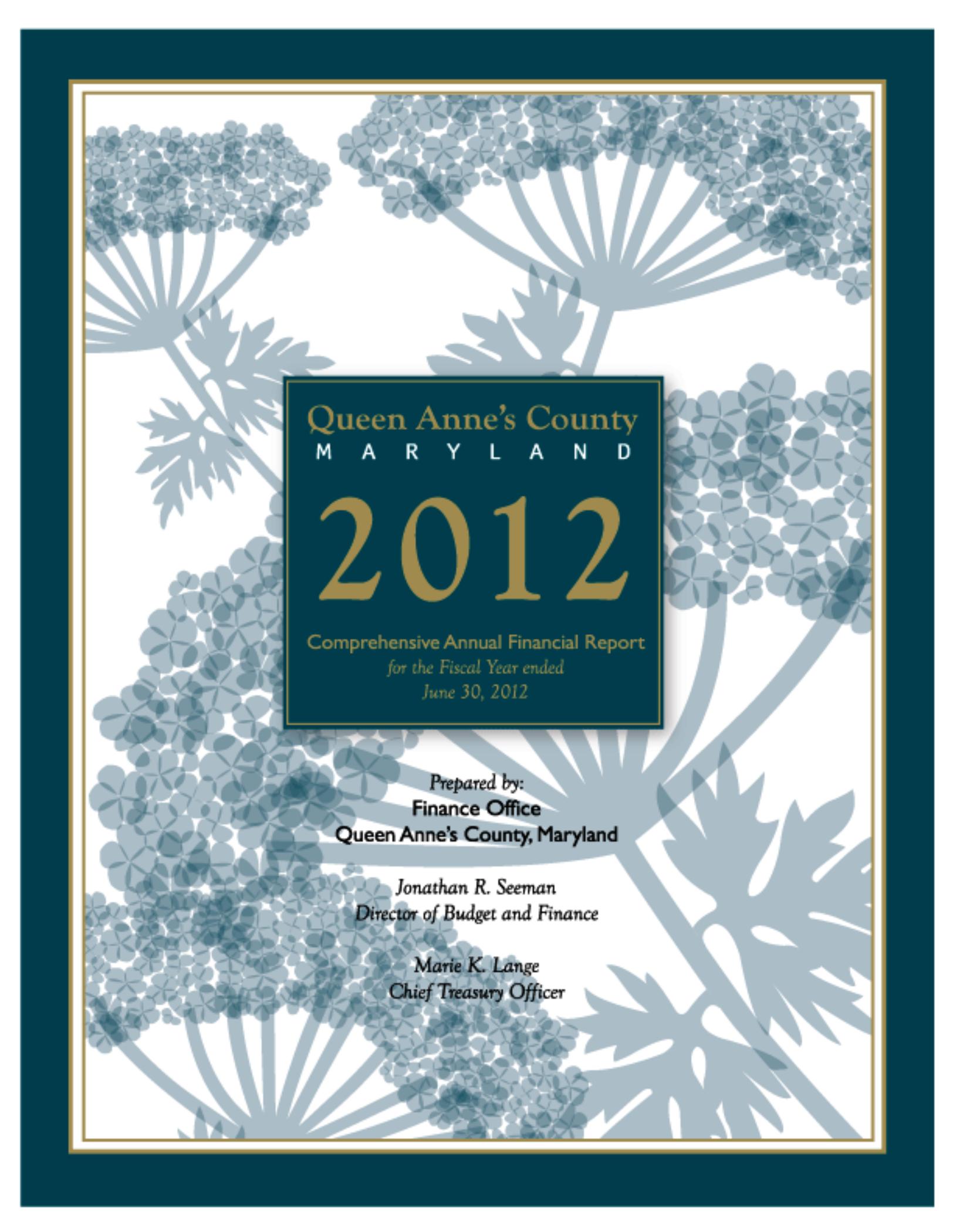
The background of the cover is a solid teal color with a repeating pattern of hydrangea flowers and leaves in a slightly darker shade of teal. The flowers are arranged in clusters, and the leaves are fan-shaped.

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

2012

Comprehensive Annual Financial Report  
*for the Fiscal Year ended  
June 30, 2012*



The cover features a repeating pattern of stylized hydrangea flowers in shades of blue and green. A central dark teal square contains the title and year in gold and white text. The entire design is framed by a thin gold border.

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

**2012**

**Comprehensive Annual Financial Report**  
*for the Fiscal Year ended*  
*June 30, 2012*

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

*Jonathan R. Seeman*  
*Director of Budget and Finance*

*Marie K. Lange*  
*Chief Treasury Officer*



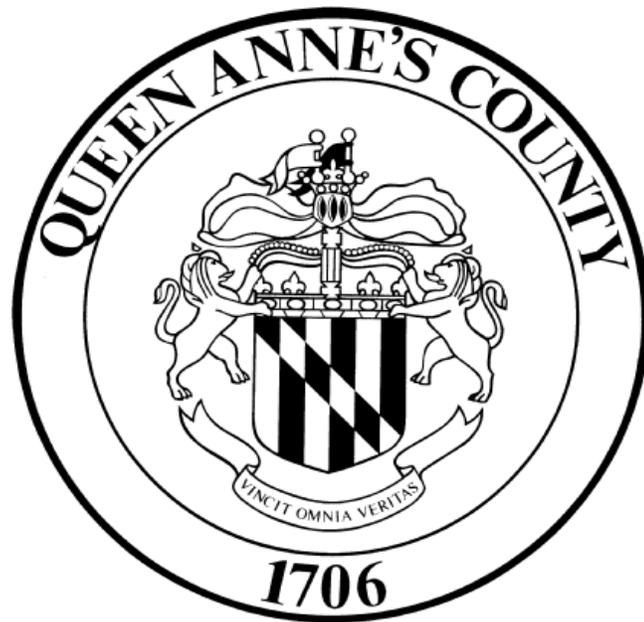
**QUEEN ANNE'S COUNTY, MARYLAND  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FISCAL YEAR ENDED JUNE 30, 2012  
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## **Introductory Section**





# QUEEN ANNE'S COUNTY DEPARTMENT OF BUDGET AND FINANCE

THE LIBERTY BUILDING

107 N. LIBERTY STREET  
CENTREVILLE, MARYLAND 21617

TAX DIVISION (410) 758-0414 FAX: (410) 758-4405  
ACCOUNTING (410) 758-4064 FAX: (410) 758-3036

TDD (410) 758-2126 [www.qac.org](http://www.qac.org)

## COUNTY COMMISSIONERS

STEVEN J. ARENTZ – AT LARGE  
DAVID L. DUNMYER – DISTRICT 1  
BOB SIMMONS – DISTRICT 2  
PHILIP L. DUMENIL – DISTRICT 3  
DAVID OLDS – DISTRICT 4

GREGG A. TODD, COUNTY ADMINISTRATOR  
MARGIE A. HOUCK, EXECUTIVE ASSISTANT TO COUNTY COMMISSIONERS

JONATHAN R. SEEMAN  
DIRECTOR

MARIE K. LANGE  
CHIEF TREASURY OFFICER

January 24, 2013

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, 2012.

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 CliftonLarsonAllen LLP, 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, 2012, 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 unqualified opinion that Queen Anne's County's financial statements for the fiscal year ended June 30, 2012, 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 47,798 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.

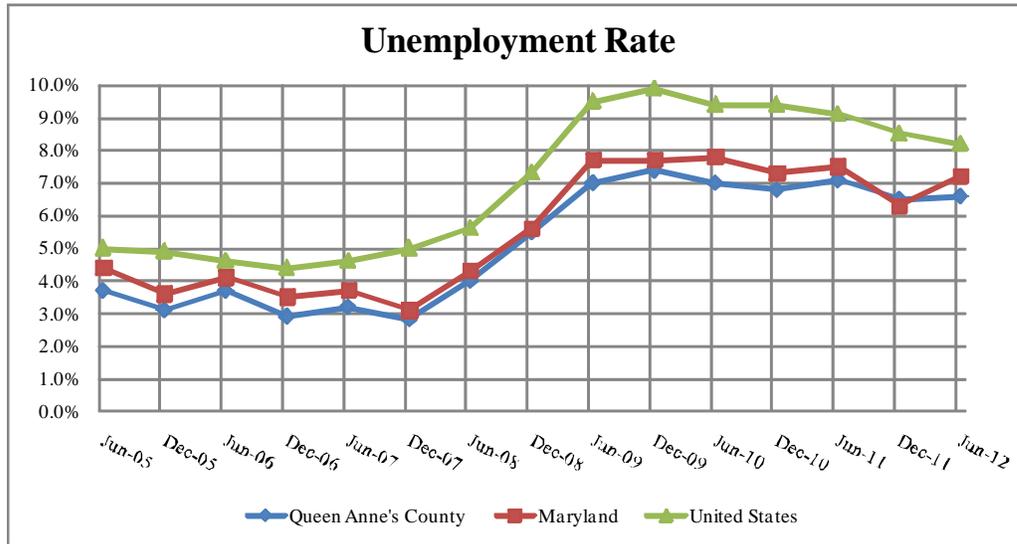
Queen Anne's County provides a full range of services including public safety (police, volunteer fire protection, emergency services, detention center, and animal control), highways and streets, solid waste, planning and zoning, economic development, culture and recreation, education, libraries, and 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, and certain recreational facilities.

The appropriated annual budget is prepared by fund, function (e.g. public safety), and department (e.g. Detention Center). 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 on pages 107 to 109 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 on pages 122 to 127 and on pages 160 to 161.

## 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 2012 rate for the County was 6.6%, compared to the state’s rate of 7.2% and the U.S.’s rate of 8.2%. The 2012 average rate for the County was 6.6%.



### 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 top 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 nearly 60% of the workforce to commute to locations outside the County, primarily to higher paying jobs in the Baltimore and Washington areas.

Property taxes increased by 9.7% in fiscal year 2012, from \$60.1 million in fiscal year 2011 to \$65.9 million in fiscal year 2012. This increase was the result of an increase in the property tax rate, from \$0.7671 to \$0.8471 per \$100 of assessed value, effective July 1, 2011. Property tax revenue is projected to decline slightly for fiscal year 2013, due to changes in assessment values. Local income tax is the County’s other main revenue source. Income tax collections increased by 21.8% in fiscal year 2012, from \$29.5 million in fiscal year 2011 to \$36.0 million in fiscal year 2012. The County projected an increase of 5.3% based on the rate increase from 2.85% to 3.2%, effective January 1, 2012. The remaining increase resulted from an increase in the distributions received from the State. The County does not expect the increased income tax revenue to continue. Typically, when the State’s income tax distributions are high one year, then the following year is often lower. The projected income tax revenue for fiscal year 2013 is \$32.4 million, which is \$3.6 million less than the income tax revenue received in fiscal year 2012.

For the past several years, County revenues related to housing activity continue to be affected by the bursting of the real estate bubble that began in fiscal year 2006. However, recordation tax revenue, a leading indicator of the health of the local real estate market, experienced positive growth in fiscal year 2012, compared to 2011. Recordation tax revenue increased from \$3.6 million in fiscal year 2011 to \$3.8 million in 2012, a 5.5% increase. The projected recordation tax revenue for fiscal year 2013 is constant with the 2012 revenue.

## **LONG TERM FINANCIAL PLANNING**

**Rainy Day Fund** – In calendar year 2002, the County adopted Ordinance No. 02-08 to establish a Rainy Day Fund. The ordinance required that the County maintain a fund balance reserve for contingencies in an amount equal to 7% of general fund operating revenues budgeted for the following fiscal year. In fiscal year 2011, the County adopted Ordinance No. 11-05, which served the purpose of eliminating the requirements for reserve fund balance for contingencies in Queen Anne’s County which are not in compliance with Governmental Accounting Standards Board (GASB) Statement No. 54. However, the County Commissioners are working with the Finance Office in efforts to reestablish sufficient levels of reserves in compliance with GASB requirements. The fiscal year 2012 financial results will enable the County to re-establish the Rainy Day Fund at a 7% level. Ordinance No. 12-21 was introduced in October 2012 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. The County Commissioners have not voted on this ordinance yet, but are expected to adopt it during fiscal year 2013.

**Capital Projects** - The County Commissioners’ six-year capital program, starting with fiscal year 2013, prioritizes capital expenditures over these years to meet the County’s needs. The six-year program includes: \$47.2 million for renovation of various school facilities; \$12.8 million for emergency services; \$8.9 million for the Bay Bridge Airport; and \$7.2 million for Roads Board capital projects. Offsetting nearly 94% of the Airport’s capital costs, \$8.4 million in grants are anticipated. Another \$1.6 million in grants will cover approximately 22% of the costs for the Roads Board capital projects.

## **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 2009, the County adopted Resolution 09-13, which establishes the County’s Local Dept Policy. In accordance with this policy, the Director of Finance 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. For fiscal year 2012, Queen Anne’s County general obligation debt was 1.31% of the total taxable assessable base, and the per capita debt measurement was \$2,102. Both thresholds are well below the policy limits. In addition, general bonded debt outstanding, as a percentage of total taxable assessable base, has improved over the last ten fiscal years, from 1.63% in fiscal year 2003 to 1.31% in fiscal year 2012.

**Fund Balance Policy** – Although the County does not currently have a minimum 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, 2011. 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.

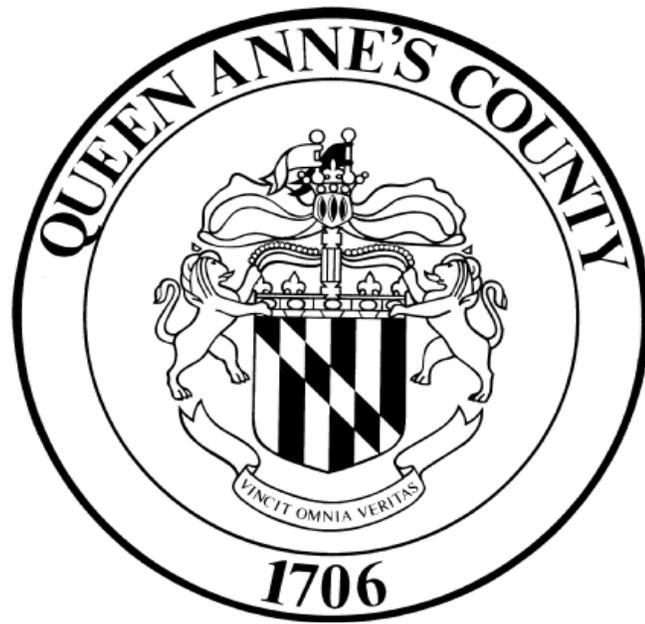
A Certificate of Achievement is valid for a period of one year only. Queen Anne's County, Maryland has received a Certificate of Achievement for the last thirteen consecutive years (fiscal years 1999-2011). We believe our current comprehensive annual financial report continues to conform to the Certificate 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, James Griffin, and Teresa Ward. 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,

A handwritten signature in blue ink that reads "Jonathan R. Seeman". The signature is written in a cursive style with a large, sweeping "S" at the end.

Jonathan R. Seeman  
Director of Budget and Finance



# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Davison*

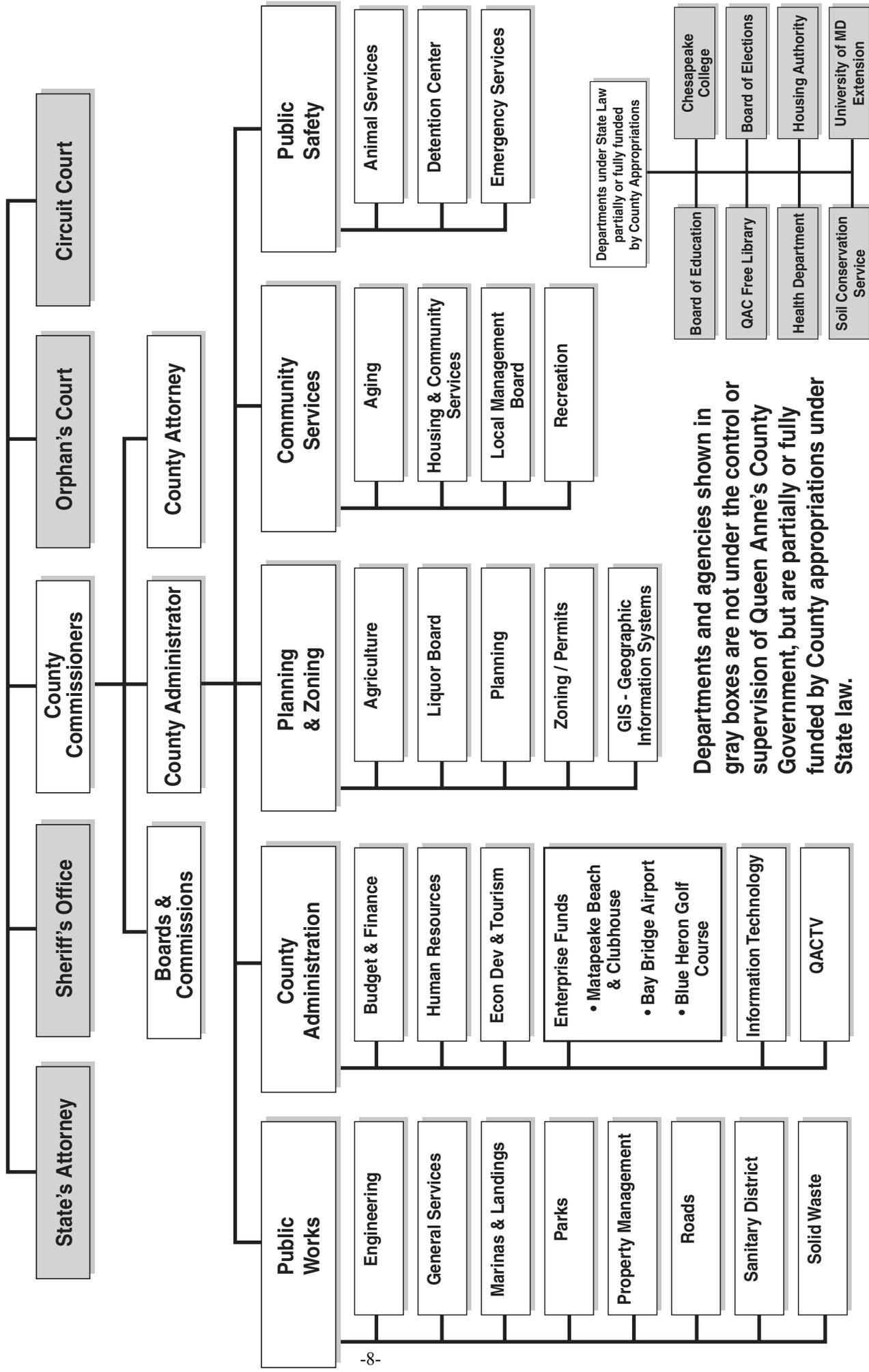
President

*Jeffrey R. Egan*

Executive Director

# Queen Anne's County Government Organizational Chart

## Queen Anne's County Voters



**QUEEN ANNE’S COUNTY, MARYLAND  
GOVERNMENTAL ORGANIZATION  
CERTAIN ELECTED AND OTHER OFFICIALS  
AS OF JUNE 30, 2012**

---

**CERTAIN ELECTED OFFICIALS**

County Commissioners	Steven J. Arentz, At Large David L. Dunmyer, District 1 Bob Simmons, District 2 Philip L. Dumenil, District 3 David Olds, District 4
State’s Attorney	Lance G. Richardson, Esq.
Sheriff	Raymond G. Hofmann

**CERTAIN DEPARTMENT HEADS AND OTHER OFFICIALS**

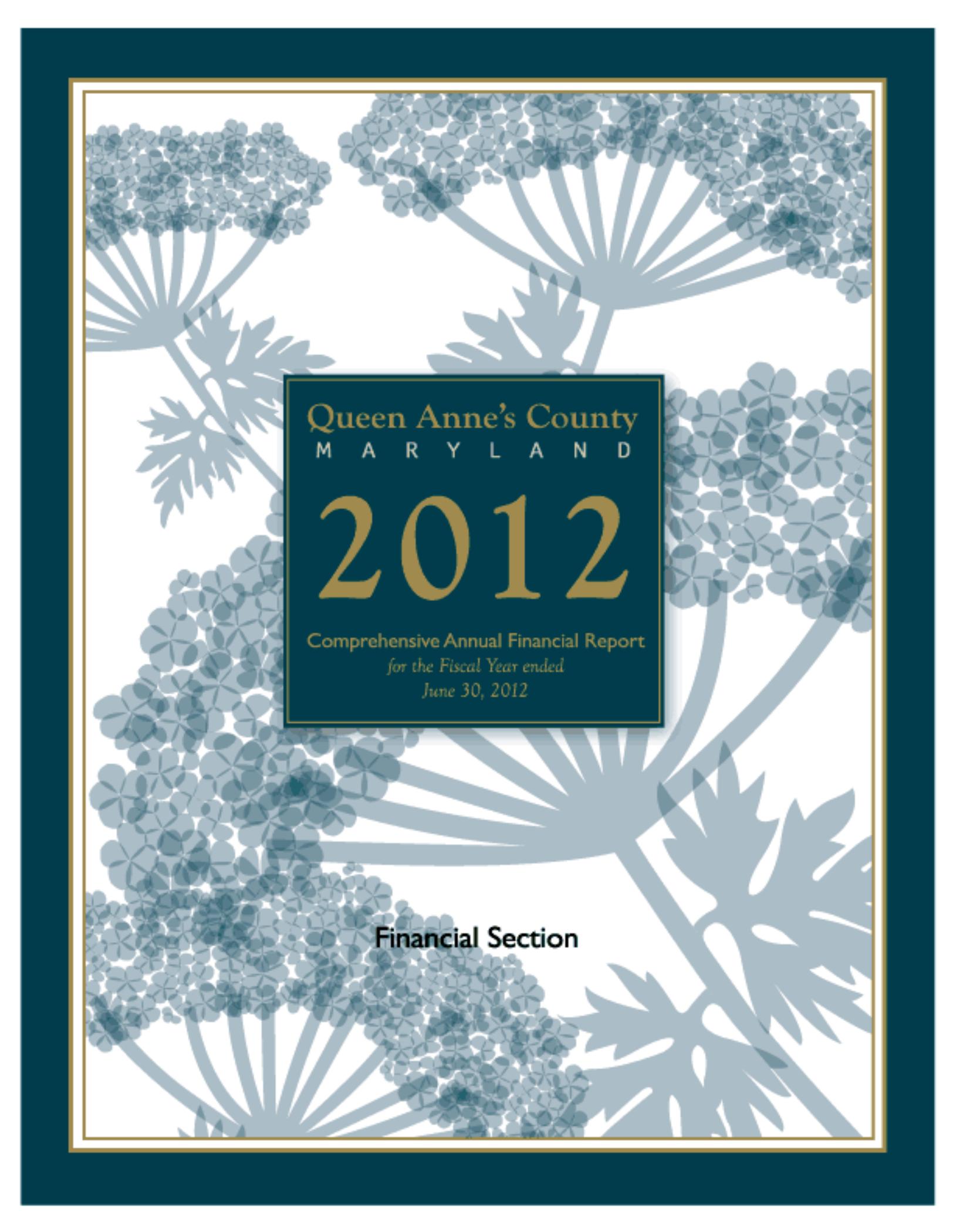
County Administrator	Gregg A. Todd
Director of Public Works	Todd R. Mohn
Director of County Administration	Gregg A. Todd
Director of Planning and Zoning	J. Steve Cohoon
Director of Community Services	Catherine R. Willis
Director of Budget and Finance	Jonathan R. Seeman
Chief Treasury Officer	Marie K. Lange
County Attorney	Patrick E. Thompson, Esq.

