortization			2014 Amortization		
	Deferred Outflows		Deferred Inflows	Deferred Outflows		Deferred Inflows
June 30,	Difference between expected and actual experience	Change in assumptions	Difference between expected and actual experience	Change in assumptions	Difference between expected and actual experience	
2017	\$ 544,357	\$ 254,106	\$ (103,957)	\$ 66,655	\$ (504,353)	
2018	544,357	254,106	(103,957)	66,655	(504,353)	
2019	544,357	254,106	(103,957)	66,656	(504,352)	
2020	544,357	254,106	(103,957)	-	-	
2021	-	221,071	(90,441)	-	-	
Total	\$ 2,177,428	\$ 1,237,495	\$ (506,269)	\$ 199,966	\$ (1,513,058)	

**QUEEN ANNE’S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 - RETIREMENT PLANS (CONTINUED)

	Total Payroll	Covered Payroll	On-Behalf By State
County - MD Retirement and pension	\$ 27,754,218	\$ 23,160,758	\$ -
Board of Education	57,583,209	54,372,599	5,799,139
Library	1,203,196	1,203,196	151,611

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, 2016, funds in the amount of \$157,033 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, 2016**

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. However, no funds were deposited into this trust until July 2015. In July 2015, the County transferred \$500,000 in funding from the existing Trust to the MACo Trust. No other funds have been transferred to date. 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.

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. Addresses for other participants are noted below in this Note.

Primary Government

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.

Table 1 – Subsidy for employees who retire prior to September 2, 2011

Years of County Service Prior to Retirement	Total Subsidy Percentage
14 Years	0.0%
15 Years	54.0%
16 Years	57.6%
17 Years	61.2%
18 Years	64.8%
19 Years	68.4%
20 Years	72.0%
21 Years	75.6%
22 Years	79.2%
23 Years	82.8%
24 Years	86.4%
25 or more Years	90.0% (max)

**QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

Table 2 – Subsidy for employees who retire between September 2, 2011 and August 31, 2012

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

Table 3 – Subsidy for employees who retire on or after September 1, 2012

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

Participating Agencies

The other participating entities provide medical benefits to eligible employees who retire from employment with each respective agency. Benefits and eligibility requirements vary among the different agencies. Each agency pays a percentage of the health insurance premium based on certain criteria, including length of service. In addition to medical benefits, the Board of Education pays the cost of providing term life insurance for its retirees in varying amounts, depending upon length of service and date of retirement.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Plan Description (Continued)

For detailed information on plan benefits provided by other participating agencies, as well as actuarial assumptions used to estimate OPEB obligations, see the agencies' separately-issued financial statements, which can be obtained from their administrative offices as listed below:

<p>Board of Education of Queen Anne's County 202 Chesterfield Avenue Centreville, Maryland 21617</p>	<p>Queen Anne's County Free Library 121 S. Commerce Street Centreville, MD 21617</p>	<p>Kent County Government 400 High Street Chestertown, MD 21620</p>
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Plan Membership

Plan membership as of the date of the most recent actuarial valuation consisted of the following:

<u>Plan Membership</u>	<u>Active</u>	<u>Retirees</u>
Queen Anne's County	358	209
Board of Education	827	297
Library	<u>15</u>	<u>5</u>
Total	<u>1,200</u>	<u>511</u>

Basis of Accounting and Financial Statements

The Plan's financial information is prepared on the full accrual basis of accounting. Expenses are recognized as retirees' insurance costs are incurred.

For further financial information, Summary and Combining financial statements may be found within this report, as listed in the table of contents. Required Supplementary Information may be found after these Notes.

Contributions

Each participating agency has the authority to establish and amend benefit provisions that result in contribution requirements of the plan members and the agency. The Plans are contributory plans in which the agencies and their retired members and beneficiaries contribute certain amounts toward the current cost of the healthcare benefits, based on an actuarial valuation.

To avoid reporting a liability for the current year's contribution, each employer must contribute its annual required contribution (ARC), which is an amount actuarially determined to be in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Annual OPEB Cost and Net OPEB Obligation

	Queen Anne's County	Board of Education	Library	Total for All Employers
Actuarial accrued liability (AAL)	\$ 51,063,866	\$ 88,523,000	\$ 512,774	\$ 140,099,640
Actuarial value of plan assets	<u>1,959,640</u>	<u>545,000</u>	<u>30,347</u>	<u>2,534,987</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 49,104,226</u>	<u>\$ 87,978,000</u>	<u>\$ 482,427</u>	<u>\$ 137,564,653</u>
Funded Ratio (Actuarial value of plan assets / AAL)	3.84%	0.62%	5.92%	1.81%
Annual Required Contribution (ARC)	\$ 4,206,959	\$ 8,430,000	\$ 31,872	\$ 12,668,831
Interest on Net OPEB Obligations	2,392,327	1,562,000	75,573	4,029,900
Adjustment to ARC	<u>(2,409,722)</u>	<u>(1,960,000)</u>	<u>(76,126)</u>	<u>(4,445,848)</u>
Total Annual OPEB Cost	4,189,564	8,032,000	31,319	12,252,883
Less: Trust Contributions	(838,000)	-	-	(838,000)
Less: Pay-As-You-Go Contributions	<u>(1,283,316)</u>	<u>(1,753,599)</u>	<u>(20,100)</u>	<u>(3,057,015)</u>
Total Contributions	<u>(2,121,316)</u>	<u>(1,753,599)</u>	<u>(20,100)</u>	<u>(3,895,015)</u>
Increase in Net OPEB Obligation	2,068,248	6,278,401	11,219	8,357,868
Net OPEB Obligation beginning of year	<u>39,872,120</u>	<u>40,085,868</u>	<u>1,259,558</u>	<u>81,217,546</u>
Net OPEB Obligation end of year	<u>\$ 41,940,368</u>	<u>\$ 46,364,269</u>	<u>\$ 1,270,777</u>	<u>\$ 89,575,414</u>
Percent of Annual OPEB Cost Contributed	<u>50.6%</u>	<u>21.8%</u>	<u>64.2%</u>	<u>31.8%</u>
Covered payroll	<u>\$ 20,650,915</u>	<u>\$ 30,426,251</u>	<u>\$ 1,203,196</u>	<u>\$ 52,280,362</u>
UAAL as a percentage of Covered Payroll ((UAAL) / covered payroll)	237.8%	289.2%	40.1%	263.1%

The Net OPEB Obligation (NOO) of \$41,940,368 at the end of the year for the County consisted of liabilities of \$35,511,934 for Governmental Activities and \$6,428,434 for Business Type Activities.

The schedule of funding progress, presented as required supplementary information (RSI) following the Notes, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. This relationship is represented by the funded ratio.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Schedule of Participating Agencies' Contributions

The Schedule of Participating Agencies' Contributions presents multiyear trend information that shows whether the actual ARC contributed is increasing or decreasing over time relative to the annual pension cost, as shown by the percentage of ARC contributed. Generally, the greater this percentage, the stronger the system is becoming.

Participating Agency	Fiscal Year Ended June 30	Annual Postemployment Benefit Cost	ARC Contributed	Percentage of ARC Contributed	Net OPEB Obligation (NOO)
Queen Anne's County	2009	\$ 5,312,000	\$ 1,007,954	18.98%	\$ 4,304,046
	2010	6,410,934	604,221	9.42%	5,806,713
	2011	7,256,495	835,792	11.52%	6,420,703
	2012	7,806,661	1,508,144	19.32%	6,298,517
	2013	9,024,000	1,668,781	18.49%	7,355,219
	2014	9,187,000	1,692,951	18.43%	7,494,049
	2015	4,004,722	1,811,849	45.24%	2,192,873
	2016	4,189,564	2,121,316	50.63%	2,068,248
		<u>53,191,376</u>	<u>11,251,008</u>	21.15%	<u>41,940,368</u>
Board of Education	2009	5,907,000	1,534,955	25.99%	4,372,045
	2010	6,340,000	1,176,586	18.56%	5,163,414
	2011	6,535,000	1,276,130	19.53%	5,258,870
	2012	6,953,000	1,409,451	20.27%	5,543,549
	2013	8,083,000	1,405,124	17.38%	6,677,876
	2014	8,570,000	1,488,965	17.37%	7,081,035
	2015	7,590,000	1,600,921	21.09%	5,989,079
	2016	8,032,000	1,753,599	21.83%	6,278,401
		<u>58,010,000</u>	<u>11,645,731</u>	20.08%	<u>46,364,269</u>
Library	2009	178,000	38,234	21.48%	139,766
	2010	212,000	12,200	5.75%	199,800
	2011	234,000	12,302	5.26%	221,698
	2012	250,000	19,600	7.84%	230,400
	2013	250,000	28,400	11.36%	221,600
	2014	258,000	24,000	9.30%	234,000
	2015	32,394	20,100	62.05%	12,294
	2016	31,319	20,100	64.18%	11,219
		<u>1,445,713</u>	<u>174,936</u>	12.10%	<u>1,270,777</u>
Totals	2009	11,397,000	2,581,143	22.65%	8,815,857
	2010	12,962,934	1,793,007	13.83%	11,169,927
	2011	14,025,495	2,124,224	15.15%	11,901,271
	2012	15,009,661	2,937,195	19.57%	12,072,466
	2013	17,357,000	3,102,305	17.87%	14,254,695
	2014	18,015,000	3,205,916	17.80%	14,809,084
	2015	11,627,116	3,432,870	29.52%	8,194,246
	2016	12,252,883	3,895,015	31.79%	8,357,868
		<u>\$ 112,647,089</u>	<u>\$ 23,071,675</u>	20.48%	<u>\$ 89,575,414</u>

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial Methods and Assumptions

The actuarial valuations of the individual plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, such as future employment, mortality, and healthcare costs. The actuarially determined amounts regarding the funded status of the plans and the annual required contributions (ARC) of the County and other participating agencies are subject to continual revision, as actual results are compared to past expectations and new estimates are made about the future.

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

Actuarial assumptions used in the actuarial valuation for the County's plan were:

Actuarial Assumptions for Primary Government

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry Age
Amortization method	Closed
Amortization period	23 years (as of June 30, 2015)
Interest Assumptions	6.0% investment rate of return
Asset valuation method	Market value of assets
Inflation Rate	2.75% per year
Salary increases	3% per year
Mortality	RP 2000, Combined Healthy tables (male & female), fully generational with scale AA. The RP2000 Combined Disabled Tables are used for disabled members.

Actuarial trend assumptions:

2015	6.5%
2016-2017	6.0%
2018-2021	5.9%
2022-2026	5.8%
2027-2039	5.7%
2040-2049	5.2%
2050-2059	5.0%
2060-2069	4.8%
2070 & Later	4.3%

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$65,255 as of June 30, 2016. 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 \$49,874 as of June 30, 2016. 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 \$510,656 as of June 30, 2016.

Golf Course Enterprise Fund

The Golf Course Enterprise Fund has a deficit balance in unrestricted net position of \$517,393 as of June 30, 2016.

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, 2016 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 2016.

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.

QUEEN ANNE'S COUNTY, MARYLAND
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

PRIMARY GOVERNMENT (CONTINUED)

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 or 2016.

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 \$2,815,139 has been committed, including \$1,973,752 for the construction of a new County Courthouse, \$761,754 for rubble surcharge, and \$79,633 for site improvements pursuant to agreements with local developers. In the Roads Capital Projects Fund, \$610,562 has been contributed by developers and is committed to fund infrastructure improvements.

Income Tax Contingency - In the case of the Maryland State Comptroller of the Treasury v. Brian Wynne, Mr. Wynne challenged the Maryland statute, arguing that the statute violated the Commerce Clause of the Federal Constitution because it burdened Maryland residents that conducted interstate business. The Maryland Court of Appeals decision found that "failure to allow a credit with respect to the county taxes for out-of-state income taxes paid to other states on pass-through income earned in those states discriminates against interstate commerce and violates the Commerce Clause of the Federal Constitution." The Attorney General's Office filed an appeal with the Supreme Court. The Supreme Court heard the case and determined that this taxing scheme was unconstitutional because it discriminated in favor of intrastate over interstate economic activity in violation of the dormant Commerce Clause.

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 \$825,000 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, 2016

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 34.43% 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, 2016, total closure and post closure costs for Midshore I was estimated at approximately \$3.3 million. Midshore II, located in Caroline County, was 14.54% filled. Closure and post closure costs for Midshore II are estimated at approximately \$14.2 million. Therefore, the total closure and post closure costs for both landfills are \$17.5 million, with approximately \$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 \$5.2 million as of June 30, 2016, 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 \$21 million. As of June 30, 2016, \$7.2 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 \$320,672 in tipping fees to the facility during fiscal 2016.

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2016. MES expects to satisfy these requirements as of June 30, 2017 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, 2016

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, 2008, 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 2008, the County incurred a total of \$402 thousand in expenses, including \$16 thousand in fiscal year 2016, 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.

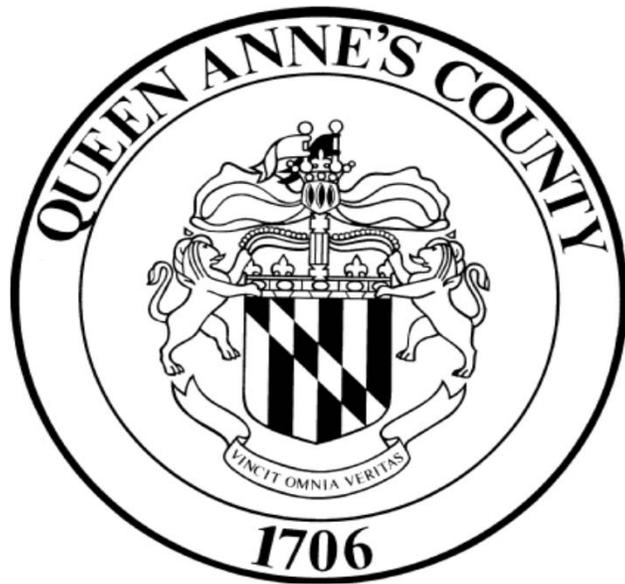
Based on the plan approved by MDE, the County awarded a contract for the initial injection, and performed the remediation work in the summer of 2012. Since the results of this initial injection did not achieve the desired effects, a follow up plan is underway which includes continued quarterly monitoring, 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 final scope of work is yet to be determined by MDE and the County. 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 continuing with the approved MDE monitoring program as described above and anticipates further direction from MDE in 2017.

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.



Required Supplementary Information

**QUEEN ANNE'S COUNTY, MARYLAND
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

MARYLAND STATE RETIREMENT AND PENSIONS SYSTEMS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Fiscal Year	Measurement Date	Employer's Proportion (Percentage) of the Collective NPL	Employer's Proportion Share of the Collective NPL	Employer's Covered Employee Payroll	Proportionate Share as a Percentage of Covered Payroll (B / C)	Plan's Total Fiduciary Net Position	Plan's Total Pension Liability	Plan's Fiduciary Net Position as a Percentage of Total Pension Liability (D / E)
		A	B	C	(B / C)	D	E	(D / E)
2015	June 30, 2014	0.1038567%	\$ 18,431,162	\$ 21,231,535	87%	\$ 45,339,988,000	\$ 63,086,719,000	72%
2016	June 30, 2015	0.1189567%	24,721,248	23,160,758	107%	45,789,840,000	66,571,552,000	69%

SCHEDULE OF CONTRIBUTIONS

Fiscal Year	Measurement Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess) (A - B)	Employer's Covered Employee Payroll	Actual Contribution as a Percentage of Covered Payroll (B / C)
		A	B	(A - B)	C	(B / C)
2015	June 30, 2014	\$ 2,420,235	\$ 2,420,235	\$ -	\$ 21,231,535	11%
2016	June 30, 2015	2,507,287	2,507,287	-	23,160,758	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.