**Independent Auditor**  
CliftonLarsonAllen LLP  
Certified Public Accountants  
Timonium, Maryland

**Bond Counsel**  
McKennon, Shelton  
& Henn, LLP  
Baltimore, Maryland

**Financial Advisor**  
Public Advisory Consultants  
Baltimore, Maryland



The cover features a repeating pattern of Queen Anne's lace flowers in shades of blue and green. A central dark teal square contains the title and year in gold. The text is as follows:

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

2012

Comprehensive Annual Financial Report  
*for the Fiscal Year ended  
June 30, 2012*

**Financial Section**





CliftonLarsonAllen

CliftonLarsonAllen LLP  
www.cliftonlarsonallen.com

## Independent Auditor's Report

The Board of Commissioners  
of Queen Anne's County, Maryland  
Centreville, Maryland

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, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. 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, which comprise 89% of the assets, 88% of the net assets and 98% of the revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the above mentioned component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2013 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 30; Other Post-Employment Benefits (OPEB) Trust Schedule of Funding Progress and Schedule of Participating Agencies' Contributions; and Budgetary Comparisons for General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on pages 105 through 109 be presented to supplement the basic financial statements, such information although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the the County's basic financial statements. The Combining and Individual Fund Statements and Schedules 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 combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical tables listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*CliftonLarsonAllen LLP*

Baltimore, Maryland  
January 23, 2013

# 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, 2012. 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 assets* presents information on all of Queen Anne's County Government's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position and condition of Queen Anne's County Government is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets 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, public marinas, parks, and various recreational facilities.

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, Queen Anne's County Free Library, and the Queen Anne's County Public Housing Authority. 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 on pages 32 to 35 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, with basic statements found on pages 36 to 49.

**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 on pages 37 and 40 to 41.

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, community partnerships for children, dredging special assessments, Kent Narrows, law library, inmate welfare, agricultural transfer, rural legacy, and purchase of development rights. A budgetary comparison statement has been provided for each of these funds, which can be found on pages 107 to 109; 122 to 127; and 160 to 161 of this report.

**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, marinas, parks, and other recreational facilities. The basic proprietary fund financial statements can be found on pages 42 to 47 of this report, as well as non-major statements on pages 136 to 141.

**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 six 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 on pages 48 to 49 of this report, while further detail can be found on pages 146 to 151.

**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 on pages 50 to 104 of this report.

## Government-wide Financial Analysis

### Statement of Net Assets

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

Summary of Net Assets	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 65,273,017	\$ 66,453,636	\$ 23,382,846	\$ 23,992,122	\$ 88,655,863	\$ 90,445,758
Capital Assets	142,767,665	143,875,958	95,888,255	97,987,069	238,655,920	241,863,027
Total Assets	208,040,682	210,329,594	119,271,101	121,979,191	327,311,783	332,308,785
Noncurrent liabilities	119,185,706	119,962,802	22,310,845	23,137,941	141,496,551	143,100,743
Other liabilities	9,534,014	10,886,689	3,552,091	3,950,284	13,086,105	14,836,973
Total Liabilities	128,719,720	130,849,491	25,862,936	27,088,225	154,582,656	157,937,716
Net assets:						
Invested in capital assets, net of related debt	117,436,984	118,274,533	77,891,395	78,069,061	195,328,379	196,343,594
Restricted	5,982,041	22,399,514	3,513,948	16,821,905	9,495,989	39,221,419
Unrestricted	(44,098,063)	(61,193,944)	12,002,822	-	(32,095,241)	(61,193,944)
Total Net Assets	\$ 79,320,962	\$ 79,480,103	\$ 93,408,165	\$ 94,890,966	\$ 172,729,127	\$ 174,371,069

The County's total current and other assets decreased by \$1.8 million, or 2.0 percent, to \$88.7 million. The County's total assets exceeded its liabilities at the close of fiscal year 2012 by \$172.7 million.

Net assets are divided into three categories: invested in capital assets (net of related debt); restricted net assets; and unrestricted net assets. By far, the largest portion, \$195.3 million, of the County's total net assets 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 \$68.3 million at June 30, 2012. Absent the effect of this relationship, the County would have reported positive unrestricted net assets of \$36.2 million on its government-wide financial statements, rather than the negative unrestricted net assets of \$32.1 million reported herein. For a multi-year view of this calculation, see the Footnote presented in Table 1 of the Statistical Section.

An additional \$9.5 million of the County's total net assets represents resources that are subject to restrictions on how they may be used. For governmental activities, this amount includes: \$2.0 million restricted for programs related to conservation of natural resources; \$1.7 million for economic/community development; \$834 thousand related to general government services; \$778 thousand for education; and an additional \$578 thousand for other restrictions. For business-type activities, this amount includes \$2.8 million 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 assets, both for the government as a whole, as well as for its separate governmental activities. Business-type activities report all non-capital net assets as restricted, due to the inherent nature of those activities, and show a positive balance in both categories.

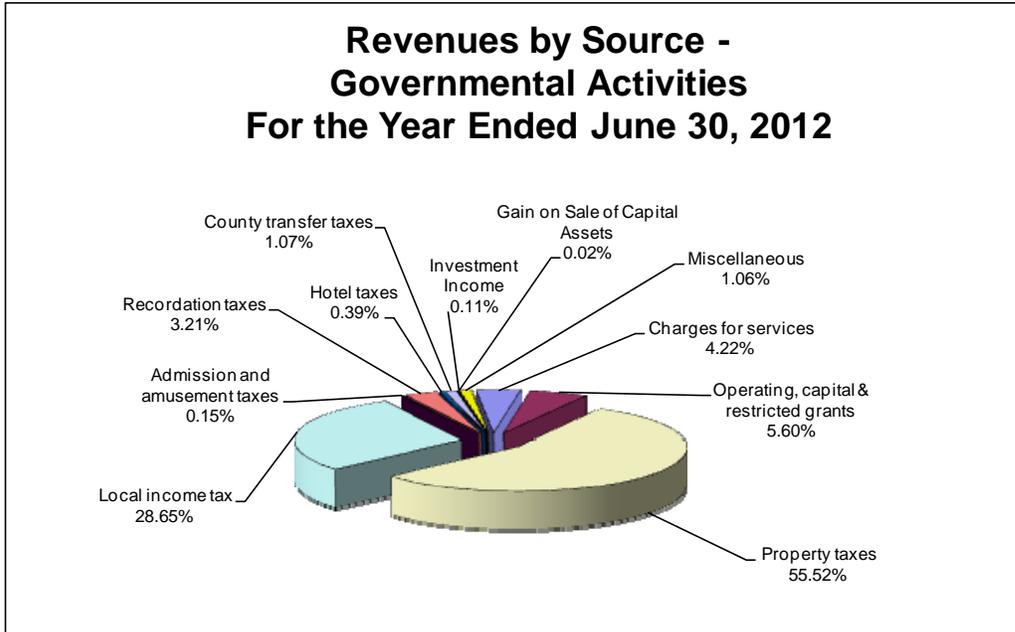
## Statement of Activities

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

Summary of Changes in Net Assets	Governmental Activities		Business Type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 5,009,046	\$ 4,141,854	\$ 9,640,096	\$ 9,883,640	\$ 14,649,142	\$ 14,025,494
Operating grants and contributions	4,701,361	6,000,107	170,238	59,528	4,871,599	6,059,635
Capital grants and contributions	1,949,135	3,551,752	1,147,729	2,070,839	3,096,864	5,622,591
<b>General revenues:</b>						
Property taxes	65,937,415	60,070,368	-	-	65,937,415	60,070,368
Local income tax	34,028,234	30,624,679	-	-	34,028,234	30,624,679
Other local taxes						
Admission and amusement taxes	183,634	188,715	-	-	183,634	188,715
Recordation taxes	3,809,545	3,609,751	-	-	3,809,545	3,609,751
Hotel taxes	468,382	441,123	-	-	468,382	441,123
County transfer taxes	1,266,716	1,158,897	-	-	1,266,716	1,158,897
Investment income	126,650	136,523	374,665	407,629	501,315	544,152
Gain on sale of capital assets	27,627	281,158	-	-	27,627	281,158
Miscellaneous	1,254,255	711,868	1,127,590	884,772	2,381,845	1,596,640
<b>Total Revenues</b>	<b>118,762,000</b>	<b>110,916,795</b>	<b>12,460,318</b>	<b>13,306,408</b>	<b>131,222,318</b>	<b>124,223,203</b>
<b>Expenses:</b>						
<b>Governmental Activities:</b>						
General government	13,421,531	15,968,633	-	-	13,421,531	15,968,633
Public safety	25,469,721	25,413,678	-	-	25,469,721	25,413,678
Public works	10,373,286	12,189,177	-	-	10,373,286	12,189,177
Health	1,642,723	1,701,677	-	-	1,642,723	1,701,677
Social services	4,526,166	5,001,240	-	-	4,526,166	5,001,240
Education	53,693,309	57,506,341	-	-	53,693,309	57,506,341
Libraries	1,302,163	1,457,336	-	-	1,302,163	1,457,336
Conservation of natural resources	2,802,337	3,811,748	-	-	2,802,337	3,811,748
Economic and Community development	887,837	1,893,570	-	-	887,837	1,893,570
Interest and fiscal charges	4,196,072	4,078,105	-	-	4,196,072	4,078,105
<b>Business-type Activities:</b>						
Water and sewer	-	-	10,711,211	10,905,989	10,711,211	10,905,989
Parks and recreation	-	-	2,269,933	4,099,507	2,269,933	4,099,507
Public marinas	-	-	110,884	67,395	110,884	67,395
Airport	-	-	1,457,087	1,167,655	1,457,087	1,167,655
<b>Total Expenses</b>	<b>118,315,145</b>	<b>129,021,505</b>	<b>14,549,115</b>	<b>16,240,546</b>	<b>132,864,260</b>	<b>145,262,051</b>
Increase (Decrease) in Net Assets before Transfers	446,855	(18,104,710)	(2,088,797)	(2,934,138)	(1,641,942)	(21,038,848)
Transfers in (out)	(605,996)	(611,922)	605,996	611,922	-	-
<b>(Decrease) in Net Assets</b>	<b>(159,141)</b>	<b>(18,716,632)</b>	<b>(1,482,801)</b>	<b>(2,322,216)</b>	<b>(1,641,942)</b>	<b>(21,038,848)</b>
Net Assets - Beginning of Year	79,480,103	98,196,735	94,890,966	97,213,182	174,371,069	195,409,917
<b>Net Assets - End of Year</b>	<b>\$ 79,320,962</b>	<b>\$ 79,480,103</b>	<b>\$ 93,408,165</b>	<b>\$ 94,890,966</b>	<b>\$ 172,729,127</b>	<b>\$ 174,371,069</b>

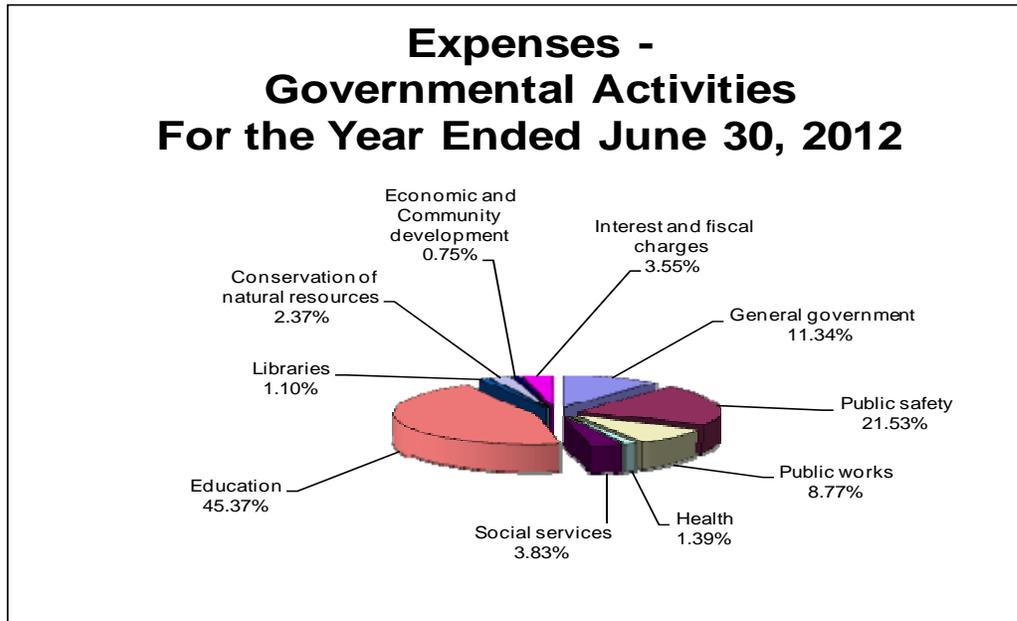
**Governmental activities:**

Revenues for governmental activities were \$118.8 million for fiscal year 2012. The following chart depicts revenues by source for governmental activities:



- Taxes comprise the largest source of County revenue, totaling \$105.7 million (89.0 percent) of total revenue for fiscal year 2012. Of that amount, property and local income tax together yielded \$100.0 million (84.2 percent) of all revenue. Each County sets its own property and income tax rates, within parameters established by the State. For fiscal year 2012, the County's property tax rate was set at \$.8471 per \$100 of assessed value of real property, based on full cash value of that property. This was an increase from the fiscal year 2011 rate of \$.7671 per \$100 of assessed value of real property. The County's local income tax rate increased from 2.85 percent of the State taxable income for calendar year 2011 to 3.2 percent for taxable years beginning January 1, 2012 and thereafter. There is no local sales tax in the State of Maryland.
- Operating grants and contributions, totaling \$4.7 million, reflect grants from Federal and State agencies that support specific County programs. Programs that benefitted the most were: social services (\$2.1 million or 44.2 percent) and public safety (\$1.1 million or 23.7 percent).
- Charges for services, totaling \$5.0 million, reflect fees charged to County citizens. These primarily support public safety (\$1.3 million or 26.4 percent), education (\$1.2 million or 23.4 percent), public works (\$1.1 million or 22.1 percent) and general government (\$1.1 million or 21.6 percent).
- Capital grants and contributions, totaling \$1.9 million, reflect contributions from Federal and State agencies, as well as developers. Capital activities that benefit the most this year are: conservation of natural resources (\$999 thousand or 51.3 percent) and public works (\$542 thousand or 27.8 percent).

Expenses for all governmental activities were \$118.3 million for fiscal year 2012. 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 \$53.7 million (45.4 percent). In order of priority, public safety expenses totaled \$25.5 million (21.5 percent); general government expenses were \$13.4 million (11.3 percent); public works expenses were \$10.4 million (8.8 percent); social services expenses totaled \$4.5 million (3.8 percent); conservation of natural resources expenses were \$2.8 million (2.4 percent); economic and community development expenses were \$888 thousand (0.8 percent); and other expenses were \$7.1 million (6.0 percent).

Note that beginning in fiscal year 2012, parks and recreation activities is combined with public works, therefore, for comparison purposes; parks and recreation is also included in public works for all prior year comparisons.

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	
	2012	2011	2012	2011	2012	2011
Education	\$ 53,693,309	\$ 57,506,341	\$ 1,169,425	\$ 755,443	\$ (52,523,884)	\$ (56,750,898)
Public Safety	25,469,721	25,413,678	2,624,888	2,634,510	(22,844,833)	(22,779,168)
General Government	13,421,531	15,968,633	1,940,723	1,899,088	(11,480,808)	(14,069,545)
Public Works	10,373,286	12,189,177	2,137,340	2,709,827	(8,235,946)	(9,479,350)
Social Services	4,526,166	5,001,240	2,166,442	2,335,192	(2,359,724)	(2,666,048)
Conservation of Natural Resources	2,802,337	3,811,748	1,134,222	3,004,963	(1,668,115)	(806,785)
Economic and Community Development	887,837	1,893,570	486,502	354,690	(401,335)	(1,538,880)
Other	7,140,958	7,237,118	-	-	(7,140,958)	(7,237,118)
Total	\$ 118,315,145	\$ 129,021,505	\$ 11,659,542	\$ 13,693,713	\$ (106,655,603)	\$ (115,327,792)

Of the total cost of \$118.3 million for governmental activities, \$11.7 million (9.9 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 \$5.0

million, while governments and other organizations that benefited indirectly from these programs contributed operating grants of \$4.7 million and capital grants of \$1.9 million.

County taxpayers paid for most of the remaining \$106.7 million in net program costs, through a variety of County taxes, for a total of \$105.7 million. Net program costs of services provided to the public, in order of net cost, were: \$52.5 million for education; \$22.8 million for public safety; \$11.5 million for general government; \$8.2 million for public works; \$2.4 million for social services; \$1.7 million for conservation of natural resources; \$401 thousand for economic and community development; and \$7.1 million for other services. See Changes in Net Assets and General Fund Budgetary Highlights for further details.

Changes in net assets: Government-wide revenues, less expenses, plus/minus transfers in/out, yield changes in net assets. During fiscal year 2012, governmental activities decreased the County's net assets overall by \$159 thousand, compared to a decrease of \$18.7 million in fiscal year 2011. The following discussion explains changes in net assets relative to the prior fiscal year.

Revenues for governmental activities increased by \$7.8 million (7.1 percent). The following key revenues changed, when compared to the prior fiscal year:

- Property tax increased by \$5.9 million (9.8 percent), from \$60.1 million in fiscal year 2011 to \$65.9 million in fiscal year 2012. This increase was expected, due to an increase in the property tax rate from \$0.7671 to \$0.8471 per \$100 of assessed value, effective July 1, 2011.
- Local income tax increased by \$3.4 million (11.1 percent), from \$30.6 million to \$34.0 million. The County projected an increase of \$1.6 million due to an increase in the income tax rate from 2.85% to 3.2%, effective January 1, 2012. The remaining increase relates to higher distributions of the local income tax from the State of Maryland Comptroller to Queen Anne's County.
- Capital grants and contributions decreased by \$1.7 million, from \$3.6 million in fiscal year 2011 to \$1.9 million in fiscal year 2012. Significant factors influencing this decrease are:
  - Conservation of Natural Resources decreased by \$925 thousand (48.1 percent), mainly due to a decrease of \$1.4 million in state capital grants received in fiscal year 2011 for the purchase of Conservation Reserve Enhancement Program (CREP) easements, which was not received in fiscal year 2012. This decrease was partially offset by an increase of \$374 thousand in state capital grants received in fiscal year 2012 related to purchasing easements as part of the Rural Legacy program.
  - Public Works decreased by \$559 thousand (50.8 percent), mainly as a result of a decrease in the American Recovery and Reinvestment Act (ARRA) grants. In fiscal year 2011, \$878 thousand was received for this grant. In fiscal year 2012, \$458 thousand was received for the same grant. The remaining decrease was a result of cost saving measures taken throughout the County.
- Operating grants and contributions decreased by \$1.3 million, from \$6.0 million in fiscal year 2011 to \$4.7 million in fiscal year 2012. Key factors for this change are:
  - Conservation of Natural Resources decreased by \$969 thousand (96.3 percent) as a result of federal grant funding of \$962 thousand received in fiscal year 2011 for the purchase of a land conservation easement. No such grant was received in fiscal year 2012.
  - Public Safety decreased by \$348 thousand (23.8 percent). The majority of the decrease was related to the Eastern Shore Communications Alliance, which accounted for a decrease of \$232 thousand for fiscal year 2012.

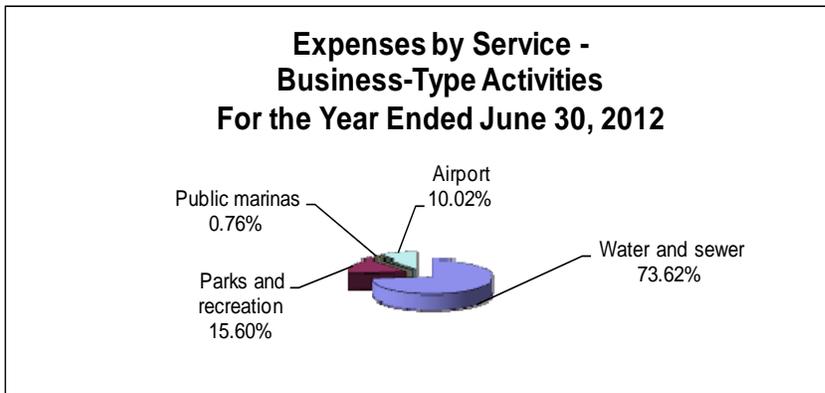
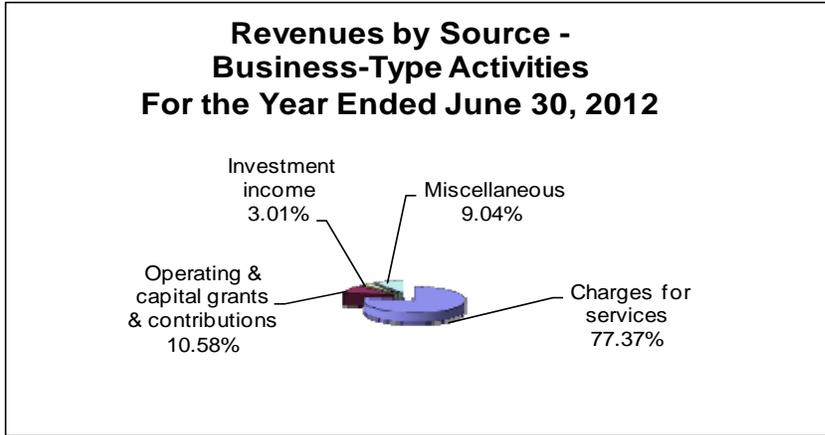
- Charges for services increased by \$867 thousand (20.9 percent), from \$4.1 million in fiscal year 2011 to \$5.0 million in fiscal year 2012. Of this increase, \$414 thousand related to education, due to an increase in school impact fees collected. There were numerous increases and decreases in the other functions, which were offset by one another.