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 assumption changes in the 2015 valuation: Investment return assumption changed from 7.65% to 7.55% Inflation assumption changed from 2.90% to 2.70%
Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2012 actuarial valuation: eight years remaining as of June 30, 2012 for prior UAAL existing on June 30, 2000 and 25 years from each subsequent valuation date for each year's additional UAAL for the State systems and ECS Muni. 27 years for LEOPS Muni, and 34 years for CORS Muni. In the 2013 actuarial valuation: 25 years for the State System, 26 years for the LEOPS Muni, and 32 years for CORS Muni. For ECS Muni: seven years remaining for prior UAAL existing on June 30, 2000. 25 years from each subsequent valuation date for each year's additional UAAL.
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	In the 2012 actuarial valuation, 3.00% general, 3.50% wage. In the 2013 actuarial valuation, 2.95% general, 3.45% wage.
Salary Increases	In the 2012 actuarial valuation, 3.50% to 10.75% including inflation. In the 2013 actuarial valuation, 3.45% to 10.70% including inflation.
Investment Rate of Return	In the 2012 actuarial valuation, 7.75%. In the 2013 actuarial valuation, 7.70%.
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-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
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016**

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 FUNDING PROGRESS

The Schedule of Funding Progress presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Year Ended June 30,	Valuation Date	(A) Value of Assets at Valuation Date	(B) Accrued Liability (AAL)	(B - A) Unfunded Accrued Liability (UAAL)	(A / B) Funded Ratio	(C) Covered Payroll	((B - A) / C) UAAL as a Percentage of Covered Payroll
2009	July 1, 2008	\$ -	\$ 49,107,000	\$ 49,107,000	0.00%	\$ 23,690,163	207%
2010	July 1, 2009	500,000	63,935,000	63,435,000	0.78%	23,778,696	267%
2011	July 1, 2010	500,000	70,570,000	70,070,000	0.71%	20,439,972	343%
2012	July 1, 2011	77,000	76,949,000	76,872,000	0.10%	18,903,632	407%
2013	July 1, 2012	82,000	93,915,000	93,833,000	0.09%	17,640,063	532%
2014	July 1, 2013	976,790	95,676,000	94,699,210	1.02%	17,953,154	527%
2015	June 30, 2015	1,959,640	51,063,866	49,104,226	3.84%	19,064,280	258%
2016	June 30, 2015	1,959,640	51,063,866	49,104,226	3.84%	20,650,915	238%

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, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	POSITIVE (NEGATIVE)
REVENUES				
Taxes				
Local Property Tax	\$ 64,979,662	\$ 65,060,459	\$ 64,912,515	\$ (147,944)
Local Income Tax	44,767,650	45,859,470	46,424,552	565,082
Admission and Amusement Taxes	160,000	160,000	169,679	9,679
Recordation Taxes	3,950,500	3,950,500	4,036,356	85,856
County Transfer Taxes	1,729,370	1,729,370	1,923,016	193,646
State Shared Taxes	565,108	565,108	611,835	46,727
Licenses and Permits	657,243	657,243	624,570	(32,673)
Intergovernmental	1,794,609	1,866,366	1,944,716	78,350
Bond Interest Reimbursement - Build America Bond	373,301	373,301	364,799	(8,502)
Charges for Current Services	2,473,500	2,473,500	2,265,561	(207,939)
Fines and Forfeitures	70,000	70,000	142,006	72,006
Investment Income	49,525	49,525	92,664	43,139
Donations	1,800	1,800	3,638	1,838
Miscellaneous	682,200	683,100	768,758	85,658
Total Revenues	<u>122,254,468</u>	<u>123,499,742</u>	<u>124,284,665</u>	<u>784,923</u>
EXPENDITURES				
GENERAL GOVERNMENT				
Legislative	464,961	464,961	384,857	80,104
Judicial				
Circuit Court	557,778	564,458	373,073	191,385
Orphan's Court	83,236	83,236	79,043	4,193
State's Attorney	1,114,858	1,227,628	1,225,885	1,743
County Administrator	221,280	221,280	187,858	33,422
Board of Elections	749,906	749,906	702,849	47,057
Finance Office	1,113,928	1,113,928	1,109,488	4,440
Human Resources	561,121	561,121	525,549	35,572
Planning and Zoning	2,126,846	2,126,846	2,003,904	122,942
Information Technology	895,051	895,051	885,900	9,151
Legal Services	465,000	465,000	361,940	103,060
Total General Government	<u>8,353,965</u>	<u>8,473,415</u>	<u>7,840,346</u>	<u>633,069</u>
PUBLIC SAFETY				
Sheriff's Office	7,123,681	7,138,489	7,124,503	13,986
Volunteer Fire and Rescue Services	3,514,550	3,119,550	3,069,303	50,247
Detention Center	4,548,898	4,548,898	4,355,725	193,173
Emergency Services	7,717,174	7,748,251	7,584,369	163,882
Animal Control	282,774	288,774	288,212	562
Total Public Safety	<u>23,187,077</u>	<u>22,843,962</u>	<u>22,422,112</u>	<u>421,850</u>
PARKS AND PUBLIC WORKS				
Administration	382,715	497,715	495,071	2,644
Solid Waste Disposal	1,823,016	1,823,016	1,280,480	542,536
Engineering Division	592,121	657,121	653,644	3,477
Roads Division	4,289,502	4,354,502	4,351,780	2,722
General Services	2,370,899	2,370,899	2,182,455	188,444
Parks	3,123,628	3,123,628	3,084,985	38,643
Weed Control	104,683	104,683	99,182	5,501
Total Parks and Public Works	<u>12,686,564</u>	<u>12,931,564</u>	<u>12,147,597</u>	<u>783,967</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, 2016

(CONTINUED)

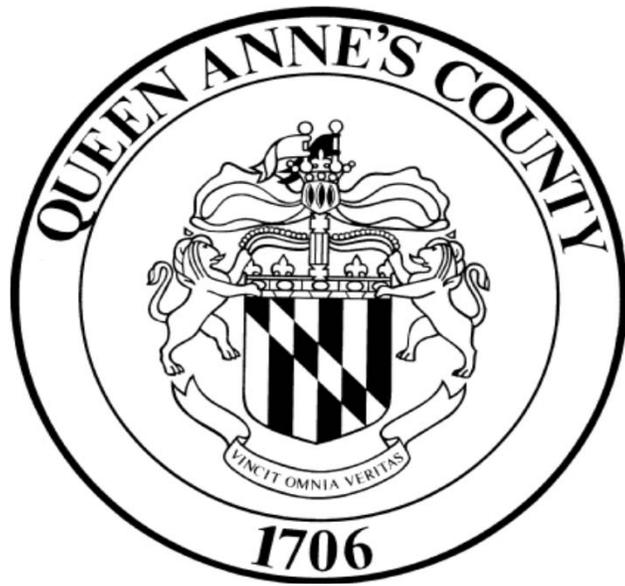
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	POSITIVE (NEGATIVE)
<u>HEALTH, SOCIAL, AND RECREATION</u>				
Health Department	\$ 2,195,628	\$ 2,195,628	\$ 1,992,208	\$ 203,420
Social Services	329,576	329,576	292,978	36,598
Recreation	564,975	579,975	578,735	1,240
Total Health, Social, and Recreation	<u>3,090,179</u>	<u>3,105,179</u>	<u>2,863,921</u>	<u>241,258</u>
<u>EDUCATION AND LIBRARY</u>				
Board of Education	51,086,979	51,086,979	51,086,979	-
Teacher Pensions	1,763,314	1,763,314	1,763,314	-
Chesapeake College	1,850,552	1,850,552	1,794,834	55,718
Queen Anne's County Free Library	1,597,000	1,597,000	1,597,000	-
Total Education and Library	<u>56,297,845</u>	<u>56,297,845</u>	<u>56,242,127</u>	<u>55,718</u>
<u>CONSERVATION OF NATURAL RESOURCES</u>				
Cooperative Extension Service	271,749	272,249	271,890	359
Soil Conservation Service	198,999	198,999	189,433	9,566
4-H Park	74,052	74,052	68,705	5,347
Total Conservation of Natural Resources	<u>544,800</u>	<u>545,300</u>	<u>530,028</u>	<u>15,272</u>
<u>ECONOMIC AND COMMUNITY DEVELOPMENT</u>				
Community Affairs	344,098	344,098	307,515	36,583
Total Economic and Community Development	<u>344,098</u>	<u>344,098</u>	<u>307,515</u>	<u>36,583</u>
<u>DEBT SERVICE</u>				
School Debt Service - Principal	5,546,359	5,546,359	5,480,217	66,142
School Debt Service - Interest	2,605,426	2,230,426	2,223,994	6,432
County Debt Service - Principal	1,959,656	2,184,976	2,142,674	42,302
County Debt Service - Interest	1,508,775	1,333,775	1,316,358	17,417
Total Debt Service	<u>11,620,216</u>	<u>11,295,536</u>	<u>11,163,243</u>	<u>132,293</u>
<u>INTERGOVERNMENTAL</u>				
Aid to Municipalities	583,889	583,889	146,409	437,480
SDAT Costs from State	250,000	250,000	227,978	22,022
Total Intergovernmental	<u>833,889</u>	<u>833,889</u>	<u>374,387</u>	<u>459,502</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, 2016

(CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	POSITIVE (NEGATIVE)
<u>MISCELLANEOUS</u>				
Aid to Other Agencies	\$ 146,000	\$ 146,000	\$ 142,369	\$ 3,631
Insurance & Benefits	2,054,500	1,898,500	1,776,502	121,998
Transfer to OPEB Fund	838,000	838,000	838,000	-
Contingencies	1,368,660	556,389	473,123	83,266
Salary Lapse	(1,080,000)	(1,080,000)	-	(1,080,000)
Miscellaneous Non-Departmental	544,033	1,166,033	1,162,341	3,692
Total Miscellaneous	<u>3,871,193</u>	<u>3,524,922</u>	<u>4,392,335</u>	<u>(867,413)</u>
Total Expenditures	<u>120,829,826</u>	<u>120,195,710</u>	<u>118,283,611</u>	<u>1,912,099</u>
Excess of Revenues Over Expenditures	<u>1,424,642</u>	<u>3,304,032</u>	<u>6,001,054</u>	<u>2,697,022</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Capital Asset Disposals	-	-	16,808	16,808
Insurance Proceeds	-	-	120,865	120,865
Transfers In From:				
Impact Fees - School	1,320,000	1,320,000	750,000	(570,000)
Hotel Tax Fund	-	388,473	388,473	-
Franchise Fee Fund	-	129,714	129,714	-
Total Transfers In	<u>1,320,000</u>	<u>1,838,187</u>	<u>1,268,187</u>	<u>(570,000)</u>
Transfers Out To:				
General Capital Projects Fund	1,561,482	3,361,482	3,361,482	-
Department of Aging	1,531,157	1,531,157	1,186,147	345,010
Department of Housing and Community Services	555,814	555,814	448,820	106,994
Community Partnerships	391,674	391,674	391,674	-
Impact Fees - Fire Companies/Contingencies	-	80,797	80,796	1
Airport Enterprise Fund	25,000	25,000	25,000	-
Golf Course Enterprise Fund	265,997	265,997	125,601	140,396
Total Transfers Out	<u>4,331,124</u>	<u>6,211,921</u>	<u>5,619,520</u>	<u>592,401</u>
Total Other Financing (Uses)	<u>(3,011,124)</u>	<u>(4,373,734)</u>	<u>(4,213,660)</u>	<u>160,074</u>
Net Increase (Decrease) in Fund Balance	<u>\$ (1,586,482)</u>	<u>\$ (1,069,702)</u>	1,787,394	<u>\$ 2,857,096</u>
Fund Balance, July 1			<u>21,196,849</u>	
Fund Balance, June 30			<u>\$ 22,984,243</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.

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.

Franchise Fee – This fund accounts for activities funded by cable TV franchise fees to support the local County government TV channel and is included in the general government function.

Hotel Tax – This fund accounts for activities funded by the Hotel Tax that support economic development and tourism and is included in the economic and community development 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, 2016

	DEPARTMENT OF AGING	HOUSING AND COMMUNITY SERVICES	REVOLVING LOAN FUND	ECONOMIC DEVELOPMENT INCENTIVE	BRIDGE FUND	COMMUNITY PARTNERSHIPS FOR CHILDREN
ASSETS						
Cash and Cash Equivalents	\$ 209,345	\$ 1,178,902	\$ 415,548	\$ 1,133,559	\$ 1,732,372	\$ 709,943
Prepaid Items	-	-	-	-	-	-
Receivables						
Taxes Receivable (Net)	-	-	-	-	-	-
Accounts Receivable (Net)	-	7,249	9,647	-	-	5,096
Loans Receivable	-	4,910,365	134,514	-	-	-
Special Assessments (Net)	-	-	-	-	-	-
Due from Other Governments	154,002	84,840	-	65,508	65,508	154,968
Total Assets	\$ 363,347	\$ 6,181,356	\$ 559,709	\$ 1,199,067	\$ 1,797,880	\$ 870,007
LIABILITIES						
Accrued Liabilities	\$ 116,891	\$ 31,760	\$ -	\$ 368,500	\$ -	\$ 319,418
Due to Other Funds	106,921	110,746	-	-	-	-
Due to Other Governmental Agencies	-	3,136	-	-	-	307,209
Unearned Revenue	-	36,563	-	-	-	148,656
Total Liabilities	223,812	182,205	-	368,500	-	775,283
DEFERRED INFLOWS OF RESOURCES						
Unavailable Benefit Assessments	-	-	-	-	-	-
Unavailable Fees	-	-	-	-	-	-
Total Deferred Inflows	-	-	-	-	-	-
Total Liabilities and Deferred Inflows	223,812	182,205	-	368,500	-	775,283
FUND BALANCES						
Nonspendable	-	4,910,365	144,161	-	-	-
Restricted	107	1,154,041	415,548	830,567	1,797,880	-
Assigned	139,428	-	-	-	-	94,724
Unassigned	-	(65,255)	-	-	-	-
Total Fund Balances	139,535	5,999,151	559,709	830,567	1,797,880	94,724
Total Liabilities, Deferred Inflows and Fund Balances	\$ 363,347	\$ 6,181,356	\$ 559,709	\$ 1,199,067	\$ 1,797,880	\$ 870,007

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

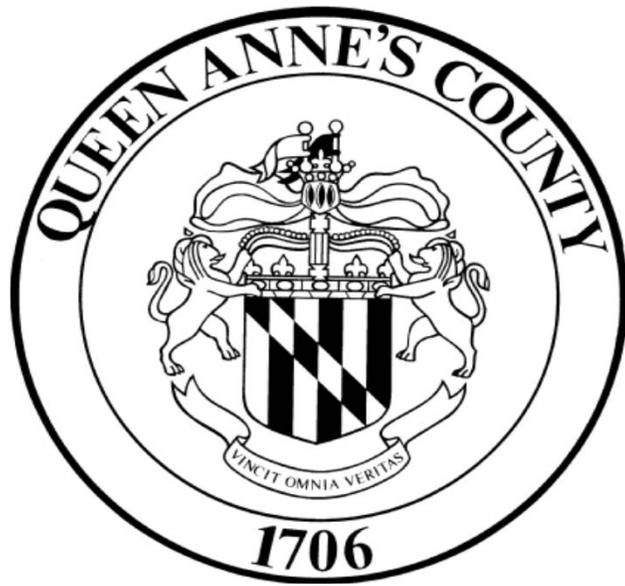
CRITICAL AREAS	FRANCHISE FEE	HOTEL TAX	LAW LIBRARY	SHERIFF'S DRUG TASK FORCE	INMATE WELFARE	AGRICULTURAL TRANSFER	RURAL LEGACY	PURCHASE OF DEVELOPMENT RIGHTS
\$ 174,459	\$ 14,985	\$ -	\$ 173,339	\$ 159,309	\$ 252,217	\$ 162,038	\$ 421,363	\$ 550
-	-	7,491	-	-	-	-	-	-
-	-	65,900	-	-	-	-	-	-
-	-	-	-	-	5,332	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	20,632	5,637	-	-	-	-	-
<u>\$ 174,459</u>	<u>\$ 14,985</u>	<u>\$ 94,023</u>	<u>\$ 178,976</u>	<u>\$ 159,309</u>	<u>\$ 257,549</u>	<u>\$ 162,038</u>	<u>\$ 421,363</u>	<u>\$ 550</u>
\$ -	\$ 14,985	\$ 26,091	\$ 368	\$ 91,071	\$ 8,012	\$ -	\$ -	\$ -
-	-	60,441	-	-	-	-	-	-
-	-	-	-	-	19,338	-	-	-
-	-	-	-	-	-	-	-	-
-	14,985	86,532	368	91,071	27,350	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	14,985	86,532	368	91,071	27,350	-	-	-
-	-	7,491	-	-	-	-	-	-
174,459	-	-	-	68,238	230,199	162,038	421,363	550
-	-	-	178,608	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>174,459</u>	<u>-</u>	<u>7,491</u>	<u>178,608</u>	<u>68,238</u>	<u>230,199</u>	<u>162,038</u>	<u>421,363</u>	<u>550</u>
<u>\$ 174,459</u>	<u>\$ 14,985</u>	<u>\$ 94,023</u>	<u>\$ 178,976</u>	<u>\$ 159,309</u>	<u>\$ 257,549</u>	<u>\$ 162,038</u>	<u>\$ 421,363</u>	<u>\$ 550</u>

CONTINUED

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

(CONTINUED)

	DREDGING SPECIAL ASSESSMENTS	KENT NARROWS	CAPITAL PROJECTS			TOTAL NON-MAJOR GOVERNMENTAL
			SCHOOL IMPACT FEES	FIRE COMPANY IMPACT FEES	PARKS AND RECREATION IMPACT FEES	
ASSETS						
Cash and Cash Equivalents	\$ 18,482	\$ 299,979	\$ 5,048,382	\$ 315,199	\$ 884,706	\$ 13,304,677
Prepaid Items	-	-	-	-	-	7,491
Receivables						
Taxes Receivable (Net)	-	-	-	-	-	65,900
Accounts Receivable (Net)	154	-	-	-	-	27,478
Loans Receivable	-	-	1,067,575	122,251	107,874	6,342,579
Special Assessments (Net)	461,391	-	-	-	-	461,391
Due from Other Governments	-	-	-	-	-	551,095
Total Assets	\$ 480,027	\$ 299,979	\$ 6,115,957	\$ 437,450	\$ 992,580	\$ 20,760,611
LIABILITIES						
Accrued Liabilities	\$ -	\$ 35,000	\$ -	\$ -	\$ -	\$ 1,012,096
Due to Other Funds	-	-	-	49,874	-	327,982
Due to Other Governmental Agencies	-	-	-	-	-	329,683
Unearned Revenue	-	-	-	-	-	185,219
Total Liabilities	-	35,000	-	49,874	-	1,854,980
DEFERRED INFLOWS OF RESOURCES						
Unavailable Benefit Assessments	461,391	-	-	-	-	461,391
Unavailable Fees	-	-	1,067,575	122,251	107,874	1,297,700
Total Deferred Inflows	461,391	-	1,067,575	122,251	107,874	1,759,091
Total Liabilities and Deferred Inflows	461,391	35,000	1,067,575	172,125	107,874	3,614,071
FUND BALANCES						
Nonspendable	-	-	-	-	-	5,062,017
Restricted	18,636	264,979	5,048,382	315,199	884,706	11,786,892
Assigned	-	-	-	-	-	412,760
Unassigned	-	-	-	(49,874)	-	(115,129)
Total Fund Balances	18,636	264,979	5,048,382	265,325	884,706	17,146,540
Total Liabilities, Deferred Inflows and Fund Balances	\$ 480,027	\$ 299,979	\$ 6,115,957	\$ 437,450	\$ 992,580	\$ 20,760,611