Expenses for governmental activities decreased by \$10.7 million (8.3 percent) and transfers out to business-type activities decreased by \$6 thousand. Key positive and negative expense changes, in order of relative importance, are:

- Education expenses decreased by \$3.8 million (6.6 percent). This decrease was primarily the result of a decrease in the allocation to the Board of Education of \$4.4 million for fiscal year 2012. The decrease in allocations was partially offset by an increase in the expenditures relating to school related capital projects. In particular, the expenditures for Sudlersville Middle School increased by \$809 thousand in fiscal year 2012 compared to 2011.
- General Government expenses decreased by \$2.5 million (16.0 percent), as a result of two significant factors. First of all, the expenditures relating to retirement incentives decreased by \$1.6 million in fiscal year 2012. In both fiscal year 2012 and 2011, the County offered separate early retirement incentives to employees who met certain criteria related to age and length of service. As more employees were eligible and accepted the early retirement in fiscal year 2011, the costs were higher. In fiscal year 2012, the cost of the retirement incentives was \$784 thousand, compared to a cost of \$2.4 million for fiscal year 2011. Secondly, spending overall has decreased due to increased efficiency across all County departments. For general governmental expenditures, this decrease totaled approximately \$910 thousand for fiscal year 2012.
- Public Works expenses decreased by \$1.8 million (14.9 percent) due to several factors. The most significant decrease relates to public works related capital projects, in which the expenditures decreased by \$859 thousand. The main explanation for this decrease is the timing of certain projects. For fiscal year 2012 compared to 2011, there were material decreases in expenditures relating to projects such as the County complex, roads paving, and infrastructure for the Sudlersville Middle School. Secondly, parks expenditures decreased by \$711 thousand and engineering decreased by \$348 thousand, as well as decreases in several other public works departments. As mentioned above, there have been numerous steps taken in order to increase efficiency throughout the County, such as the retirement incentives in which employees were not replaced. These decreases are a direct result of the savings associated with those measures.
- Conservation of Natural Resources decreased by \$1.0 million (26.5 percent) due to fewer easement acquisitions in fiscal year 2012 compared to 2011. Specifically, easements acquired in conservation of natural resources projects decreased by \$2 million, while land development easements acquired in the Rural Legacy, Agricultural Transfer, and Purchase of Development Rights programs increased by \$387 thousand, \$297 thousand, and \$218 thousand, respectively. Generally, the timing of easement purchases is affected by the evaluation process of the identified land, as well as the availability of State funds.
- Economic and Community development decreased by \$1.0 million (53.1 percent). Of this decrease, \$287 thousand related to the allocation to the Queen Anne's County Public Housing Authority (PHA). Fewer allocations were made in fiscal year 2012 as steps were being initiated in the process of PHA splitting completely from the County and becoming self supporting. Secondly, there was \$246 thousand less cost in fiscal year 2012 for economic development and tourism due to cost saving measures taken during the year, as mentioned previously. In addition, there was a reclassification of expenditures totaling \$284 thousand from a general capital project to a Public Housing Authority capital project.

**Business-type activities:**

Revenues, transfers in, and expenses for business-type activities were \$12.5 million, \$606 thousand, and \$14.5 million, respectively, for fiscal year 2012. The following two charts depict revenues by source and expenses by service for business-type activities:



Business-type activities decreased the County's net assets altogether by \$1.5 million in fiscal year 2012, which was \$893 thousand less than the prior year's decrease of \$2.3 million. The fiscal year 2012 change in net assets resulted primarily from:

- Capital grants and contributions decreased by \$923 thousand (44.6 percent), from \$2.1 million in fiscal year 2011 to \$1.1 million in fiscal year 2012. The net decrease in funding resulted from changes in several projects due to the timing of the projects. Sewer related capital projects decreased by \$536 thousand, resulting from a large contribution received in fiscal year 2011 for the Gibson's Grant development, which was not received in the current year. Also, capital projects related to the Kent Narrows Marina had a decrease in capital grants and contributions of \$510 thousand, which resulted from the timing of the Waterman's Rehab project. Offsetting some of the decrease was an increase in the capital grants and contributions for the Airport's capital projects of \$245 thousand, compared to the prior fiscal year.
- Operating grants and contributions increased by \$111 thousand (186.0 percent), from \$60 thousand in fiscal year 2011 to \$170 thousand in fiscal year 2012. First, Sewer operations received a FEMA reimbursement of \$56 thousand, which was not received in the prior year. Secondly, the Airport received \$44 thousand in additional funding, due to a grant from the Maryland Aviation Administration, which was not received in the past.

- Operating expenses before transfers decreased by \$1.7 million (10.4 percent), from \$16.2 million in fiscal year 2011 to \$14.5 million in fiscal year 2012, for all business-type activities. Of the total decrease in expenses, \$1.3 million is related to a loss on disposal of capital assets for property management which occurred in fiscal year 2011. In addition, there was a loss on disposal of capital assets of \$226 thousand due to the retirement of obsolete Sanitary District infrastructure in fiscal year 2011. Finally, recreation programs operating expenses decreased by \$327 thousand for fiscal year 2012 mainly as a result of the cost saving measures being taken throughout the County during the year.

### **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 \$50.7 million, compared to \$48.7 million for the prior year. Approximately 21.8 percent of this total (\$11.0 million) constitutes *unassigned fund balance*, which is available for spending. The total *unassigned fund balance* of \$11.0 million includes \$11.2 million of positive unassigned fund balance for the general fund, which is offset by negative unassigned fund balances of \$158 thousand in the non-major governmental funds. Additional detail on the negative unassigned balances can be found in Note 15 on page 100.

The *nonspendable fund balance*, at 11.2 percent of the total fund balance (\$5.7 million), is not available for spending and includes amounts related to inventory and loans receivable. *Restricted fund balance* of \$12.6 million (24.8 percent) includes amounts that can be spent only for specific purposes stipulated by external sources or legal restrictions. *Committed fund balance* of \$2.7 million (5.4 percent) represents those amounts that can be used only for the specific purposes of the government's highest level of decision-making authority.

The remaining 36.8 percent of fund balance (\$18.7 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 \$12.8 million, which is an increase of \$5.4 million from the fiscal year 2011 balance of \$7.4 million. Note that the Roads Board Fund is consolidated with the General Fund beginning in fiscal year 2012; therefore the fiscal year 2011 Roads Board fund balance is included in the balance of \$7.4 million also, for comparison purposes. In addition, for all comparisons related to the General Fund, fiscal year 2011 balances will also include Roads Board balances, in order for accurate comparisons.

Of the total \$12.8 million in fund balance, \$11.2 million is unassigned, meaning that there are no constraints on how the funds can be spent. In fiscal year 2011, the County eliminated the requirement to maintain a Rainy Day Fund, as the fund did not meet the criteria established for Rainy Day Funds under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. However, the County Commissioners plan to establish a new Rainy Day Fund in the future that meets the requirements of GASB Statement No. 54. The fiscal year 2012 financial results will enable the County to re-establish the Rainy Day Fund at a 7% level. Ordinance No. 12-21 was introduced in October 2012 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. The County Commissioners have not voted on this ordinance yet, but are expected to adopt it during fiscal year 2013.

The increase of \$5.4 million in the fund balance of the General Fund was primarily due to two factors. The first factor is an increase in revenue. Total revenues, including transfers in, for fiscal year 2012 were \$114.2 million, which is \$12.8 million more than the total revenues of \$101.4 million in fiscal year 2011. Although all revenue sources fluctuated, there are two noteworthy items to mention. The first is local income tax revenue, which increased by \$6.4 million (21.8 percent) from \$29.5 million in fiscal year 2011 to \$36.0 million in fiscal year 2012. The County projected an increase of 5.3% based on the rate increase from 2.85% to 3.2%, effective January 1, 2012. The remaining increase resulted from an increase in the distributions received from the State. The County does not expect the increased income tax revenue to continue. Typically, when the State's income tax distributions are high one year, then the following year is often lower. The second revenue source to mention is local property tax revenue, which increased by \$5.8 million (9.7 percent), from \$60.1 million in fiscal year 2011 to \$65.9 million in fiscal year 2012. This increase was the result of an increase in the property tax rate, from \$0.7671 to \$0.8471 per \$100 of assessed value, effective July 1, 2011.

Expenditures, including transfers out, had a net decrease of \$3.4 million, from \$112.2 million in fiscal year 2011 to \$108.8 million in fiscal year 2012. However, transfers out increased by \$4.9 million, from \$2.9 million in fiscal year 2011 to \$7.8 million in fiscal year 2012. In fiscal year 2012, transfers out included \$5.0 million to the General Capital Projects Fund, which will help build up the fund balance available for future capital projects. The County plans to move aggressively on several capital projects and will sell bonds for a portion of the expenditures, but would also like to have fund balance available to cover some of the costs. There was no such transfer from the General Fund to the General Capital Projects Fund in fiscal year 2011.

Offsetting the increase in transfers out were decreases in almost all other expenditures. However, there are a few noteworthy decreases to mention. First, Education expenditures decreased by \$4.5 million due to a decrease in the allocations made to the Board of Education. Secondly, Public Works expenditures decreased by \$1.4 million, due to savings recognized as a result of the cost savings measures taken over the past few years. Finally, miscellaneous expense decreased by \$1.6 million, mainly due to lower costs for the retirement incentives. Although there were retirement incentives offered in both fiscal years 2011 and 2012, the costs were higher in fiscal year 2011 due to the number of employees eligible. Offsetting a portion of the decreases were additional costs of \$360 thousand for property assessment costs transferred from the State to the County.

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, 2012, the General Capital Projects Fund has a total fund balance of \$26.7 million, compared to \$28.4 million at the end of the prior fiscal year. The \$26.7 million in total fund balance is comprised of \$1.3 million of nonspendable fund balance, \$6.9 million in restricted fund balance, mainly for unspent bond proceeds, \$1.3 million of fund balance committed for specific projects, and \$17.2 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, and are financed mostly from roads-related capital grants and roads benefit assessments.

As of June 30, 2012, the Roads Capital Projects Fund has a total fund balance of \$2.0 million, compared to \$4.1 million at the end of the prior fiscal year. Of this total \$2.0 million fund balance, \$1.2 million has been assigned to fund ongoing projects, while \$775 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/* *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 assets* of the Sanitary District Enterprise Funds at the end of fiscal year 2012 amounted to \$12.6 million, which is \$734 thousand less than the prior year.

Total *net assets* of the Sanitary District amounted to \$72.9 million at the end of fiscal year 2012, which decreased by \$1.5 million when compared to the prior year. A large portion of the decrease relates to the costs associated with other post-employment benefits (OPEB), which totaled \$970 thousand in fiscal year 2012 for the Sanitary District. Another part of the decrease is also due to the transfer of monies, in excess of receipts, from the Restricted and Debt Service Funds to operating Funds to pay debt service. During fiscal year 2012, \$410 thousand and \$528 thousand were transferred in excess of receipts from the Restricted and Debt Service Funds, respectively.

The *unrestricted net assets* of the Bay Bridge Airport Enterprise Fund at year end amounted to negative \$420 thousand compared to a negative \$389 thousand at the end of the prior fiscal year, reflecting a decrease of \$31 thousand.

Total *net assets* of the Bay Bridge Airport amounted to \$13.5 million at the end of fiscal year 2012, which increased by \$7 thousand when compared to the prior year.

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 events. 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 on pages 107 through 109. The Schedule reports original and final budgets, as well as the variance between actual events and final budgets.

Original to Final Budget Comparisons. The final expenditure budget for the General Fund, including transfers out, totaled \$111.7 million. Amendments increased spending authority by \$4.7 million during fiscal year 2012, when compared to the original budget of \$106.9 million.

Major components of these expenditure budget increases are as follows:

- Budgeted Transfers Out to General Capital Projects increased by \$3.0 million during the year. As mentioned above, there are several capital projects in which the County plans to move aggressively on, and would like to have fund balance available in the General Capital Projects fund to cover a portion of the costs.
- Budgeted Miscellaneous Expenditures on behalf of Insurance and Benefit costs increased by \$950 thousand. Of the increase in budget authority, \$650 thousand related to the costs of retirement incentive payments. Similar to fiscal year 2011, the County offered a retirement incentive plan in fiscal year 2012. The costs of this plan were not included in the original budget, and therefore had to be included in a budget amendment during the year. Secondly, \$300 thousand of the increase in budget authority related to worker’s compensations costs.
- Budgeted Miscellaneous Expenditures on behalf of Other Post-Employment Trust Fund increased by \$489 thousand. In fiscal year 2011, these funds were withdrawn from the trust fund. However, in fiscal year 2012, the Commissioners approved an amendment to the budget that redirected the monies back to the trust fund.

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 \$3.1 million. Actual expenditures, and other financing uses, were less than final budgetary appropriations by \$2.8 million. The net effect of these two events was a positive variance of actual to final budget of \$5.9 million.

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

Revenues:

- Income tax revenue was \$744 thousand more than budgeted (2.1 percent), as County income tax revenues for fiscal year 2012 were marginally higher than originally anticipated due to increased distributions from the State.
- Miscellaneous revenue was \$1.0 million more than expected (679.2 percent), mainly due to a credit of \$877 thousand received in fiscal year 2012 for the contingent liability related to healthcare. In prior years, the County was required to maintain a reserve balance for a contingent healthcare liability, however, the procedure changed and the County is no longer required to sustain the reserve.
- Transfers In were \$1.2 million higher than the final budget (104.9 percent), as a result of the transfer in from Roads Capital of \$1.4 million, which was \$1.2 million higher than the budgeted amount of \$253 thousand. The transfers were budgeted in the Roads Capital Projects Fund in prior years, however, the transfer was not necessary until the current year. The purpose of the transfer from Roads Capital to the General Fund was to offset the decreased highway user revenue received for the maintenance of the County roads.

Expenditures:

- Final Budgeted Salaries and Benefits were \$29.0 million for the year, while actual costs were \$28.1 million. They were underspent at year-end by \$822 thousand (2.8 percent). Of this amount, the roads department was responsible for \$256 thousand of the unspent portion, the sheriff's office for \$239 thousand, solid waste for \$148 thousand, and planning and zoning for \$131 thousand. This was due to the retirement incentive plans offered by the County during this fiscal year and vacant positions.
- Final Budgeted Other Operating Charges were \$82.7 million for the year, while actual costs were \$80.7 million. These costs were lower than budget at year end by \$2.0 million (2.4 percent). Operating Charges include contracted services, supplies, debt service, transfers out, and other charges.
  - Contracted Services were underspent by \$375 thousand, largely due to savings by the detention center (\$236 thousand), with the largest savings for medical charges (\$170 thousand).
  - Supplies were underspent by \$172 thousand, largely due to savings by solid waste (\$105 thousand), with the largest savings for equipment operation (\$39 thousand).
  - Other Charges were underspent by \$1.1 million, primarily due to roads costs being underspent by \$346 thousand. In addition, emergency services were underspent by \$271 thousand, with the entire savings attributable to the Eastern Shore Alliance. Additionally, pension costs were underspent by \$154 thousand as these charges from the State were delayed until fiscal year 2013. The remaining savings for other charges were spread out throughout the General Fund, as all departments are continuing the effort of increasing efficiencies whenever possible.

- Transfers Out were underspent by \$367 thousand, primarily due to savings realized by the Department of Housing (\$120 thousand) and the Marinas Enterprise Fund (\$101 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, 2012 amounted to \$238.7 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:

<b>Capital Assets, Net of Depreciation</b>	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	2012	2011	2012	2011	2012	2011
Land and Land Improvements	\$ 84,059,597	\$ 81,551,088	\$ 14,209,466	\$ 14,209,466	\$ 98,269,063	\$ 95,760,554
Intangible Rights - Easements	786,819	13,390	6,140	6,140	792,959	19,530
Construction in Progress	2,567,685	8,171,028	1,443,420	5,486,372	4,011,105	13,657,400
Buildings	30,741,621	30,780,208	9,891,256	10,459,319	40,632,877	41,239,527
Improvements other than Buildings	6,585,477	4,777,203	8,971,825	4,444,591	15,557,302	9,221,794
Infrastructure	9,892,535	9,066,088	47,276,882	48,429,689	57,169,417	57,495,777
Auto, Machinery, and Equipment	8,133,931	9,516,953	14,089,266	14,951,492	22,223,197	24,468,445
<b>Total</b>	<b>\$ 142,767,665</b>	<b>\$ 143,875,958</b>	<b>\$ 95,888,255</b>	<b>\$ 97,987,069</b>	<b>\$ 238,655,920</b>	<b>\$ 241,863,027</b>

Queen Anne’s County’s total investment in capital assets for the current fiscal year, net of depreciation, decreased by 1.3 percent, or \$3.2 million. Of this amount, governmental investment in capital assets decreased by \$1.1 million, while business-type investment in capital assets decreased by \$2.1 million.

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

<b>Changes in Capital Assets</b>	<b>Governmental Activities</b>				
	2011	Additions	Transfers	Retirements	2012
Land and Land Improvements	\$ 81,551,088	\$ -	\$ 2,623,691	\$ (115,182)	\$ 84,059,597
Intangible Rights - Easements	13,390	56,478	716,951	-	786,819
Construction in Progress	8,171,028	2,543,608	(7,908,826)	(238,125)	2,567,685
Buildings	39,832,998	55,710	968,051	(278,296)	40,578,463
Improvements other than Buildings	5,892,596	63,467	1,950,466	-	7,906,529
Infrastructure	15,850,015	-	1,234,635	(174,391)	16,910,259
Auto, Machinery, and Equipment	28,108,860	637,966	415,032	(1,721,195)	27,440,663
Total Assets before depreciation	179,419,975	3,357,229	-	(2,527,189)	180,250,015
Less Depreciation	(35,544,017)	(3,438,277)	-	1,499,944	(37,482,350)
Total Assets after depreciation	<b>\$ 143,875,958</b>	<b>\$ (81,048)</b>	<b>\$ -</b>	<b>\$ (1,027,245)</b>	<b>\$ 142,767,665</b>

<b>Changes in Capital Assets</b>	<b>Business-Type Activities</b>				
	2011	Additions	Transfers	Retirements	2012
Land and Land Improvements	\$ 14,209,466	\$ -	\$ -	\$ -	\$ 14,209,466
Intangible Rights - Easements	6,140	-	-	-	6,140
Construction in Progress	5,486,372	1,208,907	(4,980,220)	(271,639)	1,443,420
Buildings	16,753,162	-	106,365	-	16,859,527
Improvements other than Buildings	6,966,909	-	4,873,855	-	11,840,764
Infrastructure	69,641,202	514,979	-	-	70,156,181
Auto, Machinery, and Equipment	23,207,686	270,117	-	(1,748)	23,476,055
Total Assets before depreciation	136,270,937	1,994,003	-	(273,387)	137,991,553
Less Depreciation	(38,283,868)	(3,821,178)	-	1,748	(42,103,298)
Total Assets after depreciation	<b>\$ 97,987,069</b>	<b>\$ (1,827,175)</b>	<b>\$ -</b>	<b>\$ (271,639)</b>	<b>\$ 95,888,255</b>

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

- Land and Land Improvements increased by a net amount of \$2.5 million. This increase is primarily the result of the completion of three projects: (a) the White Marsh Park athletic fields were completed (\$1.6 million); (b) improvements to Nesbit Road, which accesses the Queen Anne's Emergency Center in Grasonville, were completed (\$426 thousand); and (c) improvements to Tanyard Road were completed (\$553 thousand).
- Intangible Rights - Easements increased by \$773 thousand. In total, six easements were acquired as part of the Conservation Reserve Enhancement Program.
- Construction in Progress (CIP) decreased by a net amount of \$5.6 million. The following factors contributed to this decrease:

Costs reclassified from Construction in Progress include: (a) the White Marsh Park athletic fields, parking, and other site improvements (\$2.7 million); (b) infrastructure improvements at the Queen Anne's Emergency Center site (\$1.6 million); (c) acquisition of conservation easements (\$717 thousand); (d) Tanyard Road improvements (\$691 thousand); and (e) Railroad avenue building renovations (\$607 thousand).

Major additions to Construction in Progress include: (a) construction of the Island Creek Road Bridge (\$1.2 million); (b) infrastructure improvements at the Sudlersville Middle School site (\$175 thousand); (c) improvements to Carmichael Road (\$147 thousand); and (d) infrastructure improvements in the Matapeake Business Park (\$115 thousand).

- Buildings increased by \$745 thousand. This increase resulted primarily from the completion of the following two projects: (a) Railroad Avenue building renovations (\$607 thousand); and (b) construction of the animal quarantine facility (\$116 thousand).
- Improvements Other than Buildings increased by \$2 million. The completion of the following site improvement projects contributed to this increase: (a) White Marsh Park permeable pavers and drive (\$822 thousand); (b) 4H Parking lot (\$428 thousand); (c) Health Department parking (\$260 thousand); (d) Kirwan Creek Watershed Improvements (\$214 thousand); and (e) Bio-swale drainage ditch (\$101 thousand).
- Infrastructure increased by \$1.1 million as a result of infrastructure improvements at the Queen Anne's Emergency Center site in Grasonville.
- Auto, Machinery and Equipment decreased by \$668 thousand. The following factors culminated in this change:

Additions of \$1.1 million include the following: (a) the Sheriff's department acquired replacement law enforcement vehicles (\$244 thousand); (b) solar panels installed at the detention center (\$204 thousand); (c) emergency vehicle acquired by the emergency services department (\$185 thousand); (d) vehicles and other wheeled equipment utilized by parks & recreation (\$113 thousand); (e) irrigation equipment at White Marsh Park (\$98 thousand); and (f) heat pump replacement at various county locations (\$82 thousand).

Retired assets of \$1.7 million include the following, the majority of which were fully depreciated: (a) obsolete radio equipment (\$692 thousand); (b) retirement of Aging department transit vehicles (\$339 thousand); (c) obsolete computer software and hardware (\$245 thousand); (d) fuel system no longer in service at the public works building (\$126 thousand); and (e) solid waste disposal equipment (\$92 thousand).

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

- Construction in Progress decreased by \$4.0 million. The following factors contributed to this decrease:

Costs reclassified from construction in progress to other asset classes include: (a) runway improvements at the Bay Bridge Airport (\$2.6 million); and (b) Kent Narrows marina rehabilitation (\$2.2 million).

Additions to construction in progress include: (a) runway apron at the Bay Bridge Airport (\$341 thousand); and (b) Cox Creek Sewer main (\$508 thousand).

- Improvements Other than Buildings increased by \$4.9 million. This increase resulted from: (a) the completion of runway improvements at the Bay Bridge Airport (\$2.7 million); and (b) the Kent Narrows marina rehabilitation (\$2.2 million).
- Infrastructure increased by \$515 thousand as a result of various water and sewer infrastructure contributed by commercial developers (\$348 thousand), as well as construction of the Bridgepointe Magothy Aquifer Well (\$167 thousand).

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

**Long-term debt:** At the end of the current fiscal year, Queen Anne’s County Government had total bonded debt, loans, capital leases, other post-employment benefit obligations, and compensated absence obligations of \$141.5 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 \$141.5 million in debt, \$22.3 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 \$4.4 million, which are restricted to payment of the Sanitary District’s subsequent year’s debt. See Note 10 on pages 87 to 89 for restricted assets and subsequent year debt service obligations.

Debt activities are summarized as follows:

<b>Bonded Debt, Loans, Other Post-Employment Benefit Obligation, and Compensated Absences</b>	<b>Governmental Activities</b>		<b>Business Type Activities</b>		<b>Total</b>	
	2012	2011	2012	2011	2012	2011
Bonds, Notes, Premiums and Deferred Debt Costs	\$ 98,016,519	\$ 103,916,450	\$ 18,175,502	\$ 20,150,999	\$ 116,192,021	\$ 124,067,449
Other Post-Employment Benefit Obligation	19,003,721	13,884,281	3,826,257	2,647,180	22,829,978	16,531,461
Compensated Absences	2,165,466	2,162,071	309,086	339,762	2,474,552	2,501,833
<b>Total Long-term Debt</b>	<b>\$ 119,185,706</b>	<b>\$ 119,962,802</b>	<b>\$ 22,310,845</b>	<b>\$ 23,137,941</b>	<b>\$ 141,496,551</b>	<b>\$ 143,100,743</b>

During the 2012 fiscal year, the County’s total net debt decreased by \$1.6 million (1.1 percent). Of this amount, governmental debt decreased by \$777 thousand (0.65 percent), while business-type debt decreased by \$827 thousand (3.6 percent). The County issued 2012 refunding bonds totaling \$8.0 million. The County also added bond debt of \$1.4 million in fiscal year 2012, which relates to the Queen Anne’s County Public Housing Authority. In fiscal years 2012 and prior, the Housing Authority, operating as a component unit of the County, had recorded bond debt on its books related to its Foxxtown Apartment Community and Scattered Housing Program. In fiscal year 2012, Queen Anne’s

County reached an agreement with the Queen Anne's County Public Housing Authority whereby the two parties determined that the Housing Authority would become a separate entity from the County effective July 1, 2012. In light of the separation, and because the County is ultimately liable for the bond debt, the County has recorded a liability (and a corresponding receivable due from the Housing Authority) on its books in the amount of \$1,360,643, which represents the Housing Authority's indebtedness to the County with respect to the bonds. In addition, total Other Post-Employment Benefit Obligations 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, pages 77 to 86, 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, unless authorized under specific legislation. Currently, approximately \$7.1 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 2012, 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 2013 fiscal year:

- Property assessments are projected to decrease by 0.73 percent over the previous year, based on State Assessment Office values used to compute the Constant Yield rate.
- Income tax revenue is projected to decrease to \$32.4 million in fiscal year 2013, which is a 9.8% decrease over actual receipts for fiscal year 2012. The decrease is a result of the County receiving high distributions from the State in fiscal year 2012, which are not anticipated for fiscal year 2013.

The following are a few of the highlights from the fiscal year 2013 budget:

- Eliminate furloughs for County employees;
- Other Post-Employment Benefit funded in accordance with ten year plan; and
- \$1 million included in capital budget for design of Stevensville Middle School renovations.

### **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 Departments, Finance, Financial Reports and Forms, Link to 2012 Comprehensive Annual Financial Report (CAFR)).



## **Basic Financial Statements**

**QUEEN ANNE'S COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Equity in Pooled Cash and Investments	\$ 38,596,526	\$ 10,661,321	\$ 49,257,847
Cash and Cash Equivalents	-	-	-
Taxes Receivable (Net)	460,236	-	460,236
Accounts and Loans Receivable (Net)	4,955,383	530,538	5,485,921
Special Assessments (Net)	1,054,352	-	1,054,352
Internal Balances	803,131	(803,131)	-
Due from Primary Government	-	-	-
Due from Component Units	1,360,643	-	1,360,643
Due from Other Governments	10,765,100	402,210	11,167,310
Bond Interest Reimbursement Receivable - Build America Bond	108,510	4,442	112,952
Inventories	555,215	447,913	1,003,128
Prepaid Items	-	20,000	20,000
Restricted Assets:			
Equity in Pooled Cash and Investments	6,613,921	9,965,766	16,579,687
Investments	-	-	-
Accounts Receivable (Net)	-	51,207	51,207
Special Assessments Receivable (Net)	-	2,102,580	2,102,580
Capital Assets:			
Nondepreciable Assets	87,414,101	15,659,026	103,073,127
Depreciable Assets, Net	55,353,564	80,229,229	135,582,793
<b>Total Assets</b>	<b>208,040,682</b>	<b>119,271,101</b>	<b>327,311,783</b>
<b>LIABILITIES</b>			
Accounts Payable and Other Current Liabilities	3,858,207	627,447	4,485,654
Accrued Interest Payable	974,294	106,797	1,081,091
Due to Component Units	1,129,417	-	1,129,417
Due to Other Governmental Agencies	399,046	-	399,046
Unearned Revenue	3,173,050	742,277	3,915,327
Escrow Deposits	-	50,440	50,440
Liabilities Payable from Restricted Assets:			
Unearned Revenue	-	2,025,130	2,025,130
Noncurrent Liabilities:			
Due within One Year	8,459,644	2,111,979	10,571,623
Due in More than One Year	110,726,062	20,198,866	130,924,928
<b>Total Liabilities</b>	<b>128,719,720</b>	<b>25,862,936</b>	<b>154,582,656</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	117,436,984	77,891,395	195,328,379
Restricted for:			
Conservation of Natural Resources	2,049,297	-	2,049,297
Economic/Community Development	1,743,364	-	1,743,364
General Government	833,567	-	833,567
Education	777,787	-	777,787
Public Safety	573,279	-	573,279
Miscellaneous	4,747	-	4,747
Debt Service	-	2,760,648	2,760,648
Capital Projects	-	753,300	753,300
Other Purposes	-	-	-
Unrestricted Net Assets (Deficit)	(44,098,063)	12,002,822	(32,095,241)
<b>Total Net Assets</b>	<b>\$ 79,320,962</b>	<b>\$ 93,408,165</b>	<b>\$ 172,729,127</b>

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

**QUEEN ANNE'S COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

(CONTINUED)

	COMPONENT UNITS		
	BOARD OF EDUCATION	FREE LIBRARY	HOUSING AUTHORITY
\$	-	\$ -	\$ 2,105,605
	12,433,628	700,506	341,899
	-	-	-
	428,902	56,315	9,357
	-	-	-
	1,129,417	-	-
	-	-	-
	921,995	-	36,099
	-	-	-
	55,360	-	-
	1,160	16,472	54,574
	-	654,383	-
	-	-	100,472
	-	-	-
	-	-	-
	10,014,352	29,850	1,346,974
	145,490,790	968,708	17,953,905
	170,475,604	2,426,234	21,948,885
	10,061,958	38,365	78,533
	-	-	20,199
	-	-	1,360,643
	166,839	-	-
	787,880	-	5,458
	-	-	100,117
	-	-	-
	266,803	-	40,925
	21,087,426	791,664	1,461,298
	32,370,906	830,029	3,067,173
	155,505,142	998,558	16,873,591
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	-	-	-
	865,750	-	1,946,336
	312,170	10,500	-
	(18,578,364)	587,147	61,785
\$	138,104,698	\$ 1,596,205	\$ 18,881,712

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, 2012**

	PRIMARY GOVERNMENT				
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL REVENUE
<b>PRIMARY GOVERNMENT</b>					
Governmental Activities					
General Government	\$ 13,421,531	\$ 1,081,808	\$ 742,205	\$ 116,710	\$ 1,940,723
Public Safety	25,469,721	1,320,647	1,113,018	191,223	2,624,888
Public Works	10,373,286	1,107,426	488,027	541,887	2,137,340
Health	1,642,723	-	-	-	-
Social Services	4,526,166	71,655	2,076,096	18,691	2,166,442
Education	53,693,309	1,169,425	-	-	1,169,425
Library	1,302,163	-	-	-	-
Conservation of Natural Resources	2,802,337	98,593	36,872	998,757	1,134,222
Economic/Community Development	887,837	159,492	245,143	81,867	486,502
Interest and Fiscal Charges	4,196,072	-	-	-	-
<b>Total Governmental Activities</b>	<b>118,315,145</b>	<b>5,009,046</b>	<b>4,701,361</b>	<b>1,949,135</b>	<b>11,659,542</b>
Business-type Activities					
Water and Sewer	10,711,211	7,977,667	55,728	347,573	8,380,968
Parks & Recreation	2,269,933	1,501,550	52,915	28,680	1,583,145
Public Marinas	110,884	102,290	14,183	78,314	194,787
Airport	1,457,087	58,589	47,412	693,162	799,163
<b>Total Business-type Activities</b>	<b>14,549,115</b>	<b>9,640,096</b>	<b>170,238</b>	<b>1,147,729</b>	<b>10,958,063</b>
<b>Total Primary Government</b>	<b>\$ 132,864,260</b>	<b>\$ 14,649,142</b>	<b>\$ 4,871,599</b>	<b>\$ 3,096,864</b>	<b>\$ 22,617,605</b>
<b>COMPONENT UNITS</b>					
Board of Education	\$ 99,566,364	\$ 1,797,385	\$ 12,006,824	\$ -	\$ 13,804,209
Free Library	1,924,507	9,424	227,319	-	236,743
Housing Authority	2,976,224	1,277,406	1,292,717	55,426	2,625,549
<b>Total Component Units</b>	<b>\$ 104,467,095</b>	<b>\$ 3,084,215</b>	<b>\$ 13,526,860</b>	<b>\$ 55,426</b>	<b>\$ 16,666,501</b>
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 Assets					
Total Net Assets - Beginning of Year					
Total Net Assets - 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, 2012**

(CONTINUED)

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS						
PRIMARY GOVERNMENT			COMPONENT UNITS			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	BOARD OF EDUCATION	FREE LIBRARY	HOUSING AUTHORITY	
\$ (11,480,808)	\$ -	\$ (11,480,808)	\$ -	\$ -	\$ -	
(22,844,833)	-	(22,844,833)	-	-	-	
(8,235,946)	-	(8,235,946)	-	-	-	
(1,642,723)	-	(1,642,723)	-	-	-	
(2,359,724)	-	(2,359,724)	-	-	-	
(52,523,884)	-	(52,523,884)	-	-	-	
(1,302,163)	-	(1,302,163)	-	-	-	
(1,668,115)	-	(1,668,115)	-	-	-	
(401,335)	-	(401,335)	-	-	-	
(4,196,072)	-	(4,196,072)	-	-	-	
(106,655,603)	-	(106,655,603)	-	-	-	
-	(2,330,243)	(2,330,243)	-	-	-	
-	(686,788)	(686,788)	-	-	-	
-	83,903	83,903	-	-	-	
-	(657,924)	(657,924)	-	-	-	
-	(3,591,052)	(3,591,052)	-	-	-	
\$ (106,655,603)	\$ (3,591,052)	\$ (110,246,655)	\$ -	\$ -	\$ -	
-	-	-	(85,762,155)	-	-	
-	-	-	-	(1,687,764)	-	
-	-	-	-	-	(350,675)	
-	-	-	(85,762,155)	(1,687,764)	(350,675)	
65,937,415	-	65,937,415	-	-	-	
34,028,234	-	34,028,234	-	-	-	
183,634	-	183,634	-	-	-	
3,809,545	-	3,809,545	-	-	-	
468,382	-	468,382	-	-	-	
1,266,716	-	1,266,716	-	-	-	
-	-	-	89,861,175	1,415,816	31,198	
126,650	374,665	501,315	18,797	5,196	2,633	
27,627	-	27,627	-	-	-	
1,254,255	1,127,590	2,381,845	300,465	97,337	-	
(605,996)	605,996	-	-	-	-	
106,496,462	2,108,251	108,604,713	90,180,437	1,518,349	33,831	
(159,141)	(1,482,801)	(1,641,942)	4,418,282	(169,415)	(316,844)	
79,480,103	94,890,966	174,371,069	133,686,416	1,765,620	19,198,556	
\$ 79,320,962	\$ 93,408,165	\$ 172,729,127	\$ 138,104,698	\$ 1,596,205	\$ 18,881,712	

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, 2012**

	MAJOR FUNDS			NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	GENERAL CAPITAL	ROADS CAPITAL		
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 10,598,140	\$ 20,007,705	\$ 1,485,988	\$ 6,504,693	\$ 38,596,526
Receivables					
Taxes Receivable (Net)	263,362	196,874	-	-	460,236
Accounts and Loans Receivable	146,398	1,350	17,063	4,790,572	4,955,383
Special Assessments (Net)	-	-	416,248	638,104	1,054,352
Due from Other Governments	9,589,175	30,388	691,074	454,463	10,765,100
Due from Other Funds	1,015,547	66,747	-	-	1,082,294
Loans Receivable - Component Unit	-	1,360,643	-	-	1,360,643
Inventory	555,215	-	-	-	555,215
Restricted					
Restricted Equity in Pooled Cash	-	6,613,921	-	-	6,613,921
<b>Total Assets</b>	<b>\$ 22,167,837</b>	<b>\$ 28,277,628</b>	<b>\$ 2,610,373</b>	<b>\$ 12,387,832</b>	<b>\$ 65,443,670</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accrued Liabilities	\$ 2,918,649	\$ 325,586	\$ 146,559	\$ 395,966	\$ 3,786,760
Due to Other Funds	-	-	-	279,163	279,163
Due to Component Units	-	1,129,417	-	-	1,129,417
Due to Other Governmental Agencies	-	-	-	399,046	399,046
Deferred Revenue	6,450,094	80,195	476,216	2,101,431	9,107,936
<b>Total Liabilities</b>	<b>9,368,743</b>	<b>1,535,198</b>	<b>622,775</b>	<b>3,175,606</b>	<b>14,702,322</b>
Fund Balances					
Nonspendable	555,215	1,360,643	-	3,775,381	5,691,239
Restricted	340,670	6,866,782	-	5,388,510	12,595,962
Committed	695,944	1,279,836	774,913	-	2,750,693
Assigned	-	17,235,169	1,212,685	206,163	18,654,017
Unassigned	11,207,265	-	-	(157,828)	11,049,437
<b>Total Fund Balances</b>	<b>12,799,094</b>	<b>26,742,430</b>	<b>1,987,598</b>	<b>9,212,226</b>	<b>50,741,348</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 22,167,837</b>	<b>\$ 28,277,628</b>	<b>\$ 2,610,373</b>	<b>\$ 12,387,832</b>	<b>\$ 65,443,670</b>

*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 ASSETS**  
**JUNE 30, 2012**

**Total Fund Balance - Governmental Funds** **\$ 50,741,348**

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

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

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 108,510

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

ADD Nondepreciable capital assets		
Land and Land Improvements	\$ 43,272,705	
Infrastructure	41,573,711	
Construction in Progress	2,567,685	87,414,101
ADD Depreciable capital assets		
Buildings	40,578,463	
Improvements other than Buildings	7,906,529	
Machinery and Equipment	18,307,458	
Automobiles and Trucks	9,133,205	
Infrastructure	16,910,259	
Less Accumulated depreciation	(37,482,350)	55,353,564

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

ADD Property Taxes deferred in governmental funds	97,468	
ADD Income Taxes deferred in governmental funds	4,271,834	
ADD Loans receivable deferred in governmental funds	1,565,584	5,934,886

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

SUBTRACT Accrued Interest Payable		(974,294)
SUBTRACT Liability for Retirement Incentive		(71,447)
SUBTRACT Long-Term Liabilities Due within One Year		
Accrued Compensated Absences	(1,251,413)	
Bonds and Notes Payable	(7,208,231)	(8,459,644)
SUBTRACT Long-Term Liabilities Due in More than One Year		
Other Post-Employment Benefit Obligation	(19,003,721)	
Accrued Compensated Absences	(914,053)	
Bonds and Notes Payable	(90,808,288)	(110,726,062)

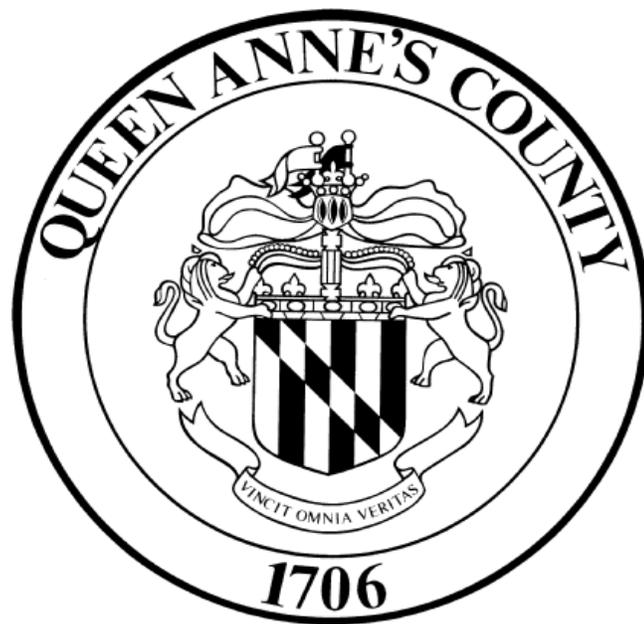
**Total Net Assets - Governmental Activities** **\$ 79,320,962**

*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, 2012**

	MAJOR FUNDS			NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	GENERAL CAPITAL	ROADS CAPITAL		
<b>REVENUES</b>					
Taxes					
Local Property Tax	\$ 65,881,777	\$ -	\$ -	\$ 37,055	\$ 65,918,832
Local Income Tax	35,969,879	-	-	-	35,969,879
Admission and Amusement Taxes	183,634	-	-	-	183,634
Recordation Taxes	2,553,755	380,542	-	875,248	3,809,545
Hotel Taxes	468,382	-	-	-	468,382
County Transfer Taxes	-	1,266,716	-	-	1,266,716
State Shared Taxes	269,363	-	-	36,872	306,235
Licenses and Permits	877,365	-	-	-	877,365
Intergovernmental	1,949,802	829,559	4,722	3,083,128	5,867,211
Bond Interest Reimbursement - Build America Bond	432,212	-	-	-	432,212
Charges for Current Services	2,015,949	-	67,815	1,825,234	3,908,998
Fines and Forfeitures	41,627	-	-	181,056	222,683
Investment Income	56,439	17,078	28,089	25,044	126,650
Donations	8,009	-	-	38,323	46,332
Miscellaneous	1,198,705	1,813	590	53,147	1,254,255
<b>Total Revenues</b>	<b>111,906,898</b>	<b>2,495,708</b>	<b>101,216</b>	<b>6,155,107</b>	<b>120,658,929</b>
<b>EXPENDITURES</b>					
Current					
General Government	8,879,396	279,661	-	12,773	9,171,830
Public Safety	20,573,121	-	-	411,956	20,985,077
Public Works	7,444,753	287,881	592	-	7,733,226
Health	1,604,462	-	-	-	1,604,462
Social Services	253,854	-	-	3,279,168	3,533,022
Education	45,226,524	8,528,973	-	-	53,755,497
Library	1,277,993	-	-	-	1,277,993
Conservation of Natural Resources	529,080	199,902	-	2,065,280	2,794,262
Economic/Community Development	490,021	(268,124)	-	536,192	758,089
Intergovernmental	594,777	-	-	-	594,777
Miscellaneous	3,109,925	-	-	-	3,109,925
Capital Outlay	-	1,339,937	1,353,871	62,141	2,755,949
Debt Service					
Principal	6,931,284	-	-	164,023	7,095,307
Debt Issuance Costs	-	162,021	-	-	162,021
Interest and Fiscal Charges	4,102,684	-	-	14,255	4,116,939
<b>Total Expenditures</b>	<b>101,017,874</b>	<b>10,530,251</b>	<b>1,354,463</b>	<b>6,545,788</b>	<b>119,448,376</b>
Excess of Revenues Over (Under) Expenditures	10,889,024	(8,034,543)	(1,253,247)	(390,681)	1,210,553
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt	-	8,010,000	-	-	8,010,000
Bond Premiums	-	713,235	-	-	713,235
Payments to Bond Refunding Agent	-	(8,557,455)	-	-	(8,557,455)
Proceeds of Capital Asset Disposals	24,030	-	-	23,366	47,396
Insurance Proceeds	9,407	-	-	2,224	11,631
Transfers In	2,289,535	5,024,831	600,000	1,721,515	9,635,881
Transfers Out	(7,829,993)	(128,032)	(1,420,413)	(991,471)	(10,369,909)
Other Financing Sources (Uses)					
Before Special Item	(5,507,021)	5,062,579	(820,413)	755,634	(509,221)
Special Item	-	1,360,643	-	-	1,360,643
Net Increase (Decrease) in Fund Balances	5,382,003	(1,611,321)	(2,073,660)	364,953	2,061,975
Fund Balances, July 1	7,417,091	28,353,751	4,061,258	8,847,273	48,679,373
Fund Balances, June 30	\$ 12,799,094	\$ 26,742,430	\$ 1,987,598	\$ 9,212,226	\$ 50,741,348

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, 2012**

**Change in Fund Balances - Total governmental funds, per Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds** **\$ 2,061,975**

**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 value of 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	\$	605,809	
ADD capital assets resulting from force-in-kind expenditures		57,612	
ADD capital assets resulting from general capital projects		1,339,937	
ADD capital assets resulting from roads capital projects		1,353,871	
SUBTRACT book value of disposed capital assets, net of accumulated depreciation		(1,027,245)	
SUBTRACT current year depreciation expense		(3,438,277)	
		(1,108,293)	<b>(1,108,293)</b>

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

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.