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, 2016

	DEPARTMENT OF AGING	HOUSING AND COMMUNITY SERVICES	REVOLVING LOAN FUND	ECONOMIC DEVELOPMENT INCENTIVE	BRIDGE FUND	COMMUNITY PARTNERSHIPS FOR CHILDREN
REVENUES						
Taxes						
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	157,599	-	525,330	525,330	-
Hotel Taxes	-	-	-	-	-	-
State Shared Taxes	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	964,815	230,862	-	-	-	655,228
Charges for Current Services	76,404	310,000	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Investment Income	161	3,437	5,157	609	609	19
Donations	38,894	-	-	-	-	3,241
Miscellaneous	35,330	7,000	2,919	-	-	8,917
Total Revenues	<u>1,115,604</u>	<u>708,898</u>	<u>8,076</u>	<u>525,939</u>	<u>525,939</u>	<u>667,405</u>
EXPENDITURES						
Current						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Social Services	2,271,535	-	-	-	-	1,064,208
Conservation of Natural Resources	-	-	-	-	-	-
Economic/Community Development	-	885,474	-	1,265,013	-	-
Debt Service						
Principal	-	-	-	-	-	-
Total Expenditures	<u>2,271,535</u>	<u>885,474</u>	<u>-</u>	<u>1,265,013</u>	<u>-</u>	<u>1,064,208</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,155,931)</u>	<u>(176,576)</u>	<u>8,076</u>	<u>(739,074)</u>	<u>525,939</u>	<u>(396,803)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of Debt	-	-	-	-	-	-
Insurance Proceeds	500	-	-	-	-	-
Transfers In	1,186,147	448,820	-	-	-	391,674
Transfers Out	-	-	-	-	-	-
Other Financing Sources (Uses)	<u>1,186,647</u>	<u>448,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,674</u>
Net Increase (Decrease) in Fund Balances	30,716	272,244	8,076	(739,074)	525,939	(5,129)
Fund Balances, July 1	<u>108,819</u>	<u>5,726,907</u>	<u>551,633</u>	<u>1,569,641</u>	<u>1,271,941</u>	<u>99,853</u>
Fund Balances, June 30	<u>\$ 139,535</u>	<u>\$ 5,999,151</u>	<u>\$ 559,709</u>	<u>\$ 830,567</u>	<u>\$ 1,797,880</u>	<u>\$ 94,724</u>

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, 2016

(CONTINUED)

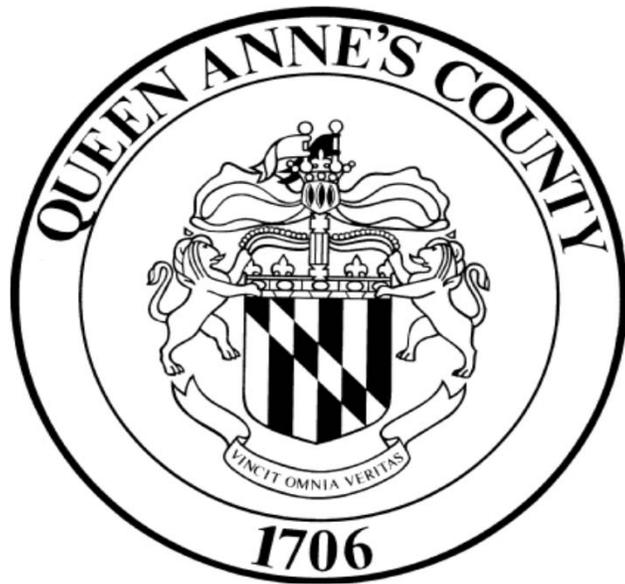
CRITICAL AREAS	FRANCHISE FEE	HOTEL TAX	LAW LIBRARY	SHERIFF'S DRUG TASK FORCE	INMATE WELFARE	AGRICULTURAL TRANSFER	RURAL LEGACY	PURCHASE OF DEVELOPMENT RIGHTS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	559,555	-	-	-	-	-	-
-	-	-	-	-	-	11,421	-	-
-	453,574	-	-	-	-	-	-	-
-	-	24,543	-	-	-	-	555,233	-
10,428	3,800	-	15,853	-	113,911	-	-	-
-	-	-	62,379	45,725	-	-	-	-
-	-	-	316	291	477	-	984	-
-	-	-	-	-	-	-	-	-
-	-	23,756	-	4,200	27,833	-	-	-
<u>10,428</u>	<u>457,374</u>	<u>607,854</u>	<u>78,548</u>	<u>50,216</u>	<u>142,221</u>	<u>11,421</u>	<u>556,217</u>	<u>-</u>
-	379,845	-	3,119	-	-	-	-	-
-	-	-	-	80,393	138,754	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	128,910	555,233	-
-	-	423,455	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	379,845	423,455	3,119	80,393	138,754	128,910	555,233	-
<u>10,428</u>	<u>77,529</u>	<u>184,399</u>	<u>75,429</u>	<u>(30,177)</u>	<u>3,467</u>	<u>(117,489)</u>	<u>984</u>	<u>-</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	225,000	-	-
<u>-</u>	<u>(129,714)</u>	<u>(388,473)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(129,714)</u>	<u>(388,473)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,000</u>	<u>-</u>	<u>-</u>
10,428	(52,185)	(204,074)	75,429	(30,177)	3,467	107,511	984	-
<u>164,031</u>	<u>52,185</u>	<u>211,565</u>	<u>103,179</u>	<u>98,415</u>	<u>226,732</u>	<u>54,527</u>	<u>420,379</u>	<u>550</u>
<u>\$ 174,459</u>	<u>\$ -</u>	<u>\$ 7,491</u>	<u>\$ 178,608</u>	<u>\$ 68,238</u>	<u>\$ 230,199</u>	<u>\$ 162,038</u>	<u>\$ 421,363</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, 2016

(CONTINUED)

	DREDGING		CAPITAL PROJECTS			TOTAL NON-MAJOR GOVERNMENTAL
	SPECIAL ASSESSMENTS	KENT NARROWS	SCHOOL IMPACT FEES	FIRE COMPANY IMPACT FEES	PARKS AND RECREATION IMPACT FEES	
REVENUES						
Taxes						
Local Property Tax	\$ -	\$ 33,928	\$ -	\$ -	\$ -	\$ 33,928
Recordation Taxes	-	-	-	-	-	1,208,259
Hotel Taxes	-	-	-	-	-	559,555
State Shared Taxes	-	-	-	-	-	11,421
Licenses and Permits	-	-	-	-	-	453,574
Intergovernmental	-	-	-	-	-	2,430,681
Charges for Current Services	44,178	-	1,230,994	238,995	149,158	2,193,721
Fines and Forfeitures	-	-	-	-	-	108,104
Investment Income	428	-	11,432	451	1,780	26,151
Donations	-	-	-	-	-	42,135
Miscellaneous	-	-	-	-	-	109,955
Total Revenues	44,606	33,928	1,242,426	239,446	150,938	7,177,484
EXPENDITURES						
Current						
General Government	-	-	-	-	-	382,964
Public Safety	-	-	-	294,765	-	513,912
Social Services	-	-	-	-	-	3,335,743
Conservation of Natural Resources	509,776	-	-	-	-	1,193,919
Economic/Community Development	-	35,000	-	-	-	2,608,942
Debt Service						
Principal	44,425	-	-	-	-	44,425
Total Expenditures	554,201	35,000	-	294,765	-	8,079,905
Excess of Revenues Over (Under) Expenditures	(509,595)	(1,072)	1,242,426	(55,319)	150,938	(902,421)
OTHER FINANCING SOURCES (USES)						
Issuance of Debt	509,776	-	-	-	-	509,776
Insurance Proceeds	-	-	-	-	-	500
Transfers In	-	-	-	80,796	-	2,332,437
Transfers Out	-	-	(750,000)	-	-	(1,268,187)
Other Financing Sources (Uses)	509,776	-	(750,000)	80,796	-	1,574,526
Net Increase (Decrease) in Fund Balances	181	(1,072)	492,426	25,477	150,938	672,105
Fund Balances, July 1	18,455	266,051	4,555,956	239,848	733,768	16,474,435
Fund Balances, June 30	\$ 18,636	\$ 264,979	\$ 5,048,382	\$ 265,325	\$ 884,706	\$ 17,146,540



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, 2016

	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	-	-	-	-	150,000	150,000	157,599	7,599
Hotel Taxes	-	-	-	-	-	-	-	-
State Shared Taxes	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	871,470	872,272	964,815	92,543	192,757	192,757	230,862	38,105
Charges for Current Services	64,600	64,600	76,404	11,804	100,000	310,000	310,000	-
Fines and Forfeitures	-	-	-	-	-	-	-	-
Investment Income	-	-	161	161	-	-	3,437	3,437
Donations	35,000	35,000	38,894	3,894	-	-	-	-
Miscellaneous	1,000	1,000	35,330	34,330	-	-	7,000	7,000
Total Revenues	972,070	972,872	1,115,604	142,732	442,757	652,757	708,898	56,141
EXPENDITURES								
Current Operating Expenditures	2,495,547	2,496,349	2,271,535	224,814	1,168,571	1,713,041	885,474	827,567
Capital Outlay	7,680	7,680	-	7,680	-	-	-	-
Debt Service								
Principal	-	-	-	-	-	-	-	-
Total Expenditures	2,503,227	2,504,029	2,271,535	232,494	1,168,571	1,713,041	885,474	827,567
Excess of Revenues Over (Under) Expenditures	(1,531,157)	(1,531,157)	(1,155,931)	375,226	(725,814)	(1,060,284)	(176,576)	883,708
OTHER FINANCING SOURCES (USES)								
Issuance of Debt	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	500	500	-	-	-	-
Transfers In	1,531,157	1,531,157	1,186,147	(345,010)	555,814	555,814	448,820	(106,994)
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	1,531,157	1,531,157	1,186,647	(344,510)	555,814	555,814	448,820	(106,994)
Net Increase (Decrease) in Fund Balances	\$ -	\$ -	30,716	\$ 30,716	\$ (170,000)	\$ (504,470)	272,244	\$ 776,714
Fund Balances, July 1			108,819				5,726,907	
Fund Balances, June 30			<u>\$ 139,535</u>				<u>\$ 5,999,151</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, 2016
 (CONTINUED)

ECONOMIC DEVELOPMENT INCENTIVE				BRIDGE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
466,025	525,025	525,330	305	466,025	466,025	525,330	59,305
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	609	609	-	-	609	609
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>466,025</u>	<u>525,025</u>	<u>525,939</u>	<u>914</u>	<u>466,025</u>	<u>466,025</u>	<u>525,939</u>	<u>59,914</u>
466,025	1,266,025	1,265,013	1,012	466,025	466,025	-	466,025
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>466,025</u>	<u>1,266,025</u>	<u>1,265,013</u>	<u>1,012</u>	<u>466,025</u>	<u>466,025</u>	<u>-</u>	<u>466,025</u>
-	(741,000)	(739,074)	1,926	-	-	525,939	525,939
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ (741,000)</u>	<u>(739,074)</u>	<u>\$ 1,926</u>	<u>\$ -</u>	<u>\$ -</u>	<u>525,939</u>	<u>\$ 525,939</u>
		1,569,641				1,271,941	
		<u>\$ 830,567</u>				<u>\$ 1,797,880</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, 2016
(Continued)

	COMMUNITY PARTNERSHIPS FOR CHILDREN				FRANCHISE FEE			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES								
Taxes								
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	-	-	-	-	-	-	-
Hotel Taxes	-	-	-	-	-	-	-	-
State Shared Taxes	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	400,000	400,000	453,574	53,574
Intergovernmental	883,258	656,658	655,228	(1,430)	-	-	-	-
Charges for Current Services	-	-	-	-	-	-	3,800	3,800
Fines and Forfeitures	-	-	-	-	-	-	-	-
Investment Income	-	-	19	19	-	-	-	-
Donations	-	-	3,241	3,241	-	-	-	-
Miscellaneous	-	19,300	8,917	(10,383)	-	-	-	-
Total Revenues	883,258	675,958	667,405	(8,553)	400,000	400,000	457,374	57,374
EXPENDITURES								
Current Operating Expenditures	1,274,932	1,067,632	1,064,208	3,424	397,500	397,500	379,845	17,655
Capital Outlay	-	-	-	-	2,500	2,500	-	2,500
Debt Service	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Total Expenditures	1,274,932	1,067,632	1,064,208	3,424	400,000	400,000	379,845	20,155
Excess of Revenues Over (Under) Expenditures	(391,674)	(391,674)	(396,803)	(5,129)	-	-	77,529	77,529
OTHER FINANCING SOURCES (USES)								
Issuance of Debt	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-
Transfers In	391,674	391,674	391,674	-	-	-	-	-
Transfers Out	-	-	-	-	-	(129,714)	(129,714)	-
Total Other Financing Sources (Uses)	391,674	391,674	391,674	-	-	(129,714)	(129,714)	-
Net Increase (Decrease) in Fund Balances	\$ -	\$ -	(5,129)	\$ (5,129)	\$ -	\$ (129,714)	(52,185)	\$ 77,529
Fund Balances, July 1			99,853				52,185	
Fund Balances, June 30			<u>\$ 94,724</u>				<u>\$ -</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, 2016
 (CONTINUED)

HOTEL TAX				LAW LIBRARY			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
520,000	520,000	559,555	39,555	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	20,632	24,543	3,911	-	-	-	-
-	-	-	-	10,000	10,000	15,853	5,853
-	-	-	-	15,500	15,500	62,379	46,879
-	-	-	-	-	-	316	316
-	-	23,756	23,756	-	-	-	-
<u>520,000</u>	<u>540,632</u>	<u>607,854</u>	<u>67,222</u>	<u>25,500</u>	<u>25,500</u>	<u>78,548</u>	<u>53,048</u>
520,000	540,632	423,455	117,177	25,500	25,500	3,119	22,381
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>520,000</u>	<u>540,632</u>	<u>423,455</u>	<u>117,177</u>	<u>25,500</u>	<u>25,500</u>	<u>3,119</u>	<u>22,381</u>
-	-	184,399	184,399	-	-	75,429	75,429
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(388,473)	(388,473)	-	-	-	-	-
-	(388,473)	(388,473)	-	-	-	-	-
<u>\$ -</u>	<u>\$ (388,473)</u>	<u>(204,074)</u>	<u>\$ 184,399</u>	<u>\$ -</u>	<u>\$ -</u>	<u>75,429</u>	<u>\$ 75,429</u>
		211,565				103,179	
		<u>\$ 7,491</u>				<u>\$ 178,608</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, 2016
(CONTINUED)

	INMATE WELFARE				AGRICULTURAL TRANSFER			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES								
Taxes								
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	-	-	-	-	-	-	-
Hotel Taxes	-	-	-	-	-	-	-	-
State Shared Taxes	-	-	-	-	40,000	40,000	11,421	(28,579)
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Current Services	120,000	120,000	113,911	(6,089)	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-
Investment Income	-	-	477	477	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Miscellaneous	30,000	30,000	27,833	(2,167)	-	-	-	-
Total Revenues	150,000	150,000	142,221	(7,779)	40,000	40,000	11,421	(28,579)
EXPENDITURES								
Current Operating Expenditures	135,400	135,400	138,754	(3,354)	40,000	278,000	128,910	149,090
Capital Outlay	14,600	14,600	-	14,600	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Total Expenditures	150,000	150,000	138,754	11,246	40,000	278,000	128,910	149,090
Excess of Revenues Over (Under) Expenditures	-	-	3,467	3,467	-	(238,000)	(117,489)	120,511
OTHER FINANCING SOURCES (USES)								
Issuance of Debt	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	225,000	225,000	-
Transfers Out	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	225,000	225,000	-
Net Increase (Decrease) in Fund Balances	\$ -	\$ -	3,467	\$ 3,467	\$ -	\$ (13,000)	107,511	\$ 120,511
Fund Balances, July 1			226,732				54,527	
Fund Balances, June 30			<u>\$ 230,199</u>				<u>\$ 162,038</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, 2016
 (CONTINUED)

RURAL LEGACY				DREDGING SPECIAL ASSESSMENTS			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	555,233	555,233	-	-	-	-	-
-	-	-	-	44,425	44,425	44,178	(247)
-	-	984	984	-	-	-	-
-	-	-	-	-	-	428	428
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	555,233	556,217	984	44,425	44,425	44,606	181
-	555,233	555,233	-	-	509,776	509,776	-
-	-	-	-	-	-	-	-
-	-	-	-	44,425	44,425	44,425	-
-	555,233	555,233	-	44,425	554,201	554,201	-
-	-	984	984	-	(509,776)	(509,595)	181
-	-	-	-	-	509,776	509,776	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	509,776	509,776	-
\$ -	\$ -	984	\$ 984	\$ -	\$ -	181	\$ 181
		420,379				18,455	
		<u>\$ 421,363</u>				<u>\$ 18,636</u>	