ADD current year's bond interest reimbursement receivable - Build America Bond		108,510	
SUBTRACT prior year's bond interest reimbursement receivable - Build America Bond		(110,004)	
		(1,494)	<b>(1,494)</b>
SUBTRACT liability for retirement incentive			<b>(71,447)</b>

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

CONTINUED

**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, 2012**

(CONTINUED)

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 revenue increased or (decreased) relative to the prior year is as follows:

ADD current year's Property Tax Deferred Revenue	\$ 97,468		
SUBTRACT prior year's Property Tax Deferred Revenue	(78,885)		
		\$	18,583
ADD current year's Income Tax Deferred Revenue	4,271,834		
SUBTRACT prior year's Income Tax Deferred Revenue	(6,213,478)		
			(1,941,644)

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			
General Bonds Payable	15,453,937		
Notes Payable	181,376		
Bond Premiums, Net of Issuance Costs	65,683		
Deferred Refunding Costs	(170,483)		
Capital Leases	54,089		
	15,584,602		
SUBTRACT proceeds of 2012 Refunding Bond	(8,010,000)		
SUBTRACT PHA debt added to County's books	(1,360,643)		
SUBTRACT Bond premium, net of issuance costs for 2012 bond	(651,482)		
ADD Deferred Refunding for 2012 Bond	337,454		
SUBTRACT College reimbursement received	(246,063)		
ADD County's allocation to College for debt	62,188		
	62,188		5,716,056

Some accrued expenses, reported in the Statement of Activities, do not require the use of current financial  
financial resources and are not reported as expenditures in the Governmental Funds. The net amount  
by which these accruals increased or (decreased) over the prior period is as follows:

ADD prior year's Accrued Interest Payable	1,264,252		
SUBTRACT current year's Accrued Interest Payable	(974,294)		
		289,958	
ADD prior year's Accrued Compensated Absences	2,162,071		
SUBTRACT current year's Accrued Compensated Absences	(2,165,466)		
		(3,395)	
ADD prior year's Accrued Other Post Employment Benefit Obligation	13,884,281		
SUBTRACT current year's Accrued Other Post Employment Benefit Obligation	(19,003,721)		
		(5,119,440)	

<b>Change in Net Assets - governmental activities, per Statement of Activities</b>		<b>\$</b>	<b>(159,141)</b>
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*The accompanying notes to the basic financial statements are an integral part of this statement.*

**QUEEN ANNE'S COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
**JUNE 30, 2012**

<u>ASSETS</u>	SANITARY DISTRICT		
	SEWER OPERATIONS	WATER OPERATIONS	RESTRICTED FUND
<b>Current Assets</b>			
Unrestricted			
Equity in Pooled Cash	\$ 6,452,217	\$ 3,162,106	\$ -
Accounts Receivable (Net)	301,393	172,073	-
Due from Other Funds	421,145	-	-
Due from Other Governments	-	-	-
Bond Interest Reimbursement Receivable - Build America Bond	-	-	-
Inventories	382,516	-	-
Prepaid Expenses	-	-	-
Restricted			
Restricted Equity in Pooled Cash	-	-	6,721,202
Restricted Accounts Receivable (Net)	-	-	10,778
<b>Total Current Assets</b>	<b>7,557,271</b>	<b>3,334,179</b>	<b>6,731,980</b>
<b>Noncurrent Assets</b>			
Restricted			
Special Assessments Receivable (Net)	-	-	985,475
Capital Assets			
Intangible Rights	-	6,140	-
Land, Improved and Unimproved	816,331	-	-
Buildings and Improvements to Buildings	14,265,248	180,203	-
Improvements Other Than Buildings	1,615,474	128,152	-
Automotive Equipment	977,486	203,387	-
Equipment	20,062,554	1,156,496	-
Furniture and Fixtures	47,216	6,228	-
Infrastructure Improvements	49,218,765	20,937,416	-
Construction in Progress	782,696	-	-
<b>Capital Assets before Depreciation</b>	<b>87,785,770</b>	<b>22,618,022</b>	<b>-</b>
Less Accumulated Depreciation	(30,964,511)	(6,899,672)	-
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>56,821,259</b>	<b>15,718,350</b>	<b>-</b>
<b>Total Noncurrent Assets</b>	<b>56,821,259</b>	<b>15,718,350</b>	<b>985,475</b>
<b>Total Assets</b>	<b>64,378,530</b>	<b>19,052,529</b>	<b>7,717,455</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payable from Unrestricted Assets			
Accounts Payable	269,115	65,337	-
Accrued Interest Payable	75,143	3,461	-
Escrow Deposits	30,459	-	-
Due to Other Funds	-	-	-
Unearned Revenue	678,223	-	-
Current Portion of Compensated Absences	96,710	38,379	-
Current Portion of Bonds/Notes Payable	1,434,777	286,226	-
Payable from Restricted Assets			
Current Portion of Bonds Payable	-	-	-
<b>Total Current Liabilities</b>	<b>2,584,427</b>	<b>393,403</b>	<b>-</b>
<b>Noncurrent Liabilities</b>			
Payable from Unrestricted Assets			
Compensated Absences	70,639	28,033	-
Other Post-Employment Benefit Obligation	2,244,079	700,250	-
Bonds/Notes Payable	13,657,924	313,057	-
Liabilities Associated with Restricted Assets			
Unearned Revenue	-	-	985,475
<b>Total Noncurrent Liabilities</b>	<b>15,972,642</b>	<b>1,041,340</b>	<b>985,475</b>
<b>Total Liabilities</b>	<b>18,557,069</b>	<b>1,434,743</b>	<b>985,475</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	41,728,558	15,119,067	-
Restricted for:			
Debt Service	-	-	-
Capital Projects	-	-	753,300
Unrestricted	4,092,903	2,498,719	5,978,680
<b>Total Net Assets</b>	<b>\$ 45,821,461</b>	<b>\$ 17,617,786</b>	<b>\$ 6,731,980</b>

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

**QUEEN ANNE'S COUNTY, MARYLAND**  
**STATEMENT OF NET ASSETS**  
**ENTERPRISE FUNDS**  
**JUNE 30, 2012**

(CONTINUED)

SANITARY DISTRICT					TOTAL PRIMARY GOVERNMENT ENTERPRISE
DEBT SERVICE FUND	TOTAL	BAY BRIDGE AIRPORT	NON-MAJOR ENTERPRISE FUNDS	TOTAL PRIMARY GOVERNMENT ENTERPRISE FUNDS	
\$ -	\$ 9,614,323	\$ -	\$ 1,046,998	\$ -	\$ 10,661,321
-	473,466	54,080	2,992	-	530,538
-	421,145	-	-	-	421,145
-	-	386,108	16,102	-	402,210
-	-	702	3,740	-	4,442
-	382,516	58,160	7,237	-	447,913
-	-	-	20,000	-	20,000
3,244,564	9,965,766	-	-	-	9,965,766
40,429	51,207	-	-	-	51,207
<u>3,284,993</u>	<u>20,908,423</u>	<u>499,050</u>	<u>1,097,069</u>	<u>-</u>	<u>22,504,542</u>
<u>1,117,105</u>	<u>2,102,580</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,102,580</u>
-	6,140	-	-	-	6,140
-	816,331	10,670,168	2,722,967	-	14,209,466
-	14,445,451	1,233,204	1,180,872	-	16,859,527
-	1,743,626	4,707,037	5,390,101	-	11,840,764
-	1,180,873	59,470	83,445	-	1,323,788
-	21,219,050	47,752	803,019	-	22,069,821
-	53,444	-	29,002	-	82,446
-	70,156,181	-	-	-	70,156,181
-	782,696	504,571	156,153	-	1,443,420
-	110,403,792	17,222,202	10,365,559	-	137,991,553
-	(37,864,183)	(2,665,188)	(1,573,927)	-	(42,103,298)
-	72,539,609	14,557,014	8,791,632	-	95,888,255
<u>1,117,105</u>	<u>74,642,189</u>	<u>14,557,014</u>	<u>8,791,632</u>	<u>-</u>	<u>97,990,835</u>
<u>4,402,098</u>	<u>95,550,612</u>	<u>15,056,064</u>	<u>9,888,701</u>	<u>-</u>	<u>120,495,377</u>
-	334,452	208,965	84,030	-	627,447
2,446	81,050	8,681	17,066	-	106,797
-	30,459	9,130	10,851	-	50,440
421,145	421,145	477,846	325,285	-	1,224,276
-	678,223	-	64,054	-	742,277
-	135,089	3,134	40,394	-	178,617
-	1,721,003	42,725	117,788	-	1,881,516
<u>51,846</u>	<u>51,846</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51,846</u>
<u>475,437</u>	<u>3,453,267</u>	<u>750,481</u>	<u>659,468</u>	<u>-</u>	<u>4,863,216</u>
-	98,672	2,292	29,505	-	130,469
-	2,944,329	209,455	672,473	-	3,826,257
126,796	14,097,777	560,457	1,583,906	-	16,242,140
<u>1,039,655</u>	<u>2,025,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,025,130</u>
<u>1,166,451</u>	<u>19,165,908</u>	<u>772,204</u>	<u>2,285,884</u>	<u>-</u>	<u>22,223,996</u>
<u>1,641,888</u>	<u>22,619,175</u>	<u>1,522,685</u>	<u>2,945,352</u>	<u>-</u>	<u>27,087,212</u>
-	56,847,625	13,953,832	7,089,938	-	77,891,395
2,760,210	2,760,210	-	438	-	2,760,648
-	753,300	-	-	-	753,300
-	12,570,302	(420,453)	(147,027)	-	12,002,822
<u>\$ 2,760,210</u>	<u>\$ 72,931,437</u>	<u>\$ 13,533,379</u>	<u>\$ 6,943,349</u>	<u>\$ -</u>	<u>\$ 93,408,165</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 FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	SANITARY DISTRICT		
	SEWER OPERATIONS	WATER OPERATIONS	RESTRICTED FUND
<b><u>OPERATING REVENUES</u></b>			
Charges for Services	\$ 4,936,979	\$ 2,077,587	\$ 540,307
Intergovernmental	55,728	-	-
Bond Interest Reimbursement - Build America Bond	-	-	-
Material Sales	898	5,508	-
Miscellaneous Revenues	211,899	156,214	-
<b>Total Operating Revenues</b>	<b>5,205,504</b>	<b>2,239,309</b>	<b>540,307</b>
<b><u>OPERATING EXPENSES</u></b>			
Cost of Sales and Services			
Collection	2,213,142	-	-
Distribution	-	99,487	-
Treatment	1,184,851	1,082,208	-
Shop	158,989	116,818	-
Airport	-	-	-
Parks and Recreation	-	-	-
Public Marinas	-	-	-
<b>Total Cost of Sales and Services</b>	<b>3,556,982</b>	<b>1,298,513</b>	<b>-</b>
Administration and Inspection	679,921	477,001	-
Other Post-Employment Benefit Contributions	737,242	232,335	-
Depreciation	2,902,419	493,513	-
<b>Total Operating Expenses</b>	<b>7,876,564</b>	<b>2,501,362</b>	<b>-</b>
<b>Operating Income (Loss)</b>	<b>(2,671,060)</b>	<b>(262,053)</b>	<b>540,307</b>
<b><u>NON-OPERATING REVENUES (EXPENSES)</u></b>			
Investment Income	105,846	60,590	106,743
Interest Expense	(270,350)	(49,544)	-
Gain (Loss) on Disposal of Capital Assets	2,866	-	-
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(161,638)</b>	<b>11,046</b>	<b>106,743</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(2,832,698)</b>	<b>(251,007)</b>	<b>647,050</b>
Capital Contributions, Fees and Grants	215,262	132,311	-
Transfers In	1,715,224	458,361	-
Transfers Out	-	-	(1,056,565)
<b>Net Transfers In (Out)</b>	<b>1,715,224</b>	<b>458,361</b>	<b>(1,056,565)</b>
<b>Change in Net Assets</b>	<b>(902,212)</b>	<b>339,665</b>	<b>(409,515)</b>
<b>Total Net Assets - Beginning of Year</b>	<b>46,723,673</b>	<b>17,278,121</b>	<b>7,141,495</b>
<b>Total Net Assets - End of Year</b>	<b>\$ 45,821,461</b>	<b>\$ 17,617,786</b>	<b>\$ 6,731,980</b>

*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 FUND NET ASSETS**  
**ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

(CONTINUED)

SANITARY DISTRICT			NON-MAJOR ENTERPRISE	TOTAL PRIMARY GOVERNMENT ENTERPRISE
DEBT SERVICE		BAY BRIDGE AIRPORT	FUNDS	FUNDS
FUND	TOTAL			
\$ 422,794	\$ 7,977,667	\$ 58,589	\$ 1,603,840	\$ 9,640,096
-	55,728	44,623	52,246	152,597
-	-	2,789	14,852	17,641
-	6,406	420,990	49,393	476,789
-	368,113	180,692	101,996	650,801
422,794	8,407,914	707,683	1,822,327	10,937,924
-	2,213,142	-	-	2,213,142
-	99,487	-	-	99,487
-	2,267,059	-	-	2,267,059
-	275,807	-	-	275,807
-	-	976,295	-	976,295
-	-	-	1,906,759	1,906,759
-	-	-	29,199	29,199
-	4,855,495	976,295	1,935,958	7,767,748
-	1,156,922	-	-	1,156,922
-	969,577	43,317	166,186	1,179,080
-	3,395,932	233,963	191,283	3,821,178
-	10,377,926	1,253,575	2,293,427	13,924,928
422,794	(1,970,012)	(545,892)	(471,100)	(2,987,004)
101,154	374,333	332	-	374,665
(16,257)	(336,151)	(21,074)	(87,390)	(444,615)
-	2,866	(182,438)	-	(179,572)
84,897	41,048	(203,180)	(87,390)	(249,522)
507,691	(1,928,964)	(749,072)	(558,490)	(3,236,526)
-	347,573	693,162	106,994	1,147,729
1,056,565	3,230,150	63,079	461,506	3,754,735
(2,092,174)	(3,148,739)	-	-	(3,148,739)
(1,035,609)	81,411	63,079	461,506	605,996
(527,918)	(1,499,980)	7,169	10,010	(1,482,801)
3,288,128	74,431,417	13,526,210	6,933,339	94,890,966
\$ 2,760,210	\$ 72,931,437	\$ 13,533,379	\$ 6,943,349	\$ 93,408,165

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, 2012**

	SANITARY DISTRICT		
	SEWER OPERATIONS	WATER OPERATIONS	RESTRICTED FUND
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>			
Receipts from customers and users	\$ 4,980,775	\$ 2,081,862	\$ 539,389
Receipts from other operating sources	268,525	161,722	-
Receipts from bond interest reimbursement - Build America Bond	-	-	-
Payments to suppliers	(1,808,422)	(821,023)	-
Payments to employees and on behalf of employees	(2,422,554)	(945,249)	-
Net Cash Provided (Used) by Operating Activities	<u>1,018,324</u>	<u>477,312</u>	<u>539,389</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>			
Transfers in from other funds	1,715,224	458,361	-
Receipts (payments) from interfund loans	(140,463)	-	-
Transfers to other funds	-	-	(1,056,565)
Principal paid on interfund loans	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,574,761</u>	<u>458,361</u>	<u>(1,056,565)</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Proceeds (loss) from the disposition of capital assets	2,866	-	-
Receipts from capital grants	-	-	-
Principal paid on capital debt	(1,432,286)	(459,763)	-
Receipts from bonds, including premiums, net of issuance costs	-	-	-
Interest paid on capital debt	(282,938)	(39,423)	-
Acquisition and construction of capital assets	(681,120)	(250,584)	-
Net Cash (Used) by Capital and Related Financing Activities	<u>(2,393,478)</u>	<u>(749,770)</u>	<u>-</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Net Cash Provided by Investing Activities - Investment Income	<u>105,846</u>	<u>60,590</u>	<u>106,743</u>
Net Increase (Decrease) in Cash and Cash Equivalents	305,453	246,493	(410,433)
Balances - Beginning of the year	<u>6,146,764</u>	<u>2,915,613</u>	<u>7,131,635</u>
Balances - End of the year	<u>\$ 6,452,217</u>	<u>\$ 3,162,106</u>	<u>\$ 6,721,202</u>
<b><u>Reconciliation of operating income (loss) to net cash provided by operating activities</u></b>			
Operating income (loss)	\$ (2,671,060)	\$ (262,053)	\$ 540,307
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	2,902,419	493,513	-
Effect of changes in operating assets and liabilities:			
Accounts receivable, net	28,081	4,275	(918)
Special assessments receivable, net	-	-	213,728
Operating grants receivable	-	-	-
Build America Bonds Interest receivable	-	-	-
Inventories and Prepaid Expenses	14,565	-	-
Vendor accounts payable	8,094	15,882	-
Compensated absences	(16,732)	(6,640)	-
Other Post-Employment Benefit Obligation	737,242	232,335	-
Escrow deposits payable	2,319	-	-
Deferred revenue collected in advance	13,396	-	(213,728)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,018,324</u>	<u>\$ 477,312</u>	<u>\$ 539,389</u>
<b><u>Noncash investing, capital and financing activities:</u></b>			
Donation of capital assets (infrastructure) by developers	<u>\$ 215,262</u>	<u>\$ 132,311</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, 2012**

(CONTINUED)

SANITARY DISTRICT			BAY BRIDGE AIRPORT	NON-MAJOR ENTERPRISE FUNDS	TOTAL PRIMARY GOVERNMENT ENTERPRISE FUNDS
DEBT SERVICE FUND	TOTAL				
\$ 451,732	\$ 8,053,758	\$ 117,816	\$ 1,647,493	\$ 9,819,067	
-	430,247	601,682	283,460	1,315,389	
-	-	2,799	14,896	17,695	
-	(2,629,445)	(652,982)	(700,915)	(3,983,342)	
-	(3,367,803)	(166,837)	(1,257,062)	(4,791,702)	
<u>451,732</u>	<u>2,486,757</u>	<u>(97,522)</u>	<u>(12,128)</u>	<u>2,377,107</u>	
1,056,565	3,230,150	63,079	461,506	3,754,735	
421,145	280,682	477,846	345,285	1,103,813	
(2,092,174)	(3,148,739)	-	-	(3,148,739)	
(280,682)	(280,682)	(377,884)	(393,629)	(1,052,195)	
<u>(895,146)</u>	<u>81,411</u>	<u>163,041</u>	<u>413,162</u>	<u>657,614</u>	
-	2,866	(182,438)	-	(179,572)	
-	-	410,219	106,994	517,213	
(54,349)	(1,946,398)	(43,018)	(131,729)	(2,121,145)	
-	-	9,514	118,572	128,086	
(17,021)	(339,382)	(20,464)	(83,908)	(443,754)	
-	(931,704)	(239,664)	(203,424)	(1,374,792)	
<u>(71,370)</u>	<u>(3,214,618)</u>	<u>(65,851)</u>	<u>(193,495)</u>	<u>(3,473,964)</u>	
101,154	374,333	332	-	374,665	
(413,630)	(272,117)	-	207,539	(64,578)	
<u>3,658,194</u>	<u>19,852,206</u>	<u>-</u>	<u>839,459</u>	<u>20,691,665</u>	
<u>\$ 3,244,564</u>	<u>\$ 19,580,089</u>	<u>\$ -</u>	<u>\$ 1,046,998</u>	<u>\$ 20,627,087</u>	
\$ 422,794	\$ (1,970,012)	\$ (545,892)	\$ (471,100)	\$ (2,987,004)	
-	3,395,932	233,963	191,283	3,821,178	
(2,711)	28,727	58,727	7,386	94,840	
454,303	668,031	-	-	668,031	
-	-	(44,623)	79,825	35,202	
-	-	10	44	54	
-	14,565	(18,167)	(18,499)	(22,101)	
-	23,976	180,982	(2,552)	202,406	
-	(23,372)	(6,336)	(968)	(30,676)	
-	969,577	43,314	166,186	1,179,077	
-	2,319	500	(96)	2,723	
(422,654)	(622,986)	-	36,363	(586,623)	
<u>\$ 451,732</u>	<u>\$ 2,486,757</u>	<u>\$ (97,522)</u>	<u>\$ (12,128)</u>	<u>\$ 2,377,107</u>	
<u>\$ -</u>	<u>\$ 347,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 347,573</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 ASSETS**  
**PRIVATE PURPOSE TRUST, OTHER POST-EMPLOYMENT BENEFIT TRUST, AND AGENCY FUNDS**  
**JUNE 30, 2012**

	PRIVATE PURPOSE TRUST FUND	OTHER POST-EMPLOYMENT BENEFIT TRUST FUND	AGENCY FUNDS
	TAX SALE DEPOSITS		
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 119,657	\$ 1,293,469	\$ 482,190
Miscellaneous Receivables	-	-	101,686
Total Assets	<u>119,657</u>	<u>1,293,469</u>	<u>\$ 583,876</u>
<b>LIABILITIES</b>			
Due to Other Governments	-	156,040	\$ 195,374
Deposits and Escrows	-	-	388,502
Total Liabilities	<u>-</u>	<u>156,040</u>	<u>\$ 583,876</u>
<b>NET ASSETS</b>			
Held in Trust	<u>\$ 119,657</u>	<u>\$ 1,137,429</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 ASSETS**  
**PRIVATE PURPOSE TRUST AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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	PRIVATE PURPOSE TRUST FUND
	TAX SALE DEPOSITS
<b>ADDITIONS</b>	
Total Additions - Tax Sale Collections in Excess of Tax Due	\$ 22,290
<b>DEDUCTIONS</b>	
Distributions to Property Holders	-
Change in Assets	22,290
<b>NET ASSETS HELD IN TRUST</b>	
Net Assets-Beginning of Year	97,367
Net Assets-End of Year	\$ 119,657

	OTHER POST-EMPLOYMENT BENEFIT TRUST FUND
<b>ADDITIONS</b>	
<b>CONTRIBUTIONS</b>	
Employers	\$ 2,978,028
Members	1,044,512
<b>TOTAL CONTRIBUTIONS</b>	4,022,540
Investment Income	1,986
Total Additions	4,024,526
<b>DEDUCTIONS</b>	
Claims Paid	3,496,450
Change in Assets	528,076
<b>NET ASSETS HELD IN TRUST</b>	
Net Assets-Beginning of Year	609,353
Net Assets-End of Year	\$ 1,137,429

*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, 2012**

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**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 all the 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. Beginning in fiscal year 2012, the Roads Operating Fund is included in with the General Fund.