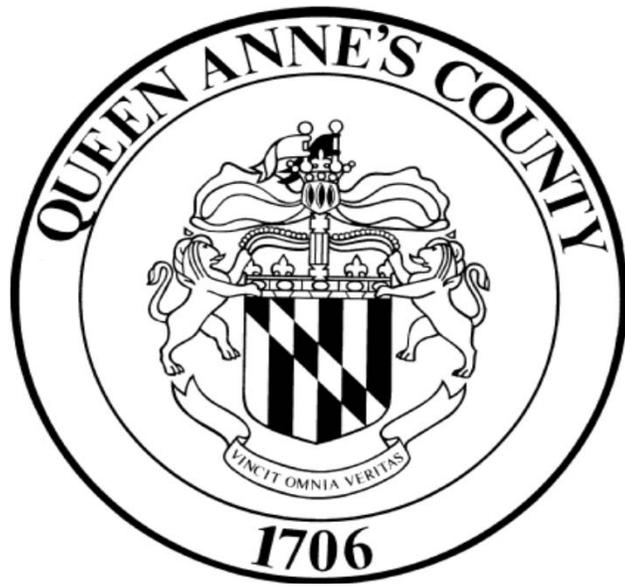
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QUEEN ANNE'S COUNTY, MARYLAND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016
(Continued)

	KENT NARROWS				CAPITAL PROJECTS - SCHOOL IMPACT FEES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES								
Taxes								
Local Property Tax	\$ 38,000	\$ 38,000	\$ 33,928	\$ (4,072)	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	-	-	-	-	-	-	-
Hotel Taxes	-	-	-	-	-	-	-	-
State Shared Taxes	-	-	-	-	-	-	-	-
Licenses and Permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Current Services	-	-	-	-	1,235,000	1,235,000	1,230,994	(4,006)
Fines and Forfeitures	-	-	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-	11,432	11,432
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total Revenues	38,000	38,000	33,928	(4,072)	1,235,000	1,235,000	1,242,426	7,426
EXPENDITURES								
Current Operating Expenditures	38,000	38,000	35,000	3,000	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Total Expenditures	38,000	38,000	35,000	3,000	-	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	(1,072)	(1,072)	1,235,000	1,235,000	1,242,426	7,426
OTHER FINANCING SOURCES (USES)								
Issuance of Debt	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	(1,235,000)	(1,235,000)	(750,000)	485,000
Total Other Financing Sources (Uses)	-	-	-	-	(1,235,000)	(1,235,000)	(750,000)	485,000
Net Increase (Decrease) in Fund Balances	\$ -	\$ -	(1,072)	\$ (1,072)	\$ -	\$ -	492,426	\$ 492,426
Fund Balances, July 1			266,051				4,555,956	
Fund Balances, June 30			<u>\$ 264,979</u>				<u>\$ 5,048,382</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, 2016
(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	238,995	38,995	120,000	120,000	149,158	29,158
-	-	-	-	-	-	-	-
500	500	451	(49)	400	400	1,780	1,380
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>200,500</u>	<u>200,500</u>	<u>239,446</u>	<u>38,946</u>	<u>120,400</u>	<u>120,400</u>	<u>150,938</u>	<u>30,538</u>
200,500	294,765	294,765	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>200,500</u>	<u>294,765</u>	<u>294,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>(94,265)</u>	<u>(55,319)</u>	<u>38,946</u>	<u>120,400</u>	<u>120,400</u>	<u>150,938</u>	<u>30,538</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	80,797	80,796	(1)	-	-	-	-
-	-	-	-	(120,400)	(120,400)	-	120,400
-	80,797	80,796	(1)	(120,400)	(120,400)	-	120,400
<u>\$ -</u>	<u>\$ (13,468)</u>	<u>25,477</u>	<u>\$ 38,945</u>	<u>\$ -</u>	<u>\$ -</u>	<u>150,938</u>	<u>\$ 150,938</u>
		<u>239,848</u>				<u>733,768</u>	
		<u>\$ 265,325</u>				<u>\$ 884,706</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, 2016

<u>ASSETS</u>	GOLF COURSE	PUBLIC LANDINGS AND MARINAS	TOTAL NON-MAJOR ENTERPRISE
Current Assets			
Equity in Pooled Cash	\$ -	\$ 816,069	\$ 816,069
Accounts Receivable (Net)	-	10,861	10,861
Due from Other Governments	-	24,309	24,309
Bond Interest Reimbursement Receivable - Build America Bond	-	3,121	3,121
Inventories	7,952	-	7,952
Total Current Assets	7,952	854,360	862,312
Capital Assets			
Land, Improved and Unimproved	1,904,522	769,110	2,673,632
Buildings and Improvements to Buildings	313,443	-	313,443
Improvements Other Than Buildings	122,268	5,343,459	5,465,727
Automotive Equipment	-	63,690	63,690
Equipment	368,222	56,814	425,036
Furniture and Fixtures	-	4,979	4,979
Construction in Progress	112,252	-	112,252
Capital Assets before Depreciation	2,820,707	6,238,052	9,058,759
Less Accumulated Depreciation	(592,588)	(918,044)	(1,510,632)
Total Capital Assets, Net of Accumulated Depreciation	2,228,119	5,320,008	7,548,127
Total Noncurrent Assets	2,228,119	5,320,008	7,548,127
Total Assets	2,236,071	6,174,368	8,410,439
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow for Pension contributions	14,331	28,841	43,172
Deferred Charge on Refunding	23,554	1,616	25,170
Total Deferred Outflows of Resources	37,885	30,457	68,342
LIABILITIES			
Current Liabilities			
Accounts Payable	29,822	17,076	46,898
Accrued Interest Payable	2,859	10,864	13,723
Due to Other Funds	432,806	-	432,806
Unearned Revenue	2,455	-	2,455
Current Portion of Compensated Absences	6,581	16,336	22,917
Current Portion of Bonds/Notes Payable	135,953	49,025	184,978
Total Current Liabilities	610,476	93,301	703,777
Noncurrent Liabilities			
Compensated Absences	4,298	10,669	14,967
Other Post-Employment Benefit Obligation	-	250,670	250,670
Net Pension Liability	56,225	113,833	170,058
Bonds/Notes Payable	329,526	837,983	1,167,509
Total Noncurrent Liabilities	390,049	1,213,155	1,603,204
Total Liabilities	1,000,525	1,306,456	2,306,981
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow for Pension contributions	4,630	9,255	13,885
Total Deferred Inflows of Resources	4,630	9,255	13,885
NET POSITION			
Net Investment in Capital Assets	1,786,194	4,434,616	6,220,810
Unrestricted Amounts	(517,393)	454,498	(62,895)
Total Net Position	\$ 1,268,801	\$ 4,889,114	\$ 6,157,915

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, 2016

	<u>GOLF COURSE</u>	<u>PUBLIC LANDINGS AND MARINAS</u>	<u>TOTAL NON-MAJOR ENTERPRISE</u>
<u>OPERATING REVENUES</u>			
Charges for Services	\$ 305,528	\$ 423,427	\$ 728,955
Intergovernmental	-	24,309	24,309
Bond Interest Reimbursement - Build America Bond	-	12,472	12,472
Material Sales	45,020	-	45,020
Miscellaneous Revenues	2,320	17,115	19,435
Total Operating Revenues	<u>352,868</u>	<u>477,323</u>	<u>830,191</u>
<u>OPERATING EXPENSES</u>			
Cost of Sales and Services			
Recreation	<u>447,101</u>	<u>337,941</u>	<u>785,042</u>
Other Post-Employment Benefit Contributions	-	20,941	20,941
Pension Liability Adjustment	6,421	14,088	20,509
Depreciation	<u>31,652</u>	<u>113,819</u>	<u>145,471</u>
Total Operating Expenses	<u>485,174</u>	<u>486,789</u>	<u>971,963</u>
Operating (Loss)	<u>(132,306)</u>	<u>(9,466)</u>	<u>(141,772)</u>
<u>NON-OPERATING REVENUES (EXPENSES)</u>			
Interest Expense	(20,400)	(43,154)	(63,554)
Gain on Disposal of Capital Assets	<u>489</u>	<u>-</u>	<u>489</u>
Total Non-Operating (Expenses)	<u>(19,911)</u>	<u>(43,154)</u>	<u>(63,065)</u>
(Loss) Before Contributions and Transfers	<u>(152,217)</u>	<u>(52,620)</u>	<u>(204,837)</u>
Transfers In	<u>152,217</u>	<u>-</u>	<u>152,217</u>
Change in Net Position	<u>-</u>	<u>(52,620)</u>	<u>(52,620)</u>
Total Net Position - Beginning of Year	<u>1,268,801</u>	<u>4,941,734</u>	<u>6,210,535</u>
Total Net Position - End of Year	<u>\$ 1,268,801</u>	<u>\$ 4,889,114</u>	<u>\$ 6,157,915</u>

QUEEN ANNE'S COUNTY, MARYLAND
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	GOLF COURSE	PUBLIC LANDINGS AND MARINAS	TOTAL NON-MAJOR ENTERPRISE
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
Receipts from customers and users	\$ 305,509	\$ 413,438	\$ 718,947
Receipts from other operating revenues	47,340	37,016	84,356
Receipts from Build America Bond interest reimbursement	-	12,572	12,572
Payments to suppliers	(306,944)	(120,544)	(427,488)
Payments to employees and on behalf of employees	(122,951)	(225,669)	(348,620)
Net Cash Provided (Used) by Operating Activities	<u>(77,046)</u>	<u>116,813</u>	<u>39,767</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>			
Transfers from other funds	152,217	-	152,217
Loan proceeds from interfund loans	432,806	-	432,806
Principal paid on interfund loans	(396,254)	-	(396,254)
Net Cash Provided by Noncapital Financing Activities	<u>188,769</u>	<u>-</u>	<u>188,769</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>			
Proceeds from the disposition of capital assets	489	-	489
Principal paid on capital debt	(441,075)	(47,047)	(488,122)
Proceeds from the sale of bonds	85,636	-	85,636
Proceeds from refunding of long term debt	339,062	-	339,062
Premium on sale of bonds	33,868	-	33,868
Interest paid on capital debt	(22,991)	(43,458)	(66,449)
Acquisition and Construction of Capital Assets	(106,712)	(17,259)	(123,971)
Net Cash (Used) by Capital and Related Financing Activities	<u>(111,723)</u>	<u>(107,764)</u>	<u>(219,487)</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	-	9,049	9,049
Balances - Beginning of year	-	807,020	807,020
Balances - End of year	<u>\$ -</u>	<u>\$ 816,069</u>	<u>\$ 816,069</u>
<u>Reconciliation of operating (loss) to net cash provided (used) by operating activities</u>			
Operating (loss)	\$ (132,306)	\$ (9,466)	\$ (141,772)
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:			
Depreciation	31,652	113,819	145,471
Changes in assets and liabilities:			
Accounts receivable, net	-	(9,989)	(9,989)
Operating grants receivable	-	(4,408)	(4,408)
Build America Bonds Interest receivable	-	100	100
Inventories and Prepaid Expenses	(1,145)	-	(1,145)
Vendor accounts payable	16,489	(9,506)	6,983
Compensated absences	1,862	1,234	3,096
Other Post-Employment Benefit Obligation	-	20,941	20,941
Net Pension Liability	6,421	14,088	20,509
Deferred revenue collected in advance	(19)	-	(19)
Net Cash Provided (Used) by Operating Activities	<u>\$ (77,046)</u>	<u>\$ 116,813</u>	<u>\$ 39,767</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, 2016

	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	\$ 2,804,433	\$ 506,559	\$ 30,393	\$ 157,033	\$ 3,498,418
Total Assets	2,804,433	506,559	30,393	157,033	3,498,418
LIABILITIES					
Due to Other Governments	-	-	-	157,033	157,033
Total Liabilities	-	-	-	157,033	157,033
NET POSITION HELD IN TRUST	<u>\$ 2,804,433</u>	<u>\$ 506,559</u>	<u>\$ 30,393</u>	<u>\$ -</u>	<u>\$ 3,341,385</u>

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, 2016

	QUEEN ANNE'S COUNTY	QUEEN ANNE'S COUNTY BOARD OF EDUCATION	QUEEN ANNE'S COUNTY LIBRARY	TOTAL OPEB TRUST FUND
ADDITIONS				
Contributions				
Employers	\$ 2,121,316	\$ 1,753,599	\$ 20,100	\$ 3,895,015
Members	320,397	748,072	-	1,068,469
Total Contributions	<u>2,441,713</u>	<u>2,501,671</u>	<u>20,100</u>	<u>4,963,484</u>
Investment Income	<u>6,799</u>	<u>771</u>	<u>46</u>	<u>7,616</u>
Total Additions	<u>2,448,512</u>	<u>2,502,442</u>	<u>20,146</u>	<u>4,971,100</u>
DEDUCTIONS				
Claims Paid	1,603,714	2,501,671	20,100	4,125,485
Miscellaneous Fees	<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
Total Deductions	<u>1,603,719</u>	<u>2,501,671</u>	<u>20,100</u>	<u>4,125,490</u>
Change in Assets	844,793	771	46	845,610
NET POSITION HELD IN TRUST				
Net Position - Beginning of Year	<u>1,959,640</u>	<u>505,788</u>	<u>30,347</u>	<u>2,495,775</u>
Net Position - End of Year	<u>\$ 2,804,433</u>	<u>\$ 506,559</u>	<u>\$ 30,393</u>	<u>\$ 3,341,385</u>



QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2016

	TAX DITCH FUND	ZONING DEPOSITS	STATE & TOWN TAX COLLECTIONS	MOTOR VEHICLE ADMIN DEPOSITS	ESCHEAT - ABANDONED PROPERTY	TOTAL AGENCY FUNDS
ASSETS						
Cash and Cash Equivalents	\$ 129,191	\$ 272,048	\$ 186,649	\$ 15,459	\$ 12,682	\$ 616,029
Total Assets	<u>\$ 129,191</u>	<u>\$ 272,048</u>	<u>\$ 186,649</u>	<u>\$ 15,459</u>	<u>\$ 12,682</u>	<u>\$ 616,029</u>
LIABILITIES						
Due to Other Governments	\$ 6,234	\$ -	\$ 186,649	\$ 15,459	\$ 12,682	\$ 221,024
Deposits and Escrows	122,957	272,048	-	-	-	395,005
Total Liabilities	<u>\$ 129,191</u>	<u>\$ 272,048</u>	<u>\$ 186,649</u>	<u>\$ 15,459</u>	<u>\$ 12,682</u>	<u>\$ 616,029</u>

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Cash and Cash Equivalents</u>	<u>Miscellaneous Receivables</u>	<u>Total Assets</u>
<u>TAX DITCH FUND</u>			
Balance 7-1-15	\$ 134,778	\$ -	\$ 134,778
Additions	29,624	-	29,624
Deductions	(35,211)	-	(35,211)
	<u>129,191</u>	<u>-</u>	<u>129,191</u>
Balance 6-30-16	<u>\$ 129,191</u>	<u>\$ -</u>	<u>\$ 129,191</u>
<u>ZONING DEPOSITS</u>			
Balance 7-1-15	\$ 253,820	\$ -	\$ 253,820
Additions	37,442	-	37,442
Deductions	(19,214)	-	(19,214)
	<u>272,048</u>	<u>-</u>	<u>272,048</u>
Balance 6-30-16	<u>\$ 272,048</u>	<u>\$ -</u>	<u>\$ 272,048</u>
<u>STATE AND TOWN TAX COLLECTIONS</u>			
Balance 7-1-15	\$ 26,057	\$ -	\$ 26,057
Additions	12,304,946	-	12,304,946
Deductions	(12,144,354)	-	(12,144,354)
	<u>186,649</u>	<u>-</u>	<u>186,649</u>
Balance 6-30-16	<u>\$ 186,649</u>	<u>\$ -</u>	<u>\$ 186,649</u>
<u>MOTOR VEHICLE ADMIN DEPOSITS</u>			
Balance 7-1-15	\$ 10,837	\$ -	\$ 10,837
Additions	314,399	-	314,399
Deductions	(309,777)	-	(309,777)
	<u>15,459</u>	<u>-</u>	<u>15,459</u>
Balance 6-30-16	<u>\$ 15,459</u>	<u>\$ -</u>	<u>\$ 15,459</u>
<u>ESCHEAT - ABANDONED PROPERTY</u>			
Balance 7-1-15	\$ 4,359	\$ -	\$ 4,359
Additions	12,682	-	12,682
Deductions	(4,359)	-	(4,359)
	<u>12,682</u>	<u>-</u>	<u>12,682</u>
Balance 6-30-16	<u>\$ 12,682</u>	<u>\$ -</u>	<u>\$ 12,682</u>
<u>TOTAL AGENCY FUNDS</u>			
Balance 7-1-15	\$ 429,851	\$ -	\$ 429,851
Additions	12,699,093	-	12,699,093
Deductions	(12,512,915)	-	(12,512,915)
	<u>616,029</u>	<u>-</u>	<u>616,029</u>
Balance 6-30-16	<u>\$ 616,029</u>	<u>\$ -</u>	<u>\$ 616,029</u>

QUEEN ANNE'S COUNTY, MARYLAND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

(CONTINUED)

<u>Due to Other Governments</u>	<u>Accrued Liabilities and Deposits and Escrows</u>	<u>Total Liabilities</u>
\$ -	\$ 134,778	\$ 134,778
6,234	23,390	29,624
-	(35,211)	(35,211)
<u>\$ 6,234</u>	<u>\$ 122,957</u>	<u>\$ 129,191</u>
\$ -	\$ 253,820	\$ 253,820
-	37,442	37,442
-	(19,214)	(19,214)
<u>\$ -</u>	<u>\$ 272,048</u>	<u>\$ 272,048</u>
\$ 26,057	-	\$ 26,057
12,304,946	-	12,304,946
(12,144,354)	-	(12,144,354)
<u>\$ 186,649</u>	<u>\$ -</u>	<u>\$ 186,649</u>
\$ 10,837	-	\$ 10,837
313,993	-	313,993
(309,371)	-	(309,371)
<u>\$ 15,459</u>	<u>\$ -</u>	<u>\$ 15,459</u>
\$ 4,359	-	\$ 4,359
12,682	-	12,682
(4,359)	-	(4,359)
<u>\$ 12,682</u>	<u>\$ -</u>	<u>\$ 12,682</u>
\$ 41,253	\$ 388,598	\$ 429,851
12,637,855	60,832	12,698,687
(12,458,084)	(54,425)	(12,512,509)
<u>\$ 221,024</u>	<u>\$ 395,005</u>	<u>\$ 616,029</u>



Maryland Bluecrabs fresh from the local rivers and the Chesapeake Bay!

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, 2016 (with Summarized Totals as of June 30, 2015)

	Admin	Fed/State GOCCP GOC	Federal Family Support Ctr	State OTHER
<u>ASSETS</u>				
Cash and cash equivalents	\$ 70,221	\$ 571,190	\$ 4,131	\$ 33,908
Accounts receivable	-	5,096	-	-
Due from State governmental agencies	11,050	143,918	-	-
 Total Assets	 <u>\$ 81,271</u>	 <u>\$ 720,204</u>	 <u>\$ 4,131</u>	 <u>\$ 33,908</u>
<u>LIABILITIES AND FUND BALANCES</u>				
<u>LIABILITIES</u>				
Accounts payable and accrued expenditures	\$ 13,686	\$ 305,732	\$ -	\$ -
Due to State governmental agencies	2,175	266,995	4,131	33,908
Unearned revenue	3,000	145,656	-	-
 Total Liabilities	 <u>18,861</u>	 <u>718,383</u>	 <u>4,131</u>	 <u>33,908</u>
<u>FUND BALANCES</u>				
Assigned	62,410	1,821	-	-
 Total Fund Balances	 <u>62,410</u>	 <u>1,821</u>	 <u>-</u>	 <u>-</u>
 Total Liabilities and Fund Balances	 <u>\$ 81,271</u>	 <u>\$ 720,204</u>	 <u>\$ 4,131</u>	 <u>\$ 33,908</u>

QUEEN ANNE'S COUNTY
COMMUNITY PARTNERSHIPS FOR CHILDREN SPECIAL REVENUE FUND
COMBINING BALANCE SHEETS
BY GRANTOR
JUNE 30, 2016 (with Summarized Totals as of June 30, 2015)
(CONTINUED)

Total Community Partnerships	Returned Reinvestment Fund	2016 Total	2015 Summarized Total
\$ 679,450	\$ 30,493	\$ 709,943	\$ 550,859
5,096	-	5,096	16,656
154,968	-	154,968	164,381
<u>\$ 839,514</u>	<u>\$ 30,493</u>	<u>\$ 870,007</u>	<u>\$ 731,896</u>
\$ 319,418	\$ -	\$ 319,418	\$ 180,608
307,209	-	307,209	305,779
148,656	-	148,656	145,656
<u>775,283</u>	<u>-</u>	<u>775,283</u>	<u>632,043</u>
<u>64,231</u>	<u>30,493</u>	<u>94,724</u>	<u>99,853</u>
<u>64,231</u>	<u>30,493</u>	<u>94,724</u>	<u>99,853</u>
<u>\$ 839,514</u>	<u>\$ 30,493</u>	<u>\$ 870,007</u>	<u>\$ 731,896</u>

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, 2016 (with Summarized Totals for the Year Ended June 30, 2015)

	Federal/State GOCCP/GOC						
	Administrative	CASA Start	Resource Promotion	Chesapeake Helps	Healthy Fam/Home Visiting	Family Navigators	MD After School Opportunity
REVENUES							
CPA							
Intergovernmental							
GOC	\$ 65,000	\$ 58,257	\$ 9,509	\$ 28,934	\$ 57,616	\$ 33,965	\$ 52,215
Subtotal CPA	<u>65,000</u>	<u>58,257</u>	<u>9,509</u>	<u>28,934</u>	<u>57,616</u>	<u>33,965</u>	<u>52,215</u>
Non-CPA							
Intergovernmental							
GOC - non-CPA	25,000	-	-	-	-	-	-
Other State Grant Funding	-	-	-	-	296,372	-	-
Investment Income	-	-	-	-	-	-	-
Earned Reinvestment Donations	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Subtotal Non-CPA	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,372</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>90,000</u>	<u>58,257</u>	<u>9,509</u>	<u>28,934</u>	<u>353,988</u>	<u>33,965</u>	<u>52,215</u>
EXPENDITURES							
CPA							
Program Contracted Services	-	-	9,509	28,934	-	33,965	52,215
Other Expenditures							
Salaries	59,995	-	-	-	-	-	-
Fringe Benefit Costs	4,005	-	-	-	-	-	-
Board's Expenditures	1,000	-	-	-	-	-	-
Other Charges	-	58,257	-	-	57,616	-	-
Subtotal CPA Expenditures	<u>65,000</u>	<u>58,257</u>	<u>9,509</u>	<u>28,934</u>	<u>57,616</u>	<u>33,965</u>	<u>52,215</u>
Non-CPA							
Program Contracted Services	-	-	-	-	296,372	-	-
Other Expenditures							
Salaries	90,118	-	-	-	-	-	-
Fringe Benefit Costs	59,609	-	-	-	-	-	-
Auditing	2,988	-	-	-	-	-	-
Consultants	24,980	-	-	-	-	-	-
Equipment Rental	3,589	-	-	-	-	-	-
Postage	440	-	-	-	-	-	-
Office Supplies	1,774	-	-	-	-	-	-
Equipment Operation	-	-	-	-	-	-	-
Business Travel	419	-	-	-	-	-	-
Training	1,702	-	-	-	-	-	-
Board's Expenditures	4,213	-	-	-	-	-	-
Marketing/Promotions	-	-	-	-	-	-	-
Communications	2,066	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-	-
Local Allocation	-	-	-	-	-	-	225,890
Subtotal Non-CPA Expenditures	<u>191,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,372</u>	<u>-</u>	<u>225,890</u>
Total Expenditures	<u>256,898</u>	<u>58,257</u>	<u>9,509</u>	<u>28,934</u>	<u>353,988</u>	<u>33,965</u>	<u>278,105</u>
Excess of Revenues (Under) Expenditures	(166,898)	-	-	-	-	-	(225,890)
OTHER FINANCING SOURCES							
Proceeds on Sale of Capital Assets	-	-	-	-	-	-	-
Transfers In for:							
Program Contracted Services	161,750	-	-	-	-	-	225,890
Other Financing Sources	<u>161,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>225,890</u>
Net Increase (Decrease) in Fund Balances	<u>\$ (5,148)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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, 2016 (with Summarized Totals for the Year Ended June 30, 2015)

(CONTINUED)

Federal/State GOCCP/GOC		All Programs Subtotal	State GOC		State GOCCP Non-CPA Subtotal	Federal GOCCP Youth Strategies
Character Counts	GOCCP/GOC		CPA Subtotal	Non-CPA Subtotal		
	Operating Fund Total					
\$ 28,360	\$ 268,856	\$ 333,856	\$ 333,856	\$ -	\$ -	\$ -
<u>28,360</u>	<u>268,856</u>	<u>333,856</u>	<u>333,856</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	25,000	-	25,000	-	-
-	296,372	296,372	-	-	-	-
-	-	-	-	-	-	-
3,241	3,241	3,241	-	-	-	-
8,917	8,917	8,917	-	-	-	-
<u>12,158</u>	<u>308,530</u>	<u>333,530</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
<u>40,518</u>	<u>577,386</u>	<u>667,386</u>	<u>333,856</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
-	124,623	124,623	124,623	-	-	-
28,360	28,360	88,355	88,355	-	-	-
-	-	4,005	4,005	-	-	-
-	-	1,000	1,000	-	-	-
-	115,873	115,873	115,873	-	-	-
<u>28,360</u>	<u>268,856</u>	<u>333,856</u>	<u>333,856</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	296,372	296,372	-	-	-	-
8,456	8,456	98,574	-	-	-	-
6,016	6,016	65,625	-	-	-	-
-	-	2,988	-	-	-	-
-	-	24,980	-	24,980	-	-
-	-	3,589	-	-	-	-
-	-	440	-	-	-	-
-	-	1,774	-	20	-	-
-	-	-	-	-	-	-
-	-	419	-	-	-	-
-	-	1,702	-	-	-	-
-	-	4,213	-	-	-	-
1,720	1,720	1,720	-	-	-	-
-	-	2,066	-	-	-	-
-	-	-	-	-	-	-
-	225,890	225,890	-	-	-	-
<u>16,192</u>	<u>538,454</u>	<u>730,352</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
<u>44,552</u>	<u>807,310</u>	<u>1,064,208</u>	<u>333,856</u>	<u>25,000</u>	<u>-</u>	<u>-</u>
(4,034)	(229,924)	(396,822)	-	-	-	-
-	-	-	-	-	-	-
<u>4,034</u>	<u>229,924</u>	<u>391,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>4,034</u>	<u>229,924</u>	<u>391,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ -	(5,148)	-	-	-	-
		69,379	606,662	(5,612)	3,491	(25,479)
		<u>\$ 64,231</u>	<u>\$ 606,662</u>	<u>\$ (5,612)</u>	<u>\$ 3,491</u>	<u>\$ (25,479)</u>

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, 2016 (with Summarized Totals for the Year Ended June 30, 2015)

(CONTINUED)

	Other Non-CPA State Grants	Other	Total Community Partnerships Operating Funds	Returned Reinvestment Fund	2016 Total	2015 Summarized Total
REVENUES						
CPA						
Intergovernmental						
GOC	\$ -	\$ -	\$ 333,856	\$ -	\$ 333,856	\$ 583,736
Subtotal CPA	-	-	333,856	-	333,856	583,736
Non-CPA						
Intergovernmental						
GOC - non-CPA	-	-	25,000	-	25,000	10,000
Other State Grant Funding	296,372	-	296,372	-	296,372	296,372
Investment Income	-	-	-	19	19	22
Earned Reinvestment Donations	-	3,241	3,241	-	3,241	-
Miscellaneous	-	8,917	8,917	-	8,917	6,283
Subtotal Non-CPA	296,372	12,158	333,530	19	333,549	312,677
Total Revenues	296,372	12,158	667,386	19	667,405	896,413
EXPENDITURES						
CPA						
Program Contracted Services	-	-	124,623	-	124,623	373,782
Other Expenditures						
Salaries	-	-	88,355	-	88,355	88,355
Fringe Benefit Costs	-	-	4,005	-	4,005	5,005
Board's Expenditures	-	-	1,000	-	1,000	-
Other Charges	-	-	115,873	-	115,873	116,594
Subtotal CPA Expenditures	-	-	333,856	-	333,856	583,736
Non-CPA						
Program Contracted Services	296,372	-	296,372	-	296,372	325,160
Other Expenditures						
Salaries	-	98,574	98,574	-	98,574	97,516
Fringe Benefit Costs	-	65,625	65,625	-	65,625	64,739
Auditing	-	2,988	2,988	-	2,988	-
Consultants	-	-	24,980	-	24,980	-
Equipment Rental	-	3,589	3,589	-	3,589	3,338
Postage	-	440	440	-	440	290
Office Supplies	-	1,754	1,774	-	1,774	1,326
Equipment Operation	-	-	-	-	-	65
Business Travel	-	419	419	-	419	375
Training	-	1,702	1,702	-	1,702	250
Board's Expenditures	-	4,213	4,213	-	4,213	5,117
Marketing/Promotions	-	1,720	1,720	-	1,720	159
Communications	-	2,066	2,066	-	2,066	1,812
Other Charges	-	-	-	-	-	6,530
Local Allocation	-	225,890	225,890	-	225,890	-
Subtotal Non-CPA Expenditures	296,372	408,980	730,352	-	730,352	506,677
Total Expenditures	296,372	408,980	1,064,208	-	1,064,208	1,090,413
Excess of Revenues (Under) Expenditures	-	(396,822)	(396,822)	19	(396,803)	(194,000)
OTHER FINANCING SOURCES						
Proceeds on Sale of Capital Assets	-	-	-	-	-	817
Transfers In for:						
Program Contracted Services	-	391,674	391,674	-	391,674	167,102
Other Financing Sources	-	391,674	391,674	-	391,674	167,919
Net Increase (Decrease) in Fund Balances	-	(5,148)	(5,148)	19	(5,129)	(26,081)
Fund Balances, July 1	-	(509,683)	69,379	30,474	99,853	125,934
Fund Balances, June 30	\$ -	\$ (514,831)	\$ 64,231	\$ 30,493	\$ 94,724	\$ 99,853



Queen Anne's County is a popular stop for birds travelling the Atlantic Migration Flyway.

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, 2016

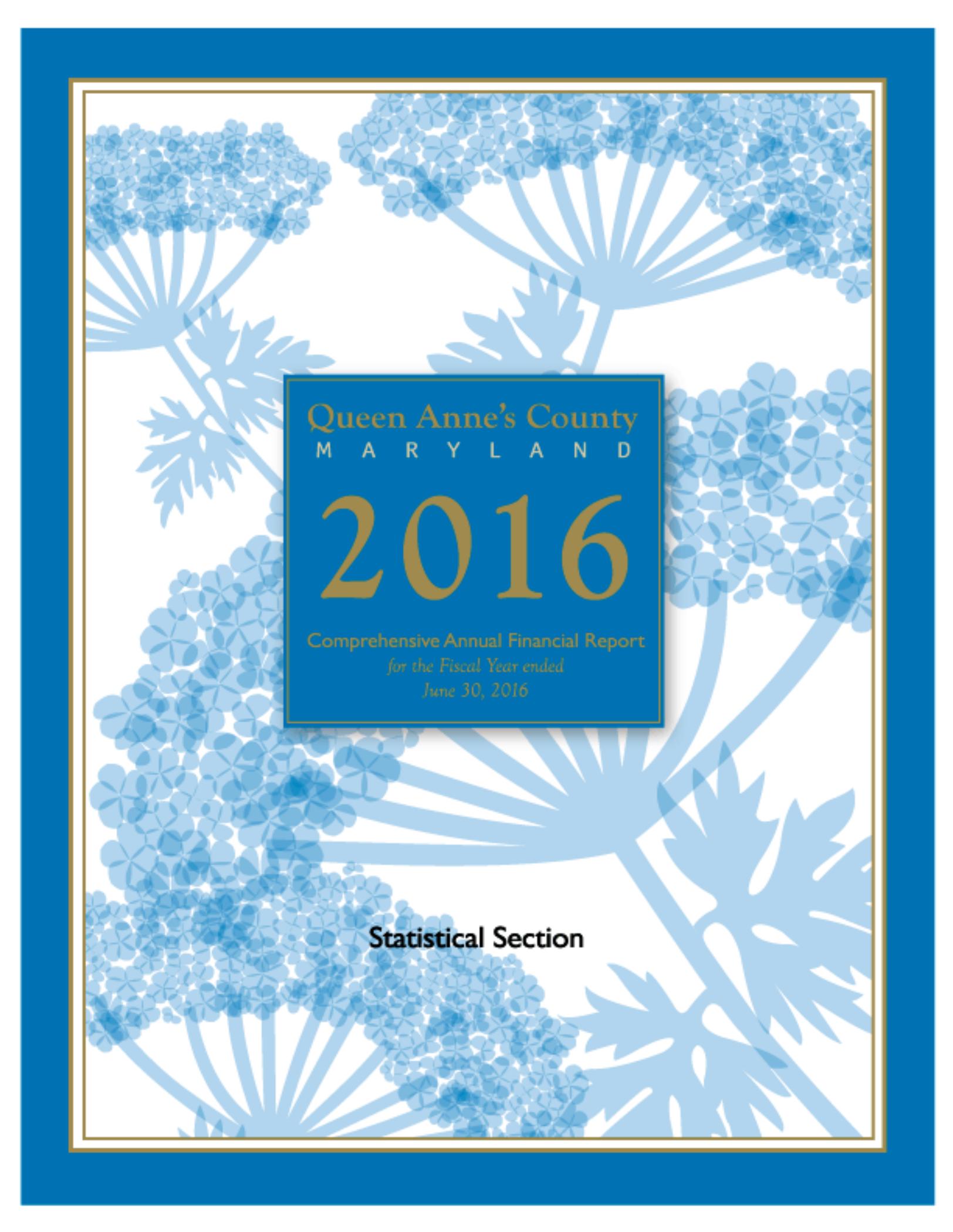
	COMMUNITY PARTNERSHIPS FOR CHILDREN				RETURNED REINVESTMENT FUND			
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES								
Intergovernmental								
GOC - CPA and Non-CPA	\$ 586,886	\$ 360,286	\$ 358,856	\$ (1,430)	\$ -	\$ -	\$ -	\$ -
Other	296,372	296,372	296,372	-	-	-	-	-
Investment Income	-	-	-	-	-	-	19	19
Donations	-	-	3,241	3,241	-	-	-	-
Miscellaneous	-	19,300	8,917	(10,383)	-	-	-	-
Total Revenues	<u>883,258</u>	<u>675,958</u>	<u>667,386</u>	<u>(8,572)</u>	<u>-</u>	<u>-</u>	<u>19</u>	<u>19</u>
EXPENDITURES								
Program Contracted Services	732,282	480,682	420,995	59,687	-	-	-	-
Other Expenditures								
Salaries	170,696	186,812	186,929	(117)	-	-	-	-
Fringe Benefit Costs	68,778	71,962	69,630	2,332	-	-	-	-
Auditing	2,988	2,988	2,988	-	-	-	-	-
Consultants	-	25,000	24,980	20	-	-	-	-
Equipment Rental	3,000	3,000	3,589	(589)	-	-	-	-
Postage	2,000	2,000	440	1,560	-	-	-	-
Office Supplies	2,122	2,122	1,774	348	-	-	-	-
Equipment Operation	250	250	-	250	-	-	-	-
Business Travel	500	500	419	81	-	-	-	-
Training	2,000	2,000	1,702	298	-	-	-	-
Board's Expenditures	6,500	6,500	5,213	1,287	-	-	-	-
Marketing/Promotions	-	-	1,720	(1,720)	-	-	-	-
Communications	1,200	1,200	2,066	(866)	-	-	-	-
Other Charges	57,616	57,616	115,873	(58,257)	-	-	-	-
Local Allocation	225,000	225,000	225,890	(890)	-	-	-	-
Total Expenditures	<u>1,274,932</u>	<u>1,067,632</u>	<u>1,064,208</u>	<u>3,424</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	(391,674)	(391,674)	(396,822)	(5,148)	-	-	19	19
OTHER FINANCING SOURCES								
Transfers In for:								
Program Contracted Services	391,674	391,674	391,674	-	-	-	-	-
Net Increase (Decrease) in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(5,148)</u>	<u>\$ (5,148)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>19</u>	<u>\$ 19</u>
Fund Balances, July 1			<u>69,379</u>				<u>30,474</u>	
Fund Balances, June 30			<u>\$ 64,231</u>				<u>\$ 30,493</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, 2016
(Continued)