**Discretely Presented Component Units**

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.

The Queen Anne's County Public Housing Authority is a component unit of the Queen Anne's County Government because the County Commissioners appoint the members of the Housing Authority's Board of Commissioners. In addition, the County contributes substantial financial and administrative resources to the Housing Authority on an on-going basis, including an annual appropriation, office space and utilities, and administrative services for human resources, accounting, and other functions. Beginning July 1, 2012, the Queen Anne's County Public Housing Authority became a separate entity from Queen Anne's County. See Note 20 in this document for additional details.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**A. REPORTING ENTITY (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  
Housing Authority**  
P.O. Box 280  
Finance Office  
205 East Water Street, Suite 100  
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 Assets** – 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 Assets and report depreciation expense, the cost of "using up" capital assets, in the Statement of Activities. Net assets are divided into three categories: 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. *Invested in capital assets, net of related debt* 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 net assets* 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 net assets* consist of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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; parks and recreation; 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 subsection 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 other individual funds with legally adopted budgets in the supplementary information subsection.

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, 2012**

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**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 revenue. 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 revenue is 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 deferred 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 revenue.

**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 assets. 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 Assets (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, 2012**

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**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 and Highway User Tax funds.

**Non-Major Governmental Funds** – There are sixteen non-major governmental funds, which are used to account for and report the proceeds of specific revenue sources. Included in the sixteen non-major governmental funds are 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 6,500 customers.

**Water Operations** - This fund is used to account for the operation of the water supply system serving approximately 4,000 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.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

**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 five non-major enterprise funds, of which none are meant to be fully self-supporting. These funds include the Golf Course, Recreation Programs, Public Landings, Property Management, and Public 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 participating agencies, which are: (1) Queen Anne's County, Maryland, including the Queen Anne's County Public Housing Authority; (2) Queen Anne's County Board of Education; and (3) 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

In the process of aggregating data for the Statement of Net Assets 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, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. ASSETS, LIABILITIES, AND NET ASSETS 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 Assets, 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, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. ASSETS, LIABILITIES, AND NET ASSETS 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) 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, 2012, the other post-employment benefit obligation amounted to \$22,829,978, including both governmental (\$19,003,721) and business-type activities (\$3,826,257).

**Component Unit – Queen Anne’s County Housing Authority** –For the year ended June 30, 2012, the other post-employment benefit obligation for the Housing Authority amounted to \$435,578.

**Component Unit - Board of Education** – For the year ended June 30, 2012, the other post-employment benefit obligation for the Board of Education amounted to \$20,337,878.

**Component Unit – Free Library** – For the year ended June 30, 2012, the other post-employment benefit obligation for the Library amounted to \$791,664.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**6) 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 \$2,474,552 at June 30, 2012, including both governmental (\$2,165,466) and business-type activities (\$309,086).

**Component Unit – Queen Anne's County Housing Authority** –For fiscal years 2012 and prior, the Housing Authority's employees were employees of the Queen Anne's County Government, which was ultimately liable for their salaries and benefits. Therefore for the years ended June 30, 2011 and prior, the County recognized a liability for compensated absences. However, on July 1, 2012, the Housing Authority became a completely separate entity from the County and thus their employees are no longer considered County Employees. Due to this separation, the Housing Authority's employees were paid out any accrued vacation leave as of June 30, 2012; therefore, there is no remaining balance for compensated absences.

**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, 2012 amounted to \$991,095. Because payment of sick leave is contingent upon employees' future illness or retirement, the Board of Education expects its commitment to provide sick leave to be met during the normal course of activities over the working lives of its present employees. Any accumulated unused sick leave at retirement will ultimately be taken into consideration and paid through retirement benefits by the State of Maryland.

**7) 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 and discounts 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 generally reported as a deferred asset and amortized over the term of the related debt using the straight-line method.

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, payments to the Bond Refunding Agent and associated bond issuance costs are reported as other financing uses.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**8) Net Assets/Fund Equity**

In the government-wide financial statements, the County has reported an unrestricted net deficit of \$32,095,241. 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 assets invested in capital assets, net of related debt, in the Board of Education column of the Component Units section of the County's government-wide Statement of Net Assets. 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 Assets. At June 30, 2012, the County has reported outstanding general obligation debt related to assets held by the Board of Education amounting to \$68,278,843 (of which \$64,045,934 has been spent and the remaining \$4,232,909 relates to unspent bond proceeds). Absent the effect of this relationship, the County would have reported unrestricted net assets of governmental activities in the amount of \$36,183,602.

The County reports a portion of its net assets in its government-wide financial statements as restricted. In this context, restricted means that, as of June 30, 2012, this portion of net assets was restricted for a particular purpose either by external parties; by provision of the County Charter; or by enabling legislation. Net assets 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 assets attributed to revenue streams that are restricted for specified purposes in the County Code. This generally includes Capital Projects Fund impact fee collections and developer exactions on hand for outside entities; ending fund balances of substantially all special revenue funds; and ending restricted net assets of the Sanitary District and other enterprise funds. Such amounts, which are restricted net assets in the government-wide statement of Net Assets, are as follows at year-end:

Restricted Net Assets

Governmental activities		\$	5,982,041
Business-type activities:			
Debt Service	\$		2,760,648
Capital Projects			753,300
			3,513,948
 Total Restricted Net Assets		 \$	 9,495,989
			9,495,989

Note that unspent bond proceeds of \$6,613,921 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, 2012**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**8) Net Assets/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 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.

**9) 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, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**9) 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 State Department of Assessments and Taxation without public notice and only after public hearings. The County tax rate for the fiscal year ended June 30, 2012 was \$0.8471 per \$100 of assessed value.

**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.

During the fiscal year, the Commissioners may adopt supplemental appropriations. For the year ended June 30, 2012, supplemental appropriations were as follows:

<u>Supplemental Appropriations</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase</u>
General Fund - expenditures and transfers	<u>\$ 106,944,187</u>	<u>\$ 111,689,368</u>	<u>\$ 4,745,181</u>
<u>Special Revenue Funds that adopt annual budgets</u>			
Non-Major that adopt annual budgets -			
Department of Aging - expenditures	2,153,838	2,260,304	106,466
Housing and Community Services - expenditures	1,348,304	1,404,320	56,016
Community Partnerships for Children - expenditures and transfers	1,280,615	1,433,013	152,398
Inmate Welfare Fund - expenditures	165,250	173,250	8,000
Agricultural Transfer - expenditures	165,000	297,349	132,349
Purchase of Development Rights - expenditures and transfers	133,583	526,677	393,094
Rural Legacy - expenditures	-	1,500,004	1,500,004
Fire Company Impact Fees - expenditures	-	234,851	234,851
Total Special Revenue Funds that adopt annual budgets	<u>\$ 5,246,590</u>	<u>\$ 7,829,768</u>	<u>\$ 2,583,178</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.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 2 - BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)**

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, Community Partnerships for Children, Dredging Special Assessments, Kent Narrows, Law Library, Inmate Welfare, Agricultural Transfer, Rural Legacy, School Impact Fees Capital Projects, Fire Company Impact Fees Capital Projects, Parks and Recreation Impact Fees Capital Projects, and Purchase of Development Rights Funds. 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, 2012. However, salary reversions are budgeted as a lump sum negative \$650,000, but actual amounts are realized in the individual departments and are not reported as a lump sum in the Reversions activity.

**NOTE 3 – CASH, INVESTMENTS AND INVESTMENT INCOME**

**A. DEPOSITS AND INVESTMENTS**

**PRIMARY GOVERNMENT, PUBLIC HOUSING AUTHORITY, AND FIDUCIARY FUNDS**

Cash and investments were as follows at year-end:

	Carrying Amount	Collected Bank Balances or Fair Value	Total Collateral
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Demand Deposit Accounts, Short-Term			
Certificates of Deposit and Petty Cash	\$ 24,325,586	\$ 22,483,556	\$ 20,687,475
Investment in Maryland Local			
Government Investment Pool (MLGIP)	45,955,240	45,949,894	46,868,891
	<u>\$ 70,280,826</u>	<u>\$ 68,433,450</u>	<u>\$ 67,556,366</u>

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

<u>Cash and Investments</u>	<u>Primary Government</u>	<u>Component Unit- Housing Authority</u>	<u>Fiduciary</u>	<u>Total</u>
Unrestricted				
Equity in Pooled Cash and Investments	\$ 49,257,847	\$ 2,105,605	\$ 1,895,316	\$ 53,258,768
Cash and Cash Equivalents	-	341,899	-	341,899
Restricted				
Equity in Pooled Cash and Investments	16,579,687	-	-	16,579,687
Investments	-	100,472	-	100,472
	<u>\$ 65,837,534</u>	<u>\$ 2,547,976</u>	<u>\$ 1,895,316</u>	<u>\$ 70,280,826</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**A. DEPOSITS AND INVESTMENTS (CONTINUED)**

**PRIMARY GOVERNMENT, PUBLIC HOUSING AUTHORITY, AND FIDUCIARY FUNDS**  
**(CONTINUED)**

At year-end, the carrying amount of combined deposits was \$24,325,586. The collected bank balances were \$22,483,556 and of those balances, \$11,700,848 was insured by federal depository insurance (FDIC), with the majority of that amount being insured under the unlimited transaction account guarantee program for demand deposit balances. 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 by enacting Section 22G of Article 94 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. 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, 2012, 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.

**COMPONENT UNITS (BOARD OF EDUCATION AND LIBRARY)**

**Component Unit - Board of Education** - At year-end, the carrying amount of deposits was \$12,433,628, including \$317,000 in certificates of deposit and excluding the carrying amount of fiduciary funds. The bank balances were \$13,505,029. At June 30, 2012, the Board's bank deposits were approximately \$1.3 million in excess of limits insured by federal deposit insurance. The uninsured balances were fully collateralized by securities held by the agent of the Board, in the Board's name.

**Component Unit – Library** - At year-end, the carrying amount of all bank deposits, including a \$654,383 certificate of deposit, was \$1,354,889, while collected bank balances were \$1,369,897. Of the bank balances, \$586,550 was secured by the FDIC and \$773,347 was secured by collateral held by the pledging bank's trust department but not in the Library's name.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**B. INVESTMENT INCOME**

**PRIMARY GOVERNMENT**

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

<u>Governmental Funds</u>	<u>Investment Income</u>
Major Governmental Funds	
General Fund	\$ 56,439
General Capital Projects	17,078
Roads Capital Projects	28,089
Non-Major Governmental Funds	<u>25,044</u>
 Total Investment Income	 <u><u>\$ 126,650</u></u>
 <u>Business-Type Funds</u>	
Major Enterprise Funds	
Sanitary District	\$ 374,333
Airport	<u>332</u>
 Total Investment Income	 <u><u>\$ 374,665</u></u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 4 - ACCOUNTS RECEIVABLE**

Receivables as of June 30, 2012 for the governmental and business-type activities are as follows:

	General Fund	General Capital Projects	Roads Capital Projects	Non-Major Governmental Funds	Total Governmental Funds	Total Enterprise Funds	Total Governmental and Enterprise Funds
<b>Accounts Receivable</b>							
<b>Receivables</b>							
Taxes - Real Property	\$ 155,662	\$ -	\$ -	\$ -	\$ 155,662	\$ -	\$ 155,662
Taxes - Other	107,700	196,874	-	-	304,574	-	304,574
Subtotal Taxes	<u>263,362</u>	<u>196,874</u>	<u>-</u>	<u>-</u>	<u>460,236</u>	<u>-</u>	<u>460,236</u>
<b>Other Accounts Receivable:</b>							
Board of Education	65,151	-	-	-	65,151	-	65,151
Retirees Insurance	35,337	-	-	-	35,337	-	35,337
Solid Waste	10,428	-	-	-	10,428	-	10,428
Governmental Funds - User Fees	-	-	17,063	-	17,063	-	17,063
Sanitary District - User and Septage Fees	-	-	-	-	-	446,598	446,598
Airport - Fuel Sales and User and Rental Fees	-	-	-	-	-	54,080	54,080
Miscellaneous Receivables	35,482	1,350	-	44,590	81,422	29,860	111,282
Subtotal Other Accounts Receivable	<u>146,398</u>	<u>1,350</u>	<u>17,063</u>	<u>44,590</u>	<u>209,401</u>	<u>530,538</u>	<u>739,939</u>
<b>Loans Receivable</b>	-	-	-	4,745,982	4,745,982	-	4,745,982
Subtotal Other Accounts and Loans Receivable	<u>146,398</u>	<u>1,350</u>	<u>17,063</u>	<u>4,790,572</u>	<u>4,955,383</u>	<u>530,538</u>	<u>5,485,921</u>
<b>Special Assessments</b>	-	-	416,248	638,104	1,054,352	-	1,054,352
<b>Intergovernmental</b>							
Income Taxes Held by State	7,299,576	-	-	-	7,299,576	-	7,299,576
Grants Receivable	654,166	30,388	691,074	454,463	1,830,091	402,210	2,232,301
State-Shared Highway User Tax	69,849	-	-	-	69,849	-	69,849
Bonds Receivable	1,565,584	-	-	-	1,565,584	-	1,565,584
Subtotal Intergovernmental	<u>9,589,175</u>	<u>30,388</u>	<u>691,074</u>	<u>454,463</u>	<u>10,765,100</u>	<u>402,210</u>	<u>11,167,310</u>
<b>Restricted Receivables</b>							
Accounts Receivable	-	-	-	-	-	51,207	51,207
Special Assessments	-	-	-	-	-	2,102,580	2,102,580
Subtotal Restricted Receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,153,787</u>	<u>2,153,787</u>
<b>Total Receivables</b>	<u>\$ 9,998,935</u>	<u>\$ 228,612</u>	<u>\$ 1,124,385</u>	<u>\$ 5,883,139</u>	<u>\$ 17,235,071</u>	<u>\$ 3,086,535</u>	<u>\$ 20,321,606</u>

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

Note that receivables from Component Units are not included in the above table.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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 1994, 2000, and 2003, Queen Anne's County sold \$1,000,000, \$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 \$125,400, \$1,115,000, and \$325,184, respectively, for a total of \$1,565,584. 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.

Loans receivable in the amount of \$4,745,982 relate to the Housing, Impact Fees, and Revolving Loan Special Revenue Funds. Loans receivable in the amount of \$3,645,674 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 \$129,707 are also repaid over a number of years.

The remaining loan receivable balance of \$970,601 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 \$7,299,576 have been estimated by the State as income tax due for "tax years" 2011 and prior. It may take five years or longer for the State to receive all amounts relating to these "tax years" and remit those monies to the County. However, the State indicates that this is a reasonable estimate of their liability to the County and the County reports this amount in accordance with GAAP.

Special Assessments in the amount of \$1,054,352 represent receivables for governmental activities. Part of this amount consists of \$416,248 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 \$638,104 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 \$2,102,580 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, 2012**

**NOTE 5 – DEFERRED OR UNEARNED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. In addition, governmental funds and governmental activities defer revenue recognition in connection with resources that have been received, but unearned. At the end of the current fiscal year, the components of *unavailable revenue* and *unearned revenue* were reported as follows:

<u>Deferred Revenue</u>	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
<b>General Fund</b>			
Income Taxes Due from State	\$ 4,271,834	\$ -	\$ 4,271,834
Property Taxes Receivable	97,468	-	97,468
Property Tax Deferrals	-	20,455	20,455
Inter-governmental Bonds Receivable	1,565,584	-	1,565,584
Grant Drawdowns in Excess of Expenditures	-	3,810	3,810
Inspection Fees Collected in Advance	-	490,943	490,943
Subtotal	<u>5,934,886</u>	<u>515,208</u>	<u>6,450,094</u>
<b>General Capital Projects Fund</b>			
Grant Drawdowns in excess of Expenditures	-	80,195	80,195
<b>Roads Capital Projects Fund</b>			
Benefit Assessments Receivable Not Currently Due	-	416,248	416,248
Benefit Assessments Paid in Advance	-	59,968	59,968
Subtotal	<u>-</u>	<u>476,216</u>	<u>476,216</u>
<b>Non-Major Governmental Funds</b>			
Grant Drawdowns in Excess of Expenditures	-	492,726	492,726
Benefit Assessments Receivable Not Currently Due	-	638,104	638,104
Impact Fees Loans Receivable Not Currently Due	-	970,601	970,601
Subtotal	<u>-</u>	<u>2,101,431</u>	<u>2,101,431</u>
<b>Total Deferred Revenue</b>	<u><u>\$ 5,934,886</u></u>	<u><u>\$ 3,173,050</u></u>	<u><u>\$ 9,107,936</u></u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 – CAPITAL ASSETS**

**PRIMARY GOVERNMENT**

Changes in the County's capital assets for governmental activities for the year ended June 30, 2012 are summarized as follows, with depreciation shown separately. Assets resulting from completed capital projects are shown in the Construction in Progress Transfers column. Asset retirements are shown in the Decreases column.

<b>Governmental Activities</b>	Balance June 30, 2011	Increases	Transfers	Decreases	Balance June 30, 2012
Capital Assets, not being depreciated:					
Land	\$ 39,092,742	\$ -	\$ -	\$ (48,276)	\$ 39,044,466
Intangible Rights - Easements	13,390	56,478	716,951	-	786,819
Land Improvements	1,796,268	-	1,645,152	-	3,441,420
Construction in Progress	8,171,028	2,543,608	(7,908,826)	(238,125)	2,567,685
Land - Inexhaustible Infrastructure Improvements	40,662,078	-	978,539	(66,906)	41,573,711
<b>Total Capital Assets, not being depreciated</b>	<b>89,735,506</b>	<b>2,600,086</b>	<b>(4,568,184)</b>	<b>(353,307)</b>	<b>87,414,101</b>
Capital Assets, being depreciated:					
Buildings and Building Improvements	39,832,998	55,710	968,051	(278,296)	40,578,463
Improvements other than Buildings	5,892,596	63,467	1,950,466	-	7,906,529
Vehicles	9,214,927	476,233	-	(557,955)	9,133,205
Equipment	8,312,074	121,537	415,032	(923,895)	7,924,748
Furniture and Fixtures	10,581,859	40,196	-	(239,345)	10,382,710
Infrastructure Improvements - Depreciable	15,850,015	-	1,234,635	(174,391)	16,910,259
<b>Total Capital Assets, being depreciated</b>	<b>89,684,469</b>	<b>757,143</b>	<b>4,568,184</b>	<b>(2,173,882)</b>	<b>92,835,914</b>
Less Accumulated Depreciation for:					
Buildings and Building Improvements	9,052,790	873,107	-	(89,055)	9,836,842
Improvements other than Buildings	1,115,393	205,659	-	-	1,321,052
Vehicles	5,754,958	616,571	-	(380,243)	5,991,286
Equipment	5,785,407	408,088	-	(763,451)	5,430,044
Furniture and Fixtures	7,051,542	1,059,102	-	(225,242)	7,885,402
Infrastructure Improvements - Depreciable	6,783,927	275,750	-	(41,953)	7,017,724
<b>Total Accumulated Depreciation</b>	<b>35,544,017</b>	<b>3,438,277</b>	<b>-</b>	<b>(1,499,944)</b>	<b>37,482,350</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>54,140,452</b>	<b>(2,681,134)</b>	<b>4,568,184</b>	<b>(673,938)</b>	<b>55,353,564</b>
<b>Governmental activities Capital Assets, net</b>	<b>\$ 143,875,958</b>	<b>\$ (81,048)</b>	<b>\$ -</b>	<b>\$ (1,027,245)</b>	<b>\$ 142,767,665</b>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 are summarized as follows, with depreciation shown separately. Completed projects that were reclassified from construction in progress (CIP) to other asset accounts during the year are reported in the same column, as retirements from CIP and transfers to other asset accounts.