TOTAL			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 586,886	\$ 360,286	\$ 358,856	\$ (1,430)
296,372	296,372	296,372	-
-	-	19	19
-	-	3,241	3,241
-	19,300	8,917	(10,383)
<u>883,258</u>	<u>675,958</u>	<u>667,405</u>	<u>(8,553)</u>
732,282	480,682	420,995	59,687
170,696	186,812	186,929	(117)
68,778	71,962	69,630	2,332
2,988	2,988	2,988	-
-	25,000	24,980	20
3,000	3,000	3,589	(589)
2,000	2,000	440	1,560
2,122	2,122	1,774	348
250	250	-	250
500	500	419	81
2,000	2,000	1,702	298
6,500	6,500	5,213	1,287
-	-	1,720	(1,720)
1,200	1,200	2,066	(866)
57,616	57,616	115,873	(58,257)
<u>225,000</u>	<u>225,000</u>	<u>225,890</u>	<u>(890)</u>
<u>1,274,932</u>	<u>1,067,632</u>	<u>1,064,208</u>	<u>3,424</u>
(391,674)	(391,674)	(396,803)	(5,129)
<u>391,674</u>	<u>391,674</u>	<u>391,674</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>(5,129)</u>	<u>\$ (5,129)</u>
		<u>99,853</u>	
		<u>\$ 94,724</u>	



The Circuit Courthouse in Centreville, the county seat since 1794, is the oldest courthouse in continuous use in the State of Maryland.



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

2016

Comprehensive Annual Financial Report
*for the Fiscal Year ended
June 30, 2016*

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

	2007	2008	2009	2010	2011
Governmental Activities:					
Net Investment in Capital Assets	\$ 103,657,227	\$ 117,831,360	\$ 123,217,989	\$ 121,702,025	\$ 118,274,533
Restricted	18,012,695	15,376,330	16,582,660	22,290,307	22,399,514
Unrestricted (deficit) (1)	<u>(3,740,905)</u>	<u>(15,075,202)</u>	<u>(26,672,299)</u>	<u>(45,795,597)</u>	<u>(61,193,944)</u>
Total Governmental Activities Net Position	<u>117,929,017</u>	<u>118,132,488</u>	<u>113,128,350</u>	<u>98,196,735</u>	<u>79,480,103</u>
Business-type Activities:					
Net Investment in Capital Assets	74,463,912	77,237,512	77,146,688	79,032,373	78,069,061
Restricted	19,133,485	18,276,271	19,886,675	18,180,809	16,821,905
Unrestricted	-	-	-	-	-
Total Business-type Activities Net Position	<u>93,597,397</u>	<u>95,513,783</u>	<u>97,033,363</u>	<u>97,213,182</u>	<u>94,890,966</u>
Primary Government:					
Net Investment in Capital Assets	178,121,139	195,068,872	200,364,677	200,734,398	196,343,594
Restricted	37,146,180	33,652,601	36,469,335	40,471,116	39,221,419
Unrestricted (deficit) (1)	<u>(3,740,905)</u>	<u>(15,075,202)</u>	<u>(26,672,299)</u>	<u>(45,795,597)</u>	<u>(61,193,944)</u>
Total Primary Government Net Position	<u>\$ 211,526,414</u>	<u>\$ 213,646,271</u>	<u>\$ 210,161,713</u>	<u>\$ 195,409,917</u>	<u>\$ 174,371,069</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	\$ (3,740,905)	\$ (15,075,202)	\$ (26,672,299)	\$ (45,795,597)	\$ (61,193,944)
Debt issued for capital on behalf of others	57,496,385	53,758,049	50,291,243	57,677,186	72,437,047
County (deficit) net position absent the effect of this relationship	<u>\$ 53,755,480</u>	<u>\$ 38,682,847</u>	<u>\$ 23,618,944</u>	<u>\$ 11,881,589</u>	<u>\$ 11,243,103</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)

	2012	2013	2014	2015	2016
\$	118,564,684	\$ 121,246,426	\$ 127,369,959	\$ 125,434,538	\$ 123,466,319
	5,982,041	15,691,080	17,616,132	20,464,486	21,063,295
	<u>(44,686,543)</u>	<u>(66,089,615)</u>	<u>(71,169,310)</u>	<u>(73,475,567)</u>	<u>(78,567,505)</u>
	79,860,182 (2)	70,847,891 (3)	73,816,781 (4)	72,423,457	65,962,109
	76,763,695	78,693,078	79,783,160	80,787,152	80,909,015
	3,513,948	3,176,328	3,110,033	3,061,534	1,699,914
	<u>12,591,302</u>	<u>11,031,281</u>	<u>8,721,212</u>	<u>8,486,063</u>	<u>10,240,161</u>
	92,868,945 (2)	92,900,687	91,614,405 (4)	92,334,749	92,849,090
	195,328,379	199,939,504	207,153,119	206,221,690	204,375,334
	9,495,989	18,867,408	20,726,165	23,526,020	22,763,209
	<u>(32,095,241)</u>	<u>(55,058,334)</u>	<u>(62,448,098)</u>	<u>(64,989,504)</u>	<u>(68,327,344)</u>
\$	<u>172,729,127</u> (2)	<u>163,748,578</u> (3)	<u>165,431,186</u> (4)	<u>164,758,206</u>	<u>158,811,199</u>
\$	(32,095,241)	(55,058,334)	(62,448,098)	(64,989,504)	(68,327,344)
	68,278,842	63,283,726	67,651,486	66,219,608	63,271,304
\$	<u>36,183,601</u>	<u>8,225,392</u>	<u>5,203,388</u>	<u>1,230,104</u>	<u>(5,056,040)</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

	2007	2008	2009	2010	2011
Expenses					
Governmental Activities:					
General Government	\$ 9,854,468	\$ 11,167,743	\$ 13,317,683	\$ 14,089,387	\$ 15,968,633
Public Safety	19,149,388	20,721,185	23,570,049	25,361,341	25,413,678
Public Works	9,913,917	10,420,547	10,237,718	9,432,489	9,098,949
Health	1,450,866	1,441,143	1,590,004	1,663,321	1,701,677
Social Services	4,474,784	4,978,883	5,617,621	5,554,667	5,001,240
Education	56,118,585	58,034,317	53,296,238	53,491,659	57,506,341
Parks & Recreation (3)	3,158,455	3,330,087	5,060,018	3,618,427	3,090,228
Library	1,266,183	1,270,718	1,414,008	1,473,689	1,457,336
Conservation of Natural Resources	497,926	2,172,443	2,473,308	5,281,372	3,811,748
Economic/Community Development	3,258,876	3,527,908	2,197,116	2,001,306	1,893,570
Interest and Fiscal Charges	2,864,493	3,033,416	2,831,002	3,510,678	4,078,105
Total Governmental Activities Expenses	112,007,941	120,098,390	121,604,765	125,478,336	129,021,505
Business-type Activities:					
Water and Sewer	7,802,798	9,621,784	10,689,782	10,610,705	10,905,989
Golf Course (4)	3,273,986	2,179,157	2,178,163	2,789,901	4,099,507
Public Landings and Marinas (5)	57,372	27,344	38,050	96,739	67,395
Airport	674,337	812,067	879,906	1,017,780	1,167,655
Total Business-type Activities Expenses	11,808,493	12,640,352	13,785,901	14,515,125	16,240,546
Total Primary Government Expenses	123,816,434	132,738,742	135,390,666	139,993,461	145,262,051
Program Revenues					
Governmental Activities:					
General Government					
Charges for Services	1,127,737	1,047,371	1,055,945	1,261,230	1,086,641
Operating Grants and Contributions	377,412	295,898	403,018	546,176	694,347
Capital Grants and Contributions	5,000	757,975	5,567	44,743	118,100
Total Revenue	1,510,149	2,101,244	1,464,530	1,852,149	1,899,088
Public Safety					
Charges for Services	1,642,258	3,167,090	1,394,463	1,263,212	1,090,545
Operating Grants and Contributions	1,255,307	1,254,611	1,266,869	1,891,120	1,461,080
Capital Grants and Contributions	272,497	1,171	273,176	303,566	82,885
Total Revenue	3,170,062	4,422,872	2,934,508	3,457,898	2,634,510
Public Works					
Charges for Services	871,962	1,014,600	714,765	791,796	872,352
Operating Grants and Contributions	5,572,760	6,304,965	7,566,648	632,923	546,719
Capital Grants and Contributions	1,838,101	544,610	298,500	264,078	901,289
Total Revenue	8,282,823	7,864,175	8,579,913	1,688,797	2,320,360
Social Services					
Charges for Services	73,497	64,041	68,386	67,423	69,382
Operating Grants and Contributions	2,589,967	2,911,796	2,928,291	2,666,917	2,050,062
Capital Grants and Contributions	172,732	613,804	348,124	2,688,245	215,748
Total Revenue	2,836,196	3,589,641	3,344,801	5,422,585	2,335,192
Education					
Charges for Services	963,216	1,011,013	740,213	852,201	755,443
Operating Grants and Contributions	-	-	8,050	433,000	-
Capital Grants and Contributions	-	-	161,673	-	-
Total Revenue	963,216	1,011,013	909,936	1,285,201	755,443
Parks & Recreation					
Charges for Services	158,447	302,195	240,954	177,568	187,901
Operating Grants and Contributions	58,485	72,659	509	123,336	1,868
Capital Grants and Contributions	4,363,393	5,666,226	1,087,329	631,504	199,698
Total Revenue	4,580,325	6,041,080	1,328,792	932,408	389,467
Conservation of Natural Resources					
Charges for Services	100,488	88,534	97,481	101,019	75,354
Operating Grants and Contributions	597,613	322,718	55,847	93,002	1,006,138
Capital Grants and Contributions	-	-	691,085	4,191,024	1,923,471
Total Revenue	698,101	411,252	844,413	4,385,045	3,004,963
Economic/Community Development					
Charges for Services	4,083	5,249	4,786	-	4,236
Operating Grants and Contributions	120,254	163,245	641,305	-	239,893
Capital Grants and Contributions	-	-	-	-	110,561
Total Revenue	124,337	168,494	646,091	-	354,690
Total Governmental Activities Program Revenues	22,165,209	25,609,771	20,052,984	19,024,083	13,693,713

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)

	2012	2013	2014	2015	2016
\$	13,421,531	\$ 13,639,728	\$ 14,133,149	\$ 10,849,277	\$ 13,936,312
	25,469,721	26,174,144	26,666,211	25,297,450	27,525,712
	10,373,286	11,891,013	12,365,647	14,363,603	19,522,534
	1,642,723	1,812,920	2,083,201	1,856,158	2,032,657
	4,526,166	5,560,196	5,040,139	4,775,440	5,300,871
	53,693,309	49,459,783	54,882,430	65,633,331	60,752,025
	-	-	-	-	-
	1,302,163	1,304,076	1,336,098	1,458,348	1,622,848
	2,802,337	838,775	2,395,762	587,147	1,799,234
	887,837	1,108,912	1,528,035	1,763,024	3,391,547
	<u>4,196,072</u>	<u>4,042,236</u>	<u>3,987,943</u>	<u>4,039,622</u>	<u>4,345,527</u>
	<u>118,315,145</u>	<u>115,831,783</u>	<u>124,418,615</u>	<u>130,623,400</u>	<u>140,229,267</u>
	10,711,211	11,783,515	11,059,306	10,412,432	10,615,466
	2,269,933	538,420	515,325	496,065	505,085
	110,884	535,837	544,945	537,823	529,943
	<u>1,457,087</u>	<u>913,845</u>	<u>807,226</u>	<u>1,014,491</u>	<u>966,896</u>
	<u>14,549,115</u>	<u>13,771,617</u>	<u>12,926,802</u>	<u>12,460,811</u>	<u>12,617,390</u>
	<u>132,864,260</u>	<u>129,603,400</u>	<u>137,345,417</u>	<u>143,084,211</u>	<u>152,846,657</u>
	1,081,808	1,272,807	1,500,273	1,505,857	1,565,170
	742,205	697,712	606,649	644,297	582,571
	116,710	135,032	589,988	96,684	(30,000)
	<u>1,940,723</u>	<u>2,105,551</u>	<u>2,696,910</u>	<u>2,246,838</u>	<u>2,117,741</u>
	1,320,647	1,387,591	1,286,945	1,244,752	1,354,350
	1,113,018	1,328,493	1,081,577	1,052,666	1,088,597
	<u>191,223</u>	<u>249,594</u>	<u>282,139</u>	<u>119,118</u>	<u>175,653</u>
	<u>2,624,888</u>	<u>2,965,678</u>	<u>2,650,661</u>	<u>2,416,536</u>	<u>2,618,600</u>
	1,107,426	1,636,604	1,425,012	1,275,538	1,337,358
	488,027	624,653	712,550	527,538	1,029,019
	541,887	1,687,783	2,221,299	80,000	108,880
	<u>2,137,340</u>	<u>3,949,040</u>	<u>4,358,861</u>	<u>1,883,076</u>	<u>2,475,257</u>
	71,655	71,973	65,537	68,187	76,404
	2,076,096	2,613,905	2,026,675	2,056,111	1,834,000
	18,691	51,023	67,392	40,527	140,400
	<u>2,166,442</u>	<u>2,736,901</u>	<u>2,159,604</u>	<u>2,164,825</u>	<u>2,050,804</u>
	1,169,425	1,052,691	1,721,379	1,249,332	1,230,994
	-	-	-	-	-
	-	-	-	-	-
	<u>1,169,425</u>	<u>1,052,691</u>	<u>1,721,379</u>	<u>1,249,332</u>	<u>1,230,994</u>
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	98,593	63,105	73,279	72,688	70,708
	36,872	400,193	103,892	96,195	68,152
	<u>998,757</u>	-	<u>75,820</u>	<u>3,637</u>	<u>573,003</u>
	<u>1,134,222</u>	<u>463,298</u>	<u>252,991</u>	<u>172,520</u>	<u>711,863</u>
	159,492	234,100	508,000	80,558	311,000
	245,143	176,216	255,100	285,344	156,804
	81,867	575,440	(69,569)	-	-
	<u>486,502</u>	<u>985,756</u>	<u>693,531</u>	<u>365,902</u>	<u>467,804</u>
	<u>11,659,542</u>	<u>14,258,915</u>	<u>14,533,937</u>	<u>10,499,029</u>	<u>11,673,063</u>

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)

	2007	2008	2009	2010	2011
Business-type Activities:					
Water and Sewer					
Charges for Services	\$ 12,169,440	\$ 8,014,366	\$ 7,695,100	\$ 8,224,428	\$ 8,192,471
Operating Grants and Contributions	-	-	-	98,492	-
Capital Grants and Contributions	5,015,603	2,584,371	682,935	208,115	837,426
Total Revenue	17,185,043	10,598,737	8,378,035	8,531,035	9,029,897
Golf Course (4)					
Charges for Services	1,581,030	1,459,725	1,526,244	1,633,203	1,568,227
Operating Grants and Contributions	1,279,648	55,953	45,824	41,838	39,572
Capital Grants and Contributions	144,844	95,890	69,068	289,895	196,487
Total Revenue	3,005,522	1,611,568	1,641,136	1,964,936	1,804,286
Public Landings and Marinas (5)					
Charges for Services	108,100	105,900	100,250	62,600	84,987
Operating Grants and Contributions	92,348	3,710	-	29,017	16,241
Capital Grants and Contributions	-	-	-	545,123	588,326
Total Revenue	200,448	109,610	100,250	636,740	689,554
Airport					
Charges for Services	32,683	46,960	34,907	50,585	37,955
Operating Grants and Contributions	1,112	-	-	33,922	3,715
Capital Grants and Contributions	667,166	382,945	289,112	1,519,810	448,600
Total Revenue	700,961	429,905	324,019	1,604,317	490,270
Total Business-type Activities Program Revenues	21,091,974	12,749,820	10,443,440	12,737,028	12,014,007
Total Primary Government Program Revenues	43,257,183	38,359,591	30,496,424	31,761,111	25,707,720
Net (Expense) Revenue (1)					
Governmental activities	(89,842,732)	(94,488,619)	(101,551,781)	(106,454,253)	(115,327,792)
Business-type activities	9,283,481	109,468	(3,342,461)	(1,778,097)	(4,226,539)
Total Primary Government Net Expense	\$ (80,559,251)	\$ (94,379,151)	\$ (104,894,242)	\$ (108,232,350)	\$ (119,554,331)
General Revenues and Other Changes in Net Position					
Governmental Activities:					
Taxes (2)	\$ 90,910,849	\$ 91,853,216	\$ 95,530,316	\$ 90,469,883	\$ 96,093,533
Investment income	3,162,830	2,128,509	642,472	144,553	136,523
Gain on Sale of Capital Assets	13,605	-	1,540,404	26,731	281,158
Miscellaneous	1,928,398	721,946	2,182,525	786,719	711,868
Transfers In (Out)	(1,070,297)	(11,581)	(3,348,074)	(559,331)	(611,922)
Total Governmental Activities	94,945,385	94,692,090	96,547,643	90,868,555	96,611,160
Business-type Activities:					
Investment income	956,687	875,509	595,279	436,045	407,629
Gain on Sale of Capital Assets	4,691	-	-	-	-
Miscellaneous	876,714	919,828	918,688	962,540	884,772
Transfers In (Out)	1,070,297	11,581	3,348,074	559,331	611,922
Total Business-type Activities	2,908,389	1,806,918	4,862,041	1,957,916	1,904,323
Total Primary Government	97,853,774	96,499,008	101,409,684	92,826,471	98,515,483
Change in Net Position					
Governmental activities	5,102,653	203,471	(5,004,138)	(15,585,698)	(18,716,632)
Business-type activities	12,191,870	1,916,386	1,519,580	179,819	(2,322,216)
Total Primary Government	\$ 17,294,523	\$ 2,119,857	\$ (3,484,558)	\$ (15,405,879)	\$ (21,038,848)

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)

2012	2013	2014	2015	2016
\$ 7,977,667	\$ 8,181,434	\$ 8,341,848	\$ 8,840,213	\$ 8,956,360
55,728	161,600	90,000	90,000	85,099
347,573	2,048,768	665,268	1,862,257	1,958,051
8,380,968	10,391,802	9,097,116	10,792,470	10,999,510
1,501,550	313,364	297,293	295,955	305,528
52,915	-	-	-	-
28,680	-	-	-	-
1,583,145	313,364	297,293	295,955	305,528
102,290	440,270	423,478	423,723	423,427
14,183	42,914	36,439	43,304	36,781
78,314	18,692	-	-	-
194,787	501,876	459,917	467,027	460,208
58,589	48,072	49,061	53,200	45,916
47,412	2,621	2,420	73,311	52,837
693,162	2,472,782	7,457	-	-
799,163	2,523,475	58,938	126,511	98,753
10,958,063	13,730,517	9,913,264	11,681,963	11,863,999
22,617,605	27,989,432	24,447,201	22,180,992	23,537,062
(106,655,603)	(101,572,868)	(109,884,678)	(120,124,371)	(128,556,204)
(3,591,052)	(41,100)	(3,013,538)	(778,848)	(753,391)
\$ (110,246,655)	\$ (101,613,968)	\$ (112,898,216)	\$ (120,903,219)	\$ (129,309,595)
\$ 105,693,926	\$ 107,978,036	\$ 112,123,625	\$ 116,821,607	\$ 121,011,135
126,650	107,095	95,286	94,092	174,691
27,627	163,426	346,765	1,098,632	161,106
1,254,255	1,051,760	877,629	1,076,893	949,046
(605,996)	(337,843)	(589,737)	(360,177)	(201,122)
106,496,462	108,962,474	112,853,568	118,731,047	122,094,856
374,665	356,374	343,568	323,585	320,443
-	-	-	-	-
1,127,590	855,504	793,951	815,430	746,167
605,996	359,277	589,737	360,177	201,122
2,108,251	1,571,155	1,727,256	1,499,192	1,267,732
108,604,713	110,533,629	114,580,824	120,230,239	123,362,588
(159,141)	7,389,606	2,968,890	(1,393,324)	(6,461,348)
(1,482,801)	1,530,055	(1,286,282)	720,344	514,341
\$ (1,641,942)	\$ 8,919,661	\$ 1,682,608	\$ (672,980)	\$ (5,947,007)

QUEEN ANNE'S COUNTY, MARYLAND
 FINANCIAL TRENDS
 GENERAL TAX REVENUES - GOVERNMENTAL ACTIVITIES
 LAST TEN FISCAL YEARS

Table 2-b

	2007	2008	2009	2010	2011
Local Property Taxes	\$ 46,185,050	\$ 50,021,587	\$ 55,362,114	\$ 59,267,240	\$ 60,070,368
Local Income Tax	35,346,494	35,700,111	34,834,937	25,715,247	30,624,679
Other Local Taxes	9,379,305	6,131,518	5,333,265	5,487,396	5,398,486
Total Taxes - Governmental Activities	<u>\$ 90,910,849</u>	<u>\$ 91,853,216</u>	<u>\$ 95,530,316</u>	<u>\$ 90,469,883</u>	<u>\$ 96,093,533</u>

	2012	2013	2014	2015	2016
Local Property Taxes	\$ 65,937,415	\$ 65,591,225	\$ 64,712,683	\$ 64,672,721	\$ 65,185,546
Local Income Tax	34,028,234	35,769,303	40,899,804	44,643,870	47,928,725
Other Local Taxes	5,728,277	6,617,508	6,511,138	7,505,016	7,896,864
Total Taxes - Governmental Activities	<u>\$ 105,693,926</u>	<u>\$ 107,978,036</u>	<u>\$ 112,123,625</u>	<u>\$ 116,821,607</u>	<u>\$ 121,011,135</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

	2007	2008	2009	2010		
General Fund:						
Reserved	\$ 7,140,303	\$ 8,948,231	\$ 8,643,600	\$ 7,734,692		
Unreserved	15,302,827	3,972,847	6,381,843	6,296,418		
Total General Fund	22,443,130	12,921,078	15,025,443	\$ 14,031,110		
All Other Governmental Funds:						
Reserved	20,060,988	16,706,954	17,007,368	15,153,381		
Unreserved, reported in:						
Capital Projects Fund	17,618,012	14,409,216	1,723,066	12,538,916		
Special Revenue Funds	3,019,522	2,185,304	2,751,120	7,842,939		
Total All Other Governmental Funds	40,698,522	33,301,474	21,481,554	35,535,236		
Total All Governmental Funds	\$ 63,141,652	\$ 46,222,552	\$ 36,506,997	\$ 49,566,346		
General Fund:						
Nonspendable	\$ 4,000	\$ 555,215	\$ 626,122	\$ 480,385	\$ 687,777	\$ 586,481
Restricted	333,798	340,670	8,111,614	8,375,368	8,681,112	9,002,389
Committed	657,068	695,944	-	1,157,360	2,000,000	3,000,000
Assigned	70,000	-	1,284,657	1,284,875	2,034,875	1,926,782
Unassigned	4,753,656	11,207,265	5,965,003	7,123,519	7,793,085	8,468,591
Total General Fund (1)	5,818,522	12,799,094	15,987,396	18,421,507	21,196,849	22,984,243
All Other Governmental Funds:						
Nonspendable	4,401,483	5,136,024	5,406,512	5,470,608	5,919,048	6,146,072
Restricted	22,065,716	12,255,292	12,724,859	21,824,970	17,794,372	21,316,088
Committed	1,820,818	2,054,749	3,480,382	4,097,033	4,209,177	3,425,701
Assigned	14,745,215	18,654,017	24,665,235	25,939,319	23,093,224	18,029,073
Unassigned	(172,381)	(157,828)	(135,515)	(115,800)	(108,185)	(115,129)
Total All Other Governmental Funds (1)	42,860,851	37,942,254	46,141,473	57,216,130	50,907,636	48,801,805
Total All Governmental Funds	\$ 48,679,373	\$ 50,741,348	\$ 62,128,869	\$ 75,637,637	\$ 72,104,485	\$ 71,786,048

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

	2007	2008	2009	2010	2011
Revenues					
Taxes					
Local Property Taxes	\$ 46,208,342	\$ 50,007,054	\$ 55,374,053	\$ 59,242,742	\$ 60,097,959
Local Income Taxes	34,980,663	34,767,725	35,988,334	29,647,125	29,527,496
Other Local Taxes	9,379,305	6,131,518	5,333,265	5,487,396	5,398,486
State Shared Taxes	5,125,419	5,306,763	7,591,829	508,138	230,401
Licenses and Permits	895,931	890,821	874,639	863,782	919,663
Intergovernmental	10,661,130	12,199,511	8,049,695	12,061,066	8,777,729
Bond Interest Reimbursement - Build America Bond	-	-	-	193,567	438,022
Charges for Current Services	3,806,563	4,049,902	3,326,696	3,396,080	3,143,846
Fines and Forfeitures	239,194	1,759,370	115,658	258,937	78,345
Capital Contributions - Developer	-	-	-	-	-
Investment Income	3,162,830	2,128,509	642,472	144,553	136,523
Donations	74,694	247,002	76,867	140,731	109,342
Miscellaneous	1,853,706	719,067	2,182,525	786,719	708,455
Total Revenues	116,387,777	118,207,242	119,556,033	112,730,836	109,566,267
Expenditures					
Current					
General Government (1)	8,772,229	10,128,699	10,841,479	10,608,976	10,397,457
Public Safety	17,918,740	19,292,661	20,483,238	21,344,575	21,127,321
Public Works	9,167,362	9,182,618	8,678,715	7,671,352	7,277,767
Health	1,428,395	1,430,670	1,572,848	1,637,101	1,670,222
Social Services	4,260,927	4,747,491	5,029,493	4,767,647	4,098,650
Education	56,163,966	58,086,283	53,348,513	53,545,597	57,566,865
Parks and Recreation	2,809,748	3,083,038	3,145,367	3,055,335	2,521,175
Library	1,242,573	1,247,108	1,390,398	1,424,078	1,433,725
Conservation of Natural Resources	483,810	2,177,820	2,445,352	5,263,577	3,872,916
Economic/Community Development	3,188,316	3,513,153	1,968,587	1,847,195	1,715,524
Miscellaneous	915,542	731,771	706,792	1,373,090	4,699,452
Capital Outlay	14,291,416	13,676,569	8,594,972	7,868,741	4,838,581
Debt Service					
Principal	3,795,769	4,888,405	5,089,347	4,948,144	6,964,558
Debt Issuance Costs	236,899	3,972	(423)	145,884	129,671
Interest and Fiscal Charges	2,257,928	3,147,529	2,778,490	3,114,505	3,629,426
Total Expenditures	126,933,620	135,337,787	126,073,168	128,615,797	131,943,310
Excess (Deficiency) of Revenues over (under) Expenditures	(10,545,843)	(17,130,545)	(6,517,135)	(15,884,961)	(22,377,043)
Other Financing Sources (Uses)					
Issuance of Debt	23,219,790	510,617	122,780	29,299,154	21,897,570
Other Financing Use - Proceeds of Refunding Bonds	-	-	-	-	-
Re-allocation of 2006 Bonds	-	(345,955)	-	-	-
Bond Premiums	236,899	3,972	(423)	157,800	139,136
Payments to Bond Refunding Agent	-	-	-	-	-
Other Financing Use - Debt Service - Principal	-	-	-	-	-
Proceeds of Capital Asset Disposals	88,535	45,494	64,089	30,861	582,601
Insurance Proceeds	-	8,898	44,907	15,826	99,028
Transfers In	13,131,736	17,014,307	5,449,499	18,184,911	5,386,256
Transfers Out	(14,202,033)	(17,025,888)	(8,879,272)	(18,744,242)	(6,614,521)
Total Other Financing Sources (Uses)	22,474,927	211,445	(3,198,420)	28,944,310	21,490,070
Special and Extraordinary Items					
Special Item	-	-	-	-	-
Extraordinary Gains (Losses)	(42,242)	-	-	-	-
Total Special Items and Extraordinary Gains (Losses)	(42,242)	-	-	-	-
Net Increase (Decrease) in Fund Balances	\$ 11,886,842	\$ (16,919,100)	\$ (9,715,555)	\$ 13,059,349	\$ (886,973)
Debt service as a percentage of non-capital expenditures (2, 3)	5.38%	6.61%	6.79%	6.69%	8.34%

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)

	2012	2013	2014	2015	2016
\$	65,918,832	\$ 65,554,079	\$ 64,701,622	\$ 64,672,292	\$ 64,946,443
	35,969,879	39,438,906	40,326,921	42,889,715	46,424,552
	5,728,277	6,617,508	6,511,137	7,505,016	7,896,865
	306,235	510,726	749,366	557,834	623,256
	877,365	1,004,774	1,080,891	1,062,917	1,078,144
	5,867,211	7,588,691	5,588,984	4,030,576	4,696,561
	432,212	406,337	383,777	375,323	364,799
	3,908,998	4,594,240	5,357,919	4,251,835	4,617,730
	222,683	119,857	141,615	182,160	250,110
	-	-	102,316	-	-
	126,650	107,095	95,286	94,092	174,691
	46,332	36,332	39,055	41,391	45,773
	1,254,255	1,051,760	877,629	1,076,893	949,045
	<u>120,658,929</u>	<u>127,030,305</u>	<u>125,956,518</u>	<u>126,740,044</u>	<u>132,067,969</u>
	9,171,830	9,282,310	10,649,489	8,833,255	9,817,062
	20,985,077	21,275,229	22,266,458	23,133,608	23,523,103
	7,733,226	9,615,805	9,967,363	12,041,969	15,080,454
	1,604,462	1,811,402	2,030,740	1,822,856	1,992,208
	3,533,022	4,051,741	3,474,886	3,602,146	3,835,730
	53,755,497	48,418,107	59,752,944	65,683,908	60,808,143
	-	-	-	-	-
	1,277,993	1,278,228	1,310,250	1,432,500	1,597,000
	2,794,262	890,480	2,363,254	565,289	1,744,260
	758,089	898,129	1,306,516	1,616,784	3,188,928
	3,704,702	4,862,189	3,202,417	3,535,585	4,766,722
	2,755,949	3,370,909	8,669,375	8,733,509	11,050,384
	7,095,307	7,069,406	7,210,561	7,444,611	7,667,316
	162,021	(94)	196,870	403,572	218,799
	4,116,939	3,675,628	3,501,230	3,846,823	3,696,719
	<u>119,448,376</u>	<u>116,499,469</u>	<u>135,902,353</u>	<u>142,696,415</u>	<u>148,986,828</u>
	<u>1,210,553</u>	<u>10,530,836</u>	<u>(9,945,835)</u>	<u>(15,956,371)</u>	<u>(16,918,859)</u>
	8,010,000	564,068	22,405,542	25,384,493	15,484,639
	-	-	-	-	8,042,773
	-	-	-	-	-
	713,235	(101)	1,118,097	1,901,240	1,650,448
	(8,557,455)	-	-	(14,881,834)	-
	-	-	-	-	(8,446,336)
	47,396	308,856	458,759	1,331,608	18,100
	11,631	20,070	61,942	57,916	153,534
	9,635,881	10,851,904	5,861,261	5,079,641	9,941,051
	<u>(10,369,909)</u>	<u>(11,228,409)</u>	<u>(6,450,998)</u>	<u>(6,449,845)</u>	<u>(10,243,787)</u>
	<u>(509,221)</u>	<u>516,388</u>	<u>23,454,603</u>	<u>12,423,219</u>	<u>16,600,422</u>
	1,360,643	-	-	-	-
	-	-	-	-	-
	<u>1,360,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$	<u>2,061,975</u>	<u>\$ 11,047,224</u>	<u>\$ 13,508,768</u>	<u>\$ (3,533,152)</u>	<u>\$ (318,437)</u>
	<u>9.66%</u>	<u>9.54%</u>	<u>8.44%</u>	<u>8.43%</u>	<u>8.16%</u>



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
2007	\$ 1,104,093,458	\$ 4,526,502,291	\$ 5,630,595,749	\$ 0.8000	\$ 63,168,480	\$ 5,693,764,229	\$ 419,303,486	\$ 6,113,067,715
2008	1,291,356,759	5,045,464,776	6,336,821,535	0.7700	61,729,010	6,398,550,545	474,798,401	6,873,348,946
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

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)
2007	\$ 0.8000
2008	0.7700
2009	0.7700
2010	0.7700
2011	0.7671
2012	0.8471
2013	0.8471
2014	0.8471
2015	0.8471
2016	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
2007	\$ 0.0600
2008	0.0600
2009	0.0600
2010	0.0600
2011	0.0600
2012	0.0600
2013	0.0600
2014	0.0600
2015	0.0600
2016	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
2007	\$ 0.4700	\$ 0.1000	\$ 0.3400	\$ 0.2800	\$ 0.1800
2008	0.4300	0.1000	0.3400	0.2800	0.1800
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

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	\$	0.2520
	0.2000		0.1670		0.2520
	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

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, 2016		
	Assessable Base	Ratio: Taxpayer Base to Total Assessable Base
Second Horizon Group Limited Partnership	\$ 64,726,400	0.85 %
KRM Development Corporation	20,343,367	0.27
Great American Life Insurance Company	14,251,500	0.19
Maryland General Land Co LLC	13,016,200	0.17
Beach Harbor Campers Cooperative Inc	12,582,700	0.16
Aspen Institute for Humanistic Studies	10,691,700	0.14
Anne Arundel Real Estate Holding Co	10,392,267	0.14
Shore Health System Inc	9,975,900	0.13
Mears Point Association	9,967,200	0.13
Kent Narrows Properties LLC	9,576,800	0.13
Total	<u>\$ 175,524,034</u>	<u>2.31 %</u>
Total Assessable Base	<u>\$ 7,626,510,532</u>	<u>100.00 %</u>

For the Fiscal Year Ended June 30, 2007		
	Assessable Base	Ratio: Taxpayer Base to Total Assessable Base
Second Horizon Group Limited Partnership	\$ 30,681,540	0.54 %
KRM Development Corporation	23,657,130	0.42
Waterford Centreville, LLC	18,684,070	0.33
Great American Life Insurance Company	13,988,333	0.25
Kent Narrows Properties	10,350,500	0.18
K Hovnanian's Four Seasons at Kent Island	9,873,893	0.17
213 Centreville Associates, LLC	9,516,300	0.17
Didonato, LLC	9,032,430	0.16
Washington Brick and Terra Cotta Company	8,616,310	0.15
TC Shopping Center Limited Partnership	8,186,197	0.14
Total	<u>\$ 142,586,703</u>	<u>2.51 %</u>
Total Assessable Base	<u>\$ 5,693,764,229</u>	<u>100.00 %</u>

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
2007	\$ 44,500,414	\$ 44,401,745	99.78%	\$ 97,926	\$ 44,499,671	100.00%
2008	48,575,431	48,505,180	99.86%	69,445	48,574,625	100.00%
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%	78,143	64,538,005	99.98%
2013	63,904,147	63,596,067	99.52%	52,680	63,648,747	99.60%
2014	63,184,321	62,834,349	99.45%	53,890	62,888,239	99.53%
2015	63,338,629	63,231,601	99.83%	34,004	63,265,605	99.88%
2016	63,799,184	63,647,404	99.76%	-	63,647,404	99.76%

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)
2007	\$ 74,717,649	\$ 561,000	\$ 248,460	\$ 75,527,109	\$ 102,474,842	5.50%	\$ 2,216
2008	69,637,468	822,617	202,978	70,663,063	95,669,054	4.76%	1,998
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

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)
2007	\$ 79,148,466	1.39%	\$ 1,712
2008	73,585,383	1.15%	1,537
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

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.