<b>Business-Type Activities</b>	Balance June 30, 2011	Increases	Transfers	Decreases	Balance June 30, 2012
Capital Assets, not being depreciated:					
Land	\$ 12,974,006	\$ -	\$ -	\$ -	\$ 12,974,006
Land Improvements	16,162	-	-	-	16,162
Intangible Rights	6,140	-	-	-	6,140
Construction in Progress	5,486,372	1,208,907	(4,980,220)	(271,639)	1,443,420
Land - Inexhaustible Infrastructure Improvements	1,219,298	-	-	-	1,219,298
<b>Total Capital Assets, not being depreciated</b>	<b>19,701,978</b>	<b>1,208,907</b>	<b>(4,980,220)</b>	<b>(271,639)</b>	<b>15,659,026</b>
Capital Assets, being depreciated:					
Buildings and Improvements to Buildings	16,753,162	-	106,365	-	16,859,527
Improvements other than Buildings	6,966,909	-	4,873,855	-	11,840,764
Vehicles	1,323,788	-	-	-	1,323,788
Equipment	21,799,704	270,117	-	-	22,069,821
Furniture and Fixtures	84,194	-	-	(1,748)	82,446
Infrastructure Improvements - Depreciable	69,641,202	514,979	-	-	70,156,181
<b>Total Capital Assets, being depreciated</b>	<b>116,568,959</b>	<b>785,096</b>	<b>4,980,220</b>	<b>(1,748)</b>	<b>122,332,527</b>
Less Accumulated Depreciation for:					
Buildings and Improvements to Buildings	6,293,843	674,428	-	-	6,968,271
Improvements other than Buildings	2,522,317	346,622	-	-	2,868,939
Vehicles	861,932	83,592	-	-	945,524
Equipment	7,327,545	1,044,400	-	-	8,371,945
Furniture and Fixtures	66,718	4,350	-	(1,748)	69,320
Infrastructure Improvements - Depreciable	21,211,513	1,667,786	-	-	22,879,299
<b>Total Accumulated Depreciation</b>	<b>38,283,868</b>	<b>3,821,178</b>	<b>-</b>	<b>(1,748)</b>	<b>42,103,298</b>
<b>Total Capital Assets, being depreciated, net</b>	<b>78,285,091</b>	<b>(3,036,082)</b>	<b>4,980,220</b>	<b>-</b>	<b>80,229,229</b>
<b>Business-Type activities Capital Assets, net</b>	<b>\$ 97,987,069</b>	<b>\$ (1,827,175)</b>	<b>\$ -</b>	<b>\$ (271,639)</b>	<b>\$ 95,888,255</b>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

**PRIMARY GOVERNMENT (CONTINUED)**

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

<b><u>Governmental Activities</u></b>	<b><u>Depreciation</u></b>
General Government	\$ 215,765
Public Safety	1,538,329
Public Works	831,441
Health	12,951
Social Services	348,013
Parks and Recreation	403,804
Library	24,170
Conservation of Natural Resources	29,089
Economic/Community Development	34,715
	<u>\$ 3,438,277</u>

<b><u>Business-Type Activities</u></b>		
Major Enterprise Funds:		
Sanitary District		\$ 3,395,932
Airport		233,963
Non-Major Enterprise Funds:		
Parks and Recreation	\$ 156,260	
Public Marinas	<u>35,023</u>	<u>191,283</u>
		<u>\$ 3,821,178</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

**COMPONENT UNITS**

**Board of Education:** Capital asset activity for the year ended June 30, 2012 is as follows:

<b><u>Board of Education</u></b>	Balance June 30, 2011	Increases	Decreases	Balance June 30, 2012
Capital Assets, not being depreciated:				
Land	\$ 6,363,040	\$ -	\$ -	\$ 6,363,040
Construction in Progress	<u>18,417,194</u>	<u>13,931,611</u>	<u>(28,697,493)</u>	<u>3,651,312</u>
Total Capital Assets, not being depreciated	<u>24,780,234</u>	<u>13,931,611</u>	<u>(28,697,493)</u>	<u>10,014,352</u>
Capital Assets, being depreciated:				
Land Improvements	4,622,004	430,828	-	5,052,832
Buildings	150,604,599	28,257,451	-	178,862,050
Furniture and Equipment	<u>10,008,288</u>	<u>267,486</u>	<u>(1,506,637)</u>	<u>8,769,137</u>
Total Capital Assets, being depreciated	<u>165,234,891</u>	<u>28,955,765</u>	<u>(1,506,637)</u>	<u>192,684,019</u>
Less Accumulated Depreciation for:				
Land Improvements	3,282,575	343,401	-	3,625,976
Building	34,126,967	3,222,334	-	37,349,301
Furniture and Equipment	<u>7,097,840</u>	<u>626,749</u>	<u>(1,506,637)</u>	<u>6,217,952</u>
Total Accumulated Depreciation	<u>44,507,382</u>	<u>4,192,484</u>	<u>(1,506,637)</u>	<u>47,193,229</u>
Total Capital Assets, being depreciated, net	<u>120,727,509</u>	<u>24,763,281</u>	<u>-</u>	<u>145,490,790</u>
Capital Assets, net	<u>\$ 145,507,743</u>	<u>\$ 38,694,892</u>	<u>\$ (28,697,493)</u>	<u>\$ 155,505,142</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

**COMPONENT UNITS (CONTINUED)**

**Queen Anne's County Free Library:** Capital asset activity for the year ended June 30, 2012 is as follows:

<b><u>Library</u></b>	<b>Balance June 30, 2011</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2012</b>
Capital Assets, not being depreciated:				
Artwork	\$ 29,850	\$ -	\$ -	\$ 29,850
Capital Assets, being depreciated:				
Books and Media	2,392,363	148,508	(166,405)	2,374,466
Building Improvements	<u>239,072</u>	<u>-</u>	<u>-</u>	<u>239,072</u>
Total Capital Assets, being depreciated	<u>2,631,435</u>	<u>148,508</u>	<u>(166,405)</u>	<u>2,613,538</u>
Less Accumulated Depreciation	<u>1,684,986</u>	<u>109,956</u>	<u>(150,112)</u>	<u>1,644,830</u>
Total Capital Assets, being depreciated, net	<u>946,449</u>	<u>38,552</u>	<u>(16,293)</u>	<u>968,708</u>
Capital Assets, net	<u><u>\$ 976,299</u></u>	<u><u>\$ 38,552</u></u>	<u><u>\$ (16,293)</u></u>	<u><u>\$ 998,558</u></u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 6 – CAPITAL ASSETS (CONTINUED)**

**COMPONENT UNITS (CONTINUED)**

**Queen Anne's County Housing Authority:** Capital asset activity for the year ended June 30, 2012 is as follows:

<b><u>Housing Authority</u></b>	<b>Balance June 30, 2011</b>	<b>Increases</b>	<b>Construction in Progress Transfers</b>	<b>Decreases</b>	<b>Balance June 30, 2012</b>
Capital Assets, not being depreciated:					
Land	\$ 784,639	\$ -	\$ 178,715	\$ -	\$ 963,354
Land Improvements	212,722	-	-	-	212,722
Construction in Progress	<u>368,491</u>	<u>170,455</u>	<u>(368,048)</u>	<u>-</u>	<u>170,898</u>
Total Capital Assets, not being depreciated	<u>1,365,852</u>	<u>170,455</u>	<u>(189,333)</u>	<u>-</u>	<u>1,346,974</u>
Capital Assets, being depreciated:					
Buildings and Improvements	21,515,834	49,157	189,333	-	21,754,324
Vehicles	23,490	-	-	-	23,490
Furniture, Fixtures, and Equipment	386,395	31,616	-	-	418,011
Infrastructure	<u>141,396</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>141,396</u>
Total Capital Assets, being depreciated	<u>22,067,115</u>	<u>80,773</u>	<u>189,333</u>	<u>-</u>	<u>22,337,221</u>
Less Accumulated Depreciation for:					
Buildings and Improvements	3,728,455	457,890	-	-	4,186,345
Vehicles	21,728	1,762	-	-	23,490
Furniture, Fixtures, and Equipment	146,133	20,749	-	-	166,882
Infrastructure	<u>3,771</u>	<u>2,828</u>	<u>-</u>	<u>-</u>	<u>6,599</u>
Total Accumulated Depreciation	<u>3,900,087</u>	<u>483,229</u>	<u>-</u>	<u>-</u>	<u>4,383,316</u>
Total Capital Assets, being depreciated, net	<u>18,167,028</u>	<u>(402,456)</u>	<u>189,333</u>	<u>-</u>	<u>17,953,905</u>
Capital Assets, net	<u>\$ 19,532,880</u>	<u>\$ (232,001)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,300,879</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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.

Intra-entity receivables and payables usually relate to capital construction projects, wherein the primary government records a liability to its component unit at year-end while the component unit records a payable to the contractor.

The interfund and intra-entity receivables and payables consist of the following at June 30, 2012:

<u>Due to Fund</u>	<u>Due from Fund</u>						<u>Housing Authority Component Unit</u>	<u>Total Due From Other Funds / Component Units</u>
	<u>General Capital Projects</u>	<u>Non-Major Governmental</u>	<u>Sanitary District</u>	<u>Bay Bridge Airport</u>	<u>Non-Major Enterprise</u>	<u>Subtotal</u>		
General Fund	\$ -	\$ 212,416	\$ -	\$ 477,846	\$ 325,285	\$ 1,015,547	\$ -	\$ 1,015,547
General Capital Projects	-	66,747	-	-	-	66,747	1,360,643	1,427,390
Sanitary District	-	-	421,145	-	-	421,145	-	421,145
Board of Education - Component Unit	<u>1,129,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,129,417</u>	<u>-</u>	<u>1,129,417</u>
Total Due to Other Funds	<u>\$ 1,129,417</u>	<u>\$ 279,163</u>	<u>\$ 421,145</u>	<u>\$ 477,846</u>	<u>\$ 325,285</u>	<u>\$ 2,632,856</u>	<u>\$ 1,360,643</u>	<u>\$ 3,993,499</u>

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

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012:

	Transfers in Fund							Total Transfers In
	Total Transfers Out	General Fund	General Capital Projects	Roads Capital	Non-Major Governmental	Major Enterprise	Non-Major Enterprise	
<b>Transfers Out Fund</b>								
General Fund	\$ 7,829,993	\$ -	\$ 5,024,831	\$ 600,000	\$ 1,599,166	\$ 144,490	\$ 461,506	\$ 7,829,993
General Capital Projects (1)	128,032	-	-	-	-	-	-	-
Roads Capital Projects	1,420,413	1,420,413	-	-	-	-	-	1,420,413
Total Major Governmental Funds	9,378,438	1,420,413	5,024,831	600,000	1,599,166	144,490	461,506	9,250,406
Non-Major Governmental	991,471	869,122	-	-	122,349	-	-	991,471
Sanitary District - Restricted	1,056,565	-	-	-	-	1,056,565	-	1,056,565
Sanitary District - Debt Service	2,092,174	-	-	-	-	2,092,174	-	2,092,174
Total Major Enterprise Funds	3,148,739	-	-	-	-	3,148,739	-	3,148,739
<b>Total Transfers Out</b>	<b>\$ 13,518,648</b>	<b>\$ 2,289,535</b>	<b>\$ 5,024,831</b>	<b>\$ 600,000</b>	<b>\$ 1,721,515</b>	<b>\$ 3,293,229</b>	<b>\$ 461,506</b>	<b>\$ 13,390,616</b>

(1) In fiscal year 2012, the General Capital Projects Fund transferred 2009 and 2011 bond proceeds in the amounts of \$1,842 and \$126,190, respectively, to various Enterprise Funds. Public Marinas received \$116,679, the Airport received \$9,511, and Public Landings received \$1,842. The transaction was appropriately recorded on the Enterprise Fund books as an increase in debt liability and on the General Capital Projects Fund's book as a transfer out. Since enterprise funds and governmental funds record such transactions differently, the \$128,032 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, 2012**

**NOTE 9-NONCURRENT LIABILITIES**

**A. CHANGES IN NONCURRENT LIABILITIES**

During the year ended June 30, 2012, the following changes occurred in the noncurrent liabilities of the primary government's governmental activities:

<u>PRIMARY GOVERNMENT</u>	Balance June 30, 2011	Additions / Reclassifications of debt	Retirements and Repayments	Balance June 30, 2012	Due Within One Year	Due in More than One Year
<b>Governmental Activities</b>						
General Bonds Payable	\$ 103,569,858	\$ 8,010,000	\$ 15,453,937	\$ 96,125,921	\$ 7,031,590	\$ 89,094,331
General Bonds Payable - Related to PHA	-	1,360,643	-	1,360,643	63,672	1,296,971
Notes Payable	1,070,632	-	181,376	889,256	189,179	700,077
Bond Premiums, Net of Issuance Costs	541,347	651,482	65,683	1,127,146	124,951	1,002,195
Deferred Refunding Costs	(1,319,476)	(337,454)	(170,483)	(1,486,447)	(201,161)	(1,285,286)
Capital Leases	54,089	-	54,089	-	-	-
	<u>103,916,450</u>	<u>9,684,671</u>	<u>15,584,602</u>	<u>98,016,519</u>	<u>7,208,231</u>	<u>90,808,288</u>
Other Post-Employment Benefit Obligation	13,884,281	6,627,584	1,508,144	19,003,721	-	19,003,721
Compensated Absences	2,162,071	1,383,328	1,379,933	2,165,466	1,251,413	914,053
	<u>\$ 119,962,802</u>	<u>\$ 17,695,583</u>	<u>18,472,679</u>	<u>\$ 119,185,706</u>	<u>\$ 8,459,644</u>	<u>\$ 110,726,062</u>
Less College Reimbursements			<u>(246,063)</u>			
			<u>\$ 18,226,616</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	\$ 15,453,937
Notes Payable	181,376
Capital Leases	54,089
LESS: Payment to Bond Refunding Agent	(8,557,455)
PLUS: Deferred Refunding Costs incurred	337,454
LESS: Distributions of 2009 Bonds	(1,842)
LESS: Distributions of 2011 Bonds	(126,190)
LESS: College Reimbursements	(246,063)
Rounding	<u>1</u>
Total Principal Payments	<u>\$ 7,095,307</u>

The County added amounts to several bond offerings on behalf of Chesapeake College, which cannot borrow money on its own. The College reimbursed to the County \$246,063 for this year's principal and interest payments.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)**

**A. CHANGES IN NONCURRENT LIABILITIES (CONTINUED)**

During the year ended June 30, 2012, 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, 2011	Additions of debt	Retirements and Repayments	Balance June 30, 2012	Due Within One Year	Due in More than One Year
Golf Course	\$ 766,075	\$ -	\$ 80,000	\$ 686,075	\$ 80,000	\$ 606,075
Airport	644,742	9,511	43,018	611,235	43,735	567,500
Public Landings	39,776	1,842	1,752	39,866	1,577	38,289
Public Marinas	934,554	116,679	49,977	1,001,256	39,426	961,830
Sanitary District	17,830,357	-	1,946,398	15,883,959	1,786,182	14,097,777
Subtotal Debt	20,215,504	128,032	2,121,145	18,222,391	1,950,920	16,271,471
Bond Premiums, Net of Issuance Costs						
Golf Course	23,863	-	2,651	21,212	2,651	18,561
Airport	7,557	3	835	6,725	837	5,888
Public Landings	15	-	-	15	1	14
Public Marinas	347	52	23	376	21	355
Deferred Refunding Costs						
Golf Course	(52,994)	-	(5,888)	(47,106)	(5,888)	(41,218)
Airport	(16,626)	-	(1,848)	(14,778)	(1,847)	(12,931)
Sanitary District	(26,667)	-	(13,334)	(13,333)	(13,333)	-
Subtotal Bond Premiums, Issuance and Deferred Refunding Costs	(64,505)	55	(17,561)	(46,889)	(17,558)	(29,331)
Subtotal Debt before Other Post-Employment Benefit Obligation and Compensated Absences	20,150,999	128,087	2,103,584	18,175,502	1,933,362	16,242,140
Other Post-Employment Benefit Obligation	2,647,180	1,179,077	-	3,826,257	-	3,826,257
Compensated Absences	339,762	186,176	216,852	309,086	178,617	130,469
	<u>\$ 23,137,941</u>	<u>\$ 1,493,340</u>	<u>\$ 2,320,436</u>	<u>\$ 22,310,845</u>	<u>\$ 2,111,979</u>	<u>\$ 20,198,866</u>

Additions of new debt listed above in the amount of \$128,032 represent distributions of the 2009 bonds in the amount of \$1,842 (see comment in Note 8), and also distributions of the 2011 bonds in the amount of \$126,190.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)**

**A. CHANGES IN NONCURRENT LIABILITIES (CONTINUED)**

During the year ended June 30, 2012, the following changes occurred in the noncurrent liabilities of the primary government's Component Units:

<u>COMPONENT UNITS</u>	Balance June 30, 2011	Additions of new debt	Retirements and Repayments	Balance June 30, 2012	Due Within One Year	Due in More than One Year
Queen Anne's County						
Board of Education						
Capital Lease	\$ 4,560	\$ -	\$ 4,560	\$ -	\$ -	\$ -
Retirement Incentives	282,531	-	257,275	25,256	8,679	16,577
Compensated Absences	823,162	207,065	39,132	991,095	258,124	732,971
Other Post-Employment Benefit Obligation	14,794,329	5,543,549	-	20,337,878	-	20,337,878
Subtotal	15,904,582	5,750,614	300,967	21,354,229	266,803	21,087,426
Free Library						
Other Post-Employment Benefit Obligation	561,264	230,400	-	791,664	-	791,664
Housing Authority						
Terrapin Grove Phase II Loan	613,406	-	40,908	572,498	40,908	531,590
Scattered Site Housing						
Reimbursement to County for						
Portion of 2003 Bonds	232,530	-	14,656	217,874	15,395	202,479
Repay Loan from County Housing						
Revolving Loan Fund	502,224	-	8,391	493,833	-	493,833
Reimbursement to County for						
Portion of 2009 Bonds	605,329	-	22,222	583,107	23,060	560,047
2009 Bond Premiums	3,140	-	165	2,975	165	2,810
2009 Bond Issuance Costs	(2,903)	-	(153)	(2,750)	(153)	(2,597)
Foxxtown Apartments						
Reimbursement to County for						
Portion of 2006 Bonds	346,408	-	15,566	330,842	16,168	314,674
Reimbursement to County for						
Portion of 2009 Bonds	237,541	-	8,720	228,821	9,049	219,772
2009 Bond Premiums	1,232	-	65	1,167	65	1,102
2009 Bond Issuance Costs	(1,139)	-	(60)	(1,079)	(60)	(1,019)
Other Post-Employment Benefit Obligation	345,072	127,100	36,594	435,578	-	435,578
Subtotal	2,882,840	127,100	147,074	2,862,866	104,597	2,758,269
Total Noncurrent Liabilities: Component Units	\$ 19,348,686	\$ 6,108,114	\$ 448,041	\$ 25,008,759	\$ 371,400	\$ 24,637,359

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)**

**B. GENERAL OBLIGATION BONDS, NOTES, OTHER POST-EMPLOYMENT BENEFIT OBLIGATION, 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: Water, Sewer, Bay Bridge Airport, Blue Heron Golf Course, Public Landings, and Public 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. Additional information can be found in Note 14, Other Post-Employment Benefits.

Compensated absences that mature during the fiscal year, in that they are paid when the employee takes vacation leave 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, 2012**

**NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)**

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

**PRIMARY GOVERNMENT (CONTINUED)**

As of June 30, 2012, general obligation bonds and notes payable for governmental activities are comprised of the following, along with other post-employment benefits and accrued compensated absences:

<u>Governmental Activities</u>	Paying Fund	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2012	Due Within One Year	Due in More than One Year
<u>General Obligation Bonds Payable</u>							
2002 Refunding Bonds	General	3.00%-5.00%	2013	6,310,000	\$ 1,030,000	\$ 500,000	\$ 530,000
2003 Public Facilities	General	3.50%-4.50%	2023	13,265,000	407,127	407,127	-
2005 Refunding Bonds	General	3.00%-5.00%	2019	30,026,336	21,366,336	3,175,000	18,191,336
2006 Public Facilities	General	4.000%-5.375%	2027	22,510,212	18,630,978	910,482	17,720,496
2009 Public Facilities	General	1.400%-5.625%	2030	28,499,154	25,941,098	1,025,893	24,915,205
2011 Public Facilities	General	2.00%-4.25%	2031	21,532,570	20,740,382	730,610	20,009,772
2012 Refunding Bonds	General	2.00%-4.00%	2023	8,010,000	8,010,000	282,478	7,727,522
2003 Public Facilities	Due from PHA	3.50%-4.50%	2023	335,000	217,873	15,395	202,478
2006 Public Facilities	Due from PHA	4.000%-5.375%	2027	399,728	330,842	16,168	314,674
2009 Public Facilities	Due from PHA	1.400%-5.625%	2030	872,644	811,928	32,109	779,819
Subtotal Bonds Payable					97,486,564	7,095,262	90,391,302
<u>Notes Payable</u>							
2009 CELP Loan	General	2.00%	2015	122,780	63,527	17,701	45,826
State of Maryland - Price Ck.	Spec. Rev.	0.00%	2021	625,000	216,000	24,000	192,000
State of Maryland - Grove Ck.	Spec. Rev.	0.00%	2034	510,617	449,342	20,425	428,917
Frizz-King Property	General Capital Projects	6.00%	2014	365,000	160,387	127,053	33,334
Subtotal Notes Payable					889,256	189,179	700,077
Subtotal Bonds and Notes Payable					98,375,820	7,284,441	91,091,379
Bond Premiums					1,686,993	167,265	1,519,728
Bond Issuance Costs					(559,847)	(42,314)	(517,533)
Deferred Refunding Costs					(1,486,447)	(201,161)	(1,285,286)
Total Governmental Activities					98,016,519	7,208,231	90,808,288
<u>Other Post-Employment Benefit Obligation</u>					19,003,721	-	19,003,721
<u>Compensated Absences</u>					2,165,466	1,251,413	914,053
					\$ 119,185,706	\$ 8,459,644	\$ 110,726,062

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)**

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

**PRIMARY GOVERNMENT (CONTINUED)**

The annual requirements to amortize general obligation bonds and notes payable outstanding as of June 30, 2012 for governmental activities are as follows:

Year Ending June 30,	Governmental Bonds Payable			Governmental Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 7,095,262	\$ 3,841,009	\$ 10,936,271	\$ 189,179	\$ 7,975	\$ 197,154
2014	7,368,860	3,647,448	11,016,308	95,817	1,325	97,142
2015	7,102,103	3,399,095	10,501,198	62,845	464	63,309
2016	6,810,398	3,150,833	9,961,231	53,772	93	53,865
2017	7,093,694	2,884,841	9,978,535	44,425	-	44,425
2018-2022	27,596,403	10,810,210	38,406,613	198,125	-	198,125
2023-2027	22,800,040	5,674,594	28,474,634	102,125	-	102,125
2028-2032	11,619,804	1,112,540	12,732,344	102,125	-	102,125
2033-2034	-	-	-	40,843	-	40,843
	<u>\$ 97,486,564</u>	<u>\$ 34,520,570</u>	<u>\$ 132,007,134</u>	<u>\$ 889,256</u>	<u>\$ 9,857</u>	<u>\$ 899,113</u>

These repayment schedules exclude bond premiums (\$1,686,993), issuance costs (negative \$559,847), and deferred refunding costs (negative \$1,486,447).

For the year ended June 30, 2012, total principal, debt issuance costs, and interest incurred by governmental funds relating to general obligation bonds and notes payable, less College reimbursements, were \$7,095,307, \$162,021, and \$4,116,939, respectively.