Historic Churchill Theater has been providing entertainment for the public since the 1920s. They currently present about 6 live performance plays and musicals per year.

QUEEN ANNE'S COUNTY, MARYLAND
DEBT CAPACITY
COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2016
Table 11

Name of Jurisdiction	Gross Debt
Queen Anne's County:	
County Government	
Total Net Direct Debt (1)	<u>\$ 120,891,108</u>
Towns: (2)	
Centreville (100%)	11,636,554
Millington (100%)	1,209,081
Queenstown (100%)	5,451,611
Sudlersville (100%)	<u>4,646,662</u>
Total Net Overlapping Debt	<u>22,943,908</u>
Total Net Direct and Overlapping Debt	<u><u>\$ 143,835,016</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

	2007	2008	2009	2010	2011
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)	1,483,571	1,458,458	1,446,993	1,862,866	2,340,495
General Obligation Debt (4)	74,717,649	69,637,468	64,411,805	87,967,432	102,791,729
Subtotal	76,201,220	71,095,926	65,858,798	89,830,298	105,132,224
Total authorized debt under Title 5 and specific public laws	84,201,220	79,095,926	73,858,798	97,830,298	113,132,224
LESS Outstanding bonds, notes payable, and capital leases (5)	102,474,842	95,669,054	88,563,993	111,337,131	124,067,449
Less: Sanitary District debt (4)	25,430,093	23,520,278	21,616,088	19,735,239	17,803,690
Subtotal	78,072,206	72,148,776	66,947,905	91,601,892	106,263,759
Legal Debt Margin - Other than the Sanitary District	\$ 7,404,931	\$ 6,947,150	\$ 6,910,893	\$ 6,228,406	\$ 6,868,465
<u>Debt related to the Sanitary District Proprietary Fund:</u>					
Total taxable assessed value (3)	\$ 5,693,764,229	\$ 6,398,550,545	\$ 7,083,072,750	\$ 7,580,931,277	\$ 7,740,096,715
Plus exempt property (3)	419,303,486	474,798,401	547,163,868	596,219,654	644,654,739
Total assessed value	\$ 6,113,067,715	\$ 6,873,348,946	\$ 7,630,236,618	\$ 8,177,150,931	\$ 8,384,751,454
Debt Limit - 6% of total assessed value (2)	\$ 366,784,063	\$ 412,400,937	\$ 457,814,197	\$ 490,629,056	\$ 503,085,087
LESS Sanitary District	25,552,847	23,520,278	21,616,088	19,735,239	17,803,690
Less: Restricted Cash and Investments in the Debt Service Fund available for payment of principal	4,746,865	4,551,821	4,180,188	3,925,026	3,658,194
	20,805,982	18,968,457	17,435,900	15,810,213	14,145,496
Legal Debt Margin - Sanitary District	\$ 345,978,081	\$ 393,432,480	\$ 440,378,297	\$ 474,818,843	\$ 488,939,591

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)

2012	2013	2014	2015	2016
\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
2,304,876	2,160,475	2,053,736	3,540,295	3,520,859
97,127,263	90,092,100	107,883,563	112,060,053	118,977,909
99,432,139	92,252,575	109,937,299	115,600,348	122,498,768
107,432,139	100,252,575	117,937,299	123,600,348	130,498,768
116,192,021	107,497,099	123,479,930	127,774,051	134,883,606
15,870,626	14,097,769	12,584,475	11,388,918	10,471,639
100,321,395	93,399,330	110,895,455	116,385,133	124,411,967
\$ 7,110,744	\$ 6,853,245	\$ 7,041,844	\$ 7,215,215	\$ 6,086,801
\$ 7,685,372,199	\$ 7,620,480,255	\$ 7,540,259,768	\$ 7,568,705,234	\$ 7,626,510,532
694,372,116	732,300,804	696,880,673	708,231,797	713,843,531
\$ 8,379,744,315	\$ 8,352,781,059	\$ 8,237,140,441	\$ 8,276,937,031	\$ 8,340,354,063
\$ 502,784,659	\$ 501,166,864	\$ 494,228,426	\$ 496,616,222	\$ 500,421,244
15,870,626	14,097,769	12,584,475	11,388,918	10,471,639
3,244,564	2,840,468	2,763,304	2,695,383	1,120,775
12,626,062	11,257,301	9,821,171	8,693,535	9,350,864
\$ 490,158,597	\$ 489,909,563	\$ 484,407,255	\$ 487,922,687	\$ 491,070,380

QUEEN ANNE'S COUNTY, MARYLAND
DEBT CAPACITY
COMPUTATION OF LOCAL DEBT LIMIT
LAST EIGHT FISCAL YEARS
Table 12-b

	2009	2010	2011
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
	2.5%	2.5%	2.5%
2.5% of Total Taxable Assessed Base	\$ 177,076,819	\$ 189,523,282	\$ 193,502,418
LESS Outstanding and New General Obligation Debt (2) (3)			
Enterprise Funds' Debt - Bonds and Notes	\$ 23,083,523	\$ 21,611,733	\$ 20,150,999
General Obligation Debt - Bonds and Notes	65,324,988	89,619,514	103,862,361
Total Outstanding and New General Obligation Debt	\$ 88,408,511	\$ 111,231,247	\$ 124,013,360
2.5% of Total Taxable Assessed Base in Excess of Total Outstanding and New General Obligation Debt	\$ 88,668,308	\$ 78,292,035	\$ 69,489,058
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
\$3,000 Per Capita	\$ 3,000	\$ 3,000	\$ 3,000
	\$ 141,273,000	\$ 145,950,000	\$ 143,697,000
LESS Outstanding and New General Obligation Debt (1)	\$ 88,408,511	\$ 111,231,247	\$ 124,013,360
\$3,000 Per Capita in Excess of Total Outstanding and New General Obligation Debt	\$ 52,864,489	\$ 34,718,753	\$ 19,683,640

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
- (e) review and revise this Debt Policy as necessary, but no later than September 1, 2015.

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 EIGHT FISCAL YEARS
Table 12-b

(CONTINUED)

2012	2013	2014	2015	2016
\$ 7,685,372,199	\$ 7,620,480,255	\$ 7,540,259,768	\$ 7,568,705,234	\$ 7,626,510,532
2.5%	2.5%	2.5%	2.5%	2.5%
<u>\$ 192,134,305</u>	<u>\$ 190,512,006</u>	<u>\$ 188,506,494</u>	<u>\$ 189,217,631</u>	<u>\$ 190,662,763</u>
\$ 18,175,502	\$ 16,258,244	\$ 14,638,211	\$ 14,929,213	\$ 13,992,498
98,016,519	91,238,855	108,841,719	112,844,838	120,891,108
<u>\$ 116,192,021</u>	<u>\$ 107,497,099</u>	<u>\$ 123,479,930</u>	<u>\$ 127,774,051</u>	<u>\$ 134,883,606</u>
<u>\$ 75,942,284</u>	<u>\$ 83,014,907</u>	<u>\$ 65,026,564</u>	<u>\$ 61,443,580</u>	<u>\$ 55,779,157</u>
47,798	48,650	48,650	48,804	48,517
\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
<u>\$ 143,394,000</u>	<u>\$ 145,950,000</u>	<u>\$ 145,950,000</u>	<u>\$ 146,412,000</u>	<u>\$ 145,551,000</u>
<u>\$ 116,192,021</u>	<u>\$ 107,497,099</u>	<u>\$ 123,479,930</u>	<u>\$ 127,774,051</u>	<u>\$ 134,883,606</u>
<u>\$ 27,201,979</u>	<u>\$ 38,452,901</u>	<u>\$ 22,470,070</u>	<u>\$ 18,637,949</u>	<u>\$ 10,667,394</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, 2016			
Employer	Employees	Rank	Percentage of Total County Employment
Queen Anne's County Board of Education	945	1	8.13%
Chesapeake College	756	2	6.51%
Queen Anne's County Government	466	3	4.01%
S.E.W. Friel	275	4	2.37%
Paul Reed Smith Guitars	236	5	2.03%
Reeb Millwork	180	6	1.55%
Cracker Barrel Old Country Store	170	7	1.46%
Power Electronics	162	8	1.39%
Federal Resources Supply	146	9	1.26%
Tidewater Direct	144	10	1.24%
Total	3,480		29.95%

For the Fiscal Year Ended June 30, 2007			
Employer	Employees	Rank	Percentage of Total County Employment
Queen Anne's County Board of Education	923	1	7.86%
Queen Anne's County Government	531	2	4.52%
S.E.W. Friel	275	3	2.34%
Paul Reed Smith Guitars	234	4	1.99%
Chesapeake College	220	5	1.87%
Fisherman's Inn	184	6	1.57%
Reeb Millwork	180	7	1.53%
Acme Markets	177	8	1.51%
Harris Crab House	160	9	1.36%
Genesis Healthcare	150	10	1.28%
Total	3,034		25.83%

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)
2007	46,241	\$ 1,861,755,142	\$ 40,262	3.50%	7,774
2008	47,886	2,009,392,332	41,962	4.00%	7,790
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

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Number of Exempt Employees	36	31	29	29	26	26	28	29	30	32
Number of Full Time Employees	460	470	464	450	400	386	391	393	416	431
Number of Part Time Employees (FTE)	25	20	18	17	10	9	8	7	3	3
Total County Government Employees	<u>521</u>	<u>521</u>	<u>511</u>	<u>496</u>	<u>436</u>	<u>421</u>	<u>427</u>	<u>429</u>	<u>449</u>	<u>466</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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
General Government	90	90	89	87	77	74	82	77	81	83
Public Safety:										
Police	49	53	52	50	49	53	56	58	58	59
Fire - Emergency Management Services	69	68	69	67	64	61	64	67	71	72
Detention Center	37	38	42	42	41	42	41	41	41	41
Animal Services	11	11	8	8	10	10	6	3	3	2
Public Works	87	91	85	79	61	51	51	54	58	61
Health	1	1	1	1	1	1	1	1	1	1
Social Services	40	38	38	37	32	36	32	36	38	42
Parks (1)	44	44	45	45	31	27	27	29	39	42
Conservation of Natural Resources	3	3	3	3	3	3	4	4	3	4
Economic/Community Development	12	12	10	9	7	3	6	2	3	6
Total Governmental Activities	<u>443</u>	<u>449</u>	<u>442</u>	<u>428</u>	<u>376</u>	<u>361</u>	<u>370</u>	<u>372</u>	<u>396</u>	<u>413</u>
Business-Type Activities:										
Sanitary District	47	46	45	45	44	45	45	46	46	46
Bay Bridge Airport	3	3	3	3	3	3	1	1	1	1
Golf	-	-	-	-	-	-	1	1	1	1
Public Landings	3	3	3	3	3	3	2	2	2	2
Total Business-Type Activities	<u>53</u>	<u>52</u>	<u>51</u>	<u>51</u>	<u>50</u>	<u>51</u>	<u>49</u>	<u>50</u>	<u>50</u>	<u>50</u>
Total Full-Time County Employees	<u>496</u>	<u>501</u>	<u>493</u>	<u>479</u>	<u>426</u>	<u>412</u>	<u>419</u>	<u>422</u>	<u>446</u>	<u>463</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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
General Government:										
Planning & Zoning:										
Number of commercial permits issued	235	23	40	35	27	99	75	51	52	50
Number of residential permits issued:										
Single Family Permits	160	138	90	153	106	119	161	133	123	84
Multi Family Permits	-	-	13	28	4	20	21	12	-	1
Renovations and Additions Permits	541	539	324	304	295	207	312	327	270	303
Total residential permits issued	<u>701</u>	<u>677</u>	<u>427</u>	<u>485</u>	<u>405</u>	<u>346</u>	<u>494</u>	<u>472</u>	<u>393</u>	<u>388</u>
Public Safety:										
Fire and Rescue:										
Number of volunteer members	600	663	663	689	689	689	689	689	683	500
Police:										
Uniformed Police Officers	49	53	54	54	55	59	61	61	64	64
Number of law violations:										
Physical arrests	1,413	1,373	1,429	917	1,216	848	1,144	1,239	1,055	903
Traffic violations	5,310	5,745	8,276	6,183	5,760	5,818	5,915	6,514	6,030	8,002
Detention Center:										
Detention Center Officers	33	35	37	39	40	38	40	41	41	39
Average yearly prison population	113	112	97	102	103	86	128	138	123	115
Public Works:										
Wastewater Treated - Daily (mgd)	1.5	1.6	1.7	2.1	1.7	1.9	2.0	2.0	2.1	2.0
Education:										
Number of Personnel										
Teachers	501	522	528	533	530	537	546	550	575	575
Administrators	40	40	38	37	37	39	39	41	40	40
Support	327	338	338	336	310	300	294	344	295	296
Other	55	77	76	76	64	47	47	37	34	34
Number of Students	7,774	7,790	7,774	7,723	7,722	7,757	7,717	7,720	7,752	7,738
Number of High School Graduates	563	560	590	562	566	598	537	605	589	532

NOTES:

Source: Various County departments.

QUEEN ANNE'S COUNTY, MARYLAND
 OPERATING INFORMATION
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS
 Table 18

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities:										
Public Safety:										
Fire and Rescue:										
Number of volunteer stations	10	10	10	10	10	10	9	9	9	9
Equipment:										
Engines	16	16	16	17	17	17	18	17	16	16
Tankers	9	9	9	9	9	9	9	8	8	8
Aerial Units	4	4	4	5	5	5	5	4	4	5
Rescue Units	5	6	6	7	7	7	8	6	7	6
Brush Units	8	8	8	8	8	8	8	7	7	7
Air Units (MD State Police)	1	3	3	-	-	-	-	-	-	-
Boats	3	1	1	5	5	5	5	6	6	6
Ambulance/Medic Units	20	16	16	17	17	17	17	13	14	12
Cars/Other	16	17	17	22	22	22	22	25	25	25
Police:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles										
Patrol	54	57	64	60	53	62	62	68	68	71
Other	15	7	13	17	21	3	3	12	15	10
Detention Center										
Capacity	104	104	104	148	148	148	148	148	148	148
Public Works:										
County Maintained Roads and Streets										
Paved (miles)	536	530	539	540	540	540	541	543	543	540
Unpaved (miles)	12	15	12	12	12	12	12	12	12	12
County Owned Water and Wastewater Facilities										
Water										
Miles of Mains	51	56	57	58	59	59	61	62	62	64
Water Treatment Plants	10	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	109	114	116	117	118	118	120	121	122	128
Wastewater Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater Collection, Lift, and Pumping Stations	29	31	31	31	31	31	31	31	31	31
Education:										
Number of Schools										
High Schools	2	2	2	2	2	2	2	2	2	2
Middle Schools	3	3	4	4	4	4	4	4	4	4
Elementary Schools	8	8	8	8	8	8	8	8	8	8
Parks and Recreation:										
Parks	29	32	33	33	33	33	33	33	33	32
Park Acreage	2,572	2,633	2,633	2,915	2,915	2,915	2,915	2,915	2,915	2,902
Public Landings	21	21	20	20	21	21	19	20	20	19
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.