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 \$448,359 during fiscal year 2012, 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	\$ 1,230,671	\$ (430,718)	\$ 799,953
Business-Type Activities			
Airport	7,967	(2,789)	5,178
Public Landings	1,912	(669)	1,243
Public Marinas	40,522	(14,183)	26,339
Total Business-Type Activities	<u>50,401</u>	<u>(17,641)</u>	<u>32,760</u>
Total	<u>\$ 1,281,072</u>	<u>\$ (448,359)</u>	<u>\$ 832,713</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)**

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

**PRIMARY GOVERNMENT (CONTINUED)**

General obligation bonds and notes payable outstanding as of June 30, 2012 for business-type activities are comprised of the following, as well as other post-employment benefits and accrued compensated absences:

<u>Business -Type Activities</u>	Interest Rate	Year Series Matures	Amount of Original Issue	Outstanding June 30, 2012	Due Within One Year	Due in More than One Year
<u>Golf Course</u>						
2005 Refunding Bonds	3.00%-5.00%	2019	\$ 1,076,075	\$ 686,075	\$ 80,000	\$ 606,075
Bond Premiums				24,329	3,041	21,288
Bond Issuance Costs				(3,117)	(390)	(2,727)
Deferred Refunding Costs				(47,106)	(5,888)	(41,218)
Subtotal Golf Course				<u>660,181</u>	<u>76,763</u>	<u>583,418</u>
<u>Bay Bridge Airport</u>						
2005 Refunding Bonds	3.00%-5.00%	2019	337,588	192,588	25,000	167,588
2006 Public Facilities Bonds	4.000%-5.375%	2027	288,928	239,136	11,686	227,450
2009 Public Facilities Bonds	1.400%-5.625%	2030	180,501	167,942	6,642	161,300
2011 Public Facilities Bonds	2.00%-4.25%	2031	2,430	11,569	407	11,162
Bond Premiums				10,874	1,160	9,714
Bond Issuance Costs				(4,149)	(323)	(3,826)
Deferred Refunding Costs				(14,778)	(1,847)	(12,931)
Subtotal Airport				<u>603,182</u>	<u>42,725</u>	<u>560,457</u>
<u>Public Landings</u>						
2009 Public Facilities Bonds	1.400%-5.625%	2030	29,936	39,866	1,577	38,289
Bond Premiums				195	11	184
Bond Issuance Costs				(180)	(10)	(170)
Subtotal Public Landings				<u>39,881</u>	<u>1,578</u>	<u>38,303</u>
<u>Public Marinas</u>						
2006 Public Facilities Bonds	4.000%-5.375%	2027	41,132	34,043	1,664	32,379
2009 Public Facilities Bonds	1.400%-5.625%	2030	918,040	854,164	33,780	820,384
2011 Public Facilities Bonds	2.00%-4.25%	2031	116,679	113,049	3,982	109,067
Bond Premiums				5,369	300	5,069
Bond Issuance Costs				(4,993)	(279)	(4,714)
Subtotal Marinas				<u>1,001,632</u>	<u>39,447</u>	<u>962,185</u>
<u>Sanitary District</u>						
2002 Refunding Bonds	3.00%-5.00%	2013	3,385,000	645,000	315,000	330,000
Maryland Water Quality-Cloverfields	5.09%	2013	4,282,209	214,111	214,111	-
Maryland Water Quality-Digester	4.41%	2013	1,121,377	95,161	95,161	-
Maryland Water Quality-Bay City	3.50%	2015	3,476,961	741,914	238,847	503,067
Maryland Water Quality-2005 Enhancement	1.00%	2027	18,252,291	14,009,131	871,217	13,137,914
Queenstown Bank-Cloverfields Hookup	8.13%	2015	435,000	108,844	36,431	72,413
Queenstown Bank-Bay City Hookup	7.90%	2015	205,000	69,798	15,415	54,383
Subtotal Debt				<u>15,883,959</u>	<u>1,786,182</u>	<u>14,097,777</u>
Prior Issue Deferred Refunding Costs				(13,333)	(13,333)	-
Subtotal Sanitary District				<u>15,870,626</u>	<u>1,772,849</u>	<u>14,097,777</u>
Total Enterprise Debt before Other Post-Employment Benefit Obligation and Compensated Absences				<u>18,175,502</u>	<u>1,933,362</u>	<u>16,242,140</u>
<u>Other Post-Employment Benefit Obligation</u>				3,826,257	-	3,826,257
<u>Accrued Compensated Absences</u>				309,086	178,617	130,469
Total Enterprise Funds				<u>\$ 22,310,845</u>	<u>\$ 2,111,979</u>	<u>\$ 20,198,866</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)**

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

**PRIMARY GOVERNMENT (CONTINUED)**

The annual requirements to amortize business-type bonds and notes outstanding at June 30, 2012, are as follows:

<u>Business-Type Activities</u> Year Ending June 30,	<u>Business-Type Bonds Payable</u>			<u>Business-Type Notes Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 479,738	\$ 122,299	\$ 602,037	\$ 1,471,182	\$ 267,198	\$ 1,738,380
2014	497,275	101,147	598,422	1,183,289	219,140	1,402,429
2015	174,769	86,563	261,332	1,195,544	197,010	1,392,554
2016	177,336	79,949	257,285	917,106	163,082	1,080,188
2017	179,901	73,084	252,985	906,791	153,121	1,059,912
2018-2022	731,734	255,748	987,482	4,670,778	627,773	5,298,551
2023-2027	477,485	135,599	613,084	4,894,269	389,515	5,283,784
2028-2031	265,194	23,439	288,633	-	-	-
	<u>\$ 2,983,432</u>	<u>\$ 877,828</u>	<u>\$ 3,861,260</u>	<u>\$ 15,238,959</u>	<u>\$ 2,016,839</u>	<u>\$ 17,255,798</u>

These repayment schedules exclude bond premiums, net of issuance costs (\$28,328) and deferred refunding costs (negative \$75,217).

For the year ended June 30, 2012, total principal and interest of \$2,121,145 and \$444,615, respectively, was incurred by business-type activities relating to bonds and notes payable.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)**

**C. DEFEASANCE OF DEBT**

**PRIMARY GOVERNMENT**

**GOVERNMENTAL ACTIVITIES**

On April 17, 2012, Queen Anne's County issued Public Facilities Refunding Bonds of 2012 for \$8,010,000. These General Obligation Bonds carry interest rates of 2.000 to 4.000 percent and mature serially through 2023. The net proceeds of \$8,557,454 (after receipt of \$547,454, a re-offering premium net of underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2003 Series bonds. As a result, the 2003 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$337,454. This difference, reported in the accompanying financial statements as deferred refunding costs, is being charged to operations through fiscal year 2023 (shorter of the life of the 2003 bonds compared to the 2012 bonds) using the effective-interest method. The County completed the advance refunding to reduce its total debt service payments over the next 11 years by \$972,682 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of 870,649.

**D. RECLASSIFICATION OF DEBT**

**PRIMARY GOVERNMENT**

**GOVERNMENTAL ACTIVITIES**

In fiscal year 2012, Queen Anne's County reached an agreement with the Queen Anne's County Public Housing Authority whereby the two parties determined that the Housing Authority would become a separate entity from the County effective July 1, 2012. In fiscal years 2012 and prior, the Housing Authority, operating as a component unit of the County, had recorded bond debt on its books related to its Foxxtown Apartment Community and Scattered Housing Program. In light of the aforementioned County/Housing Authority separation, and because the County is ultimately liable for the bond debt, the County has recorded a liability (and a corresponding receivable due from the Housing Authority) on its books in the amount of \$1,360,643, which represents the Housing Authority's indebtedness to the County with respect to the bonds.

**E. LEASE OBLIGATIONS**

**CAPITAL LEASE - PRIMARY GOVERNMENT**

In Fiscal Year 2007, Queen Anne's County entered into a capital lease agreement for two roll-off trucks for the Solid Waste Department. This lease agreement qualified as a capital lease and was recorded at the present value of future minimum lease payments at the inception of the lease. The lease was a five year note and the final payment was made in January 2012.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 9 – NONCURRENT LIABILITIES (CONTINUED)**

**E. LEASE OBLIGATIONS (CONTINUED)**

**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, 2012 amounted to \$5,310. Future lease revenues are as follows:

Fiscal Year Ending June 30,	lease payments
2013	\$ 5,381
2014	5,416
2015	5,416
2016	5,488
2017	5,525
2018-2022	28,103
2023-2027	29,046
2028-2032	30,060
2033-2035	14,354
Minimum Future Rental Revenue	<u><u>\$ 128,789</u></u>

**F. LOCAL DEBT POLICY**

**PRIMARY GOVERNMENT**

In August 2009, Queen Anne's County adopted Resolution No. 09-13, establishing 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 and Finance: (1) prepare a five-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, 2012.

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, 2012**

**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, 2012 are as follows:

<u>Business -Type Activities</u>	<u>Sanitary District</u>		<u>Total</u>
	<u>Restricted</u>	<u>Debt Service</u>	
Current Restricted Assets			
Equity in Pooled Cash	\$ 6,721,202	\$ 3,244,564	\$ 9,965,766
Accounts Receivable (Net)	10,778	40,429	51,207
Subtotal	<u>6,731,980</u>	<u>3,284,993</u>	<u>10,016,973</u>
LESS Current Liabilities Associated with Restricted Assets			
Current Portion of Bonds Payable from Restricted Assets	-	(51,846)	(51,846)
Net Current Restricted Assets	<u>6,731,980</u>	<u>3,233,147</u>	<u>9,965,127</u>
Noncurrent Restricted Assets			
Special Assessments Receivable (Net)	985,475	1,117,105	2,102,580
LESS Noncurrent Liabilities Payable from Noncurrent Restricted Assets			
Unearned Revenue	(985,475)	(1,039,655)	(2,025,130)
Net Noncurrent Restricted Assets	<u>-</u>	<u>77,450</u>	<u>77,450</u>
Net Restricted Assets	<u>\$ 6,731,980</u>	<u>\$ 3,310,597</u>	<u>\$ 10,042,577</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**B. RESTRICTED NET ASSETS**

**PRIMARY GOVERNMENT**

**GOVERNMENTAL ACTIVITIES**

Net Assets Invested in Capital Assets, Net of Related Debt, for governmental activities, is calculated as follows:

<b><u>Governmental Activities</u></b>	
Total Debt excluding Compensated Absences and OPEB Obligation	\$ (98,016,519)
Add back: Debt relating to Board of Education Assets	\$ 64,045,933
Add back: Unspent portion of Bond Proceeds for Board of Education debt	4,232,909
Add back: Unspent portion of Bond Proceeds for Governmental debt	2,381,012
Add back: Debt relating to PHA	1,360,643
Add back: Debt relating to non-capital assets (Dredging)	<u>665,341</u>
 Add back debt unrelated to Capital Assets	 72,685,838
 Net Assets Invested in Capital Assets	 <u>142,767,665</u>
 Total Capital Assets, net of related debt	 <u><u>\$ 117,436,984</u></u>

**BUSINESS-TYPE ACTIVITIES**

Net Assets Invested in Capital Assets, Net of Related Debt; Restricted; and Unrestricted Net Assets, for business-type activities, are as follows:

<b><u>Business-Type Activities</u></b>	<b><u>Sanitary District</u></b>					<b>Bay Bridge Airport</b>	<b>Non-Major Enterprise Funds</b>	<b>Total Enterprise Funds</b>
	<b>Sewer Operating</b>	<b>Water Operating</b>	<b>Restricted Fund</b>	<b>Debt Service Fund</b>	<b>Total Sanitary</b>			
Capital Assets, net of Accumulated Depreciation	\$ 56,821,259	\$ 15,718,350	\$ -	\$ -	\$ 72,539,609	\$ 14,557,014	\$ 8,791,632	\$ 95,888,255
Less: Debt excluding Compensated Absences and OPEB Obligation	<u>(15,092,701)</u>	<u>(599,283)</u>	<u>-</u>	<u>-</u>	<u>(15,691,984)</u>	<u>(603,182)</u>	<u>(1,701,694)</u>	<u>(17,996,860)</u>
Invested in Capital Assets, Net of Related Debt	<u>41,728,558</u>	<u>15,119,067</u>	<u>-</u>	<u>-</u>	<u>56,847,625</u>	<u>13,953,832</u>	<u>7,089,938</u>	<u>77,891,395</u>
 Restricted Net Assets								
Debt Service	-	-	-	2,760,210	2,760,210	-	438	2,760,648
Capital Projects	<u>-</u>	<u>-</u>	<u>753,300</u>	<u>-</u>	<u>753,300</u>	<u>-</u>	<u>-</u>	<u>753,300</u>
 Total Restricted Net Assets	 -	 -	 753,300	 2,760,210	 3,513,510	 -	 438	 3,513,948
 Total Unrestricted Net Assets	 <u>4,092,903</u>	 <u>2,498,719</u>	 <u>5,978,680</u>	 <u>-</u>	 <u>12,570,302</u>	 <u>(420,453)</u>	 <u>(147,027)</u>	 <u>12,002,822</u>
 Total Net Assets	 <u><u>\$ 45,821,461</u></u>	 <u><u>\$ 17,617,786</u></u>	 <u><u>\$ 6,731,980</u></u>	 <u><u>\$ 2,760,210</u></u>	 <u><u>\$ 72,931,437</u></u>	 <u><u>\$ 13,533,379</u></u>	 <u><u>\$ 6,943,349</u></u>	 <u><u>\$ 93,408,165</u></u>

Sanitary District debt, excluding compensated absences and OPEB obligation of \$15,691,984 above, also excludes \$178,642 from the Debt Service Fund, as there are no capital assets related to that debt.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**C. FUND BALANCES**

**PRIMARY GOVERNMENT**

Governmental fund balances are composed of the following:

<b>Governmental Funds</b>	General Fund	General Capital	Roads Capital	Non-Major Governmental	Total Governmental Funds
<b>Nonspendable</b>					
Inventory	\$ 555,215	\$ -	\$ -	\$ -	\$ 555,215
Loans Receivable	-	1,360,643	-	3,775,381	5,136,024
Subtotal Nonspendable	<u>555,215</u>	<u>1,360,643</u>	<u>-</u>	<u>3,775,381</u>	<u>5,691,239</u>
<b>Restricted</b>					
Donor-Specified Purposes	422	-	-	4,747	5,169
Mosquito Control	149,045	-	-	-	149,045
Unspent Bond Proceeds	-	6,613,921	-	-	6,613,921
Impact Fees	-	248,663	-	1,168,989	1,417,652
Other	191,203	4,198	-	4,214,774	4,410,175
Subtotal Restricted	<u>340,670</u>	<u>6,866,782</u>	<u>-</u>	<u>5,388,510</u>	<u>12,595,962</u>
<b>Committed</b>					
Developer Exactions	-	76,741	774,913	-	851,654
Rubble Surcharge	695,944	-	-	-	695,944
Courthouse Project	-	1,044,179	-	-	1,044,179
Other	-	158,916	-	-	158,916
Subtotal Committed	<u>695,944</u>	<u>1,279,836</u>	<u>774,913</u>	<u>-</u>	<u>2,750,693</u>
<b>Assigned</b>					
Capital Projects	-	12,833,662	1,212,685	-	14,046,347
Subsequent Years' Expenditures	-	4,401,507	-	-	4,401,507
Other	-	-	-	206,163	206,163
Subtotal Assigned	<u>-</u>	<u>17,235,169</u>	<u>1,212,685</u>	<u>206,163</u>	<u>18,654,017</u>
<b>Unassigned</b>					
General Fund	11,207,265	-	-	-	11,207,265
Other	-	-	-	(157,828)	(157,828)
Subtotal Unassigned	<u>11,207,265</u>	<u>-</u>	<u>-</u>	<u>(157,828)</u>	<u>11,049,437</u>
<b>Total Governmental Funds Balances</b>	<u>\$ 12,799,094</u>	<u>\$ 26,742,430</u>	<u>\$ 1,987,598</u>	<u>\$ 9,212,226</u>	<u>\$ 50,741,348</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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 2012 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 - For the last three years, settlements have not exceeded insurance coverage for any type of policy in effect.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 12 - RETIREMENT PLANS**

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

**PRIMARY GOVERNMENT AND PUBLIC HOUSING AUTHORITY**

**COST-SHARING MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLANS**

**Description of Plans**

The County participates in the following cost-sharing multiple-employer pension plans that are administered by the State of Maryland.

The Employees Pension System of the State of Maryland (Pension System) was established January 1, 1980. The Pension System covers employees hired after December 31, 1979, as well as Retirement System participants who have voluntarily joined the Pension System.

The Employees Contributory Pension System of the State of Maryland (Contributory Pension System) was established July 1, 1998. As of July 1, 1999, and retroactively to July 1, 1998, the County elected to participate in the Contributory Pension System for all service earned on or after July 1, 1998.

Effective the first payroll in fiscal year 2007, the County elected to provide its employees with the "Alternate Contributory Pension Selection Plan of the State of Maryland" (Alternate Contributory Pension System), under Title 23 of the State Pension Article. This plan is an enhanced version of the two pension systems described above, and, as such, includes provisions that originate in those plans. Eligible employees not covered by LEOPS, which is described below, are required to participate in this alternate plan in lieu of other plans previously offered. At this time, all current employees not covered by LEOPS participate in the Alternate Contributory Pension System.

The Law Enforcement Officers Pension System (LEOPS) was established July 2, 1990 and adopted by the County on July 1, 2004. LEOPS currently covers uniformed law enforcement officers of the Sheriff's Department.

Under the terms of the Alternate Contributory Pension System, a member may retire after 30 years of service regardless of age; at age 65 with two years of service; at age 64 with three years of service; at age 63 with four years of service; or at age 62 with at least five years of service. An employee may also take early retirement with reduced benefits at age 55 with 15 years of service. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 62.

Under the terms of the LEOPS, a member may retire with full benefits upon attaining age 50 or after completing 25 years of eligible service regardless of age. LEOPS members are not eligible for early service retirement allowances. A member terminating employment before attaining retirement age, but after completing five years of eligible service, becomes eligible for a vested pension allowance upon reaching age 50.

On retirement from service, a member of any of these plans shall receive an annual service retirement allowance based on the member's average final compensation (based on the highest three years' wages) and years of creditable service multiplied by a factor. This factor varies from 1.2% to 1.8% for the Alternate Plan or 2.0% for LEOPS. The factor is applied per eligible service year, depending on employee/employer contributions and other plan-specific provisions. Early retirement, where available, is subject to provisions that reduce the benefit received.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

**PRIMARY GOVERNMENT AND PUBLIC HOUSING AUTHORITY (CONTINUED)**

Benefits under these plans are established under the State Personnel and Pensions Article of the Annotated Code of Maryland.

The State Retirement and Pension System of Maryland issues a comprehensive annual financial report that includes disclosures regarding: actuarial value of assets; total actuarial accrued liability; unfunded actuarial accrued liability, if any; and funded liability ratio. This report can be obtained from the agency's office as follows:

State Retirement and Pension System of Maryland  
 120 E. Baltimore St, Suite 1601  
 Baltimore, Maryland 21202-1600

Funding Policy

Obligations to contribute to the plans are established under the Annotated Code of Maryland. Employees who are members of these two plans contribute a percentage of their gross employee compensation. Members of the Alternate Contributory Pension System contribute 7 percent and LEOPS members contribute 6 percent.

Required contributions under the plans, which are not funded by employee contributions, are funded entirely by the County. Contributions by the County to both State plans take place during the fiscal year and are based upon salaries for the preceding fiscal year. The County contribution for the year ending June 30, 2012 is based on salaries for the year ending June 30, 2011. The contribution requirements of plan members of the reporting entity are established and may be amended by the Maryland State Pension System Board of Trustees. The County's contributions for the fiscal years ending June 30<sup>th</sup> were equal to the actuarially determined amounts as follows:

<u>Retirement Plan Contributions</u>	<u>Fiscal Year Ending</u>		
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Total Payroll	\$ 24,033,001	\$ 28,037,262	\$ 27,860,546
Covered Payroll			
Pension System	17,984,029	20,585,096	21,932,213
LEOPS	2,683,684	2,642,996	2,743,928
Expenditure/Expense			
Pension System	2,075,122	2,415,867	1,633,860
LEOPS	689,232	734,768	652,045

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 12 - RETIREMENT PLANS (CONTINUED)**

**OTHER COMPONENT UNITS**

**Queen Anne's County Board Of Education**

The employees of the Board of Education (other than part-time employees not eligible for participation in the plans) are covered by one of four defined-benefit retirement plans that are administered by the State Retirement and Pension System of Maryland. The Board's share of contributions for teachers and administration employees is primarily the responsibility of the State. In fiscal year 2012, State contributions on behalf of the Board are approximately \$6,793,968. This contribution is recognized as both revenue and expenditure for the Board. An additional \$843,658 is contributed by the Board of Education for other covered employees.

Detailed information concerning the Queen Anne's County Board Of Education retirement plan is presented in their June 30, 2012 financial statements, which are publicly available.

**Queen Anne's County Free Library**

The employees of the Library (other than part-time employees not eligible for participation in the plans) are covered under one of four defined-benefit retirement plans that are administered by the State Retirement and Pension System of Maryland. The Library's share of contributions for employees is primarily the responsibility of the State. In fiscal year 2012, State contributions on behalf of the Library are approximately \$113,678. These contributions are recognized as both revenue and expenditures for the Library. An additional \$57,848 is contributed by the Library for other covered employees.

Detailed information concerning the Queen Anne's County Free Library retirement plan is presented in their June 30, 2012 financial statements, which are publicly available.

**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.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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 (including the Queen Anne's County Public Housing Authority), 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, 2012, funds in the amount of \$156,040 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.

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.

**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 below for the primary government and (2) in financial statements issued separately for all other participants, which are component units of the primary government. Addresses for other participants are noted below in this Note.

**QUEEN ANNE'S COUNTY, MARYLAND  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012**

**NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Plan Description (Continued)**

Primary Government

The County's post-employment plan provides medical insurance benefits to retirees and their eligible dependents. Depending on the years of County service, the retiree is eligible for a subsidy provided by the County for a specific portion of the cost of the health insurance. The following table describes the primary government's health insurance post-employment benefit plan in effect for employees who retire on or after September 2, 2011. For employees who retired prior to September 2, 2011, the plan remains the same, except that the percentages for PPO health plans are the same as outlined below for the EPO plans.

<u>Years of County Service Prior to Retirement and eligible retiree hired prior to July 1, 2010</u>	<u>Subsidy Level Description</u>
Retiree retired with 15 years of County service	Retiree and eligible dependents shall be entitled to receive fifty-four percent (54%) of selected County health insurance premium costs.
Retiree retired with 16 years of County service but less than 25 years of County Service	Retiree and eligible dependents shall be entitled to receive three and one tenths percent (3.1%) for the PPO or three and six tenths percent (3.6%) for the EPO of selected County health insurance premium costs for every full year of County service.
Retiree with 25 years or more of County Service or a person in receipt of a special death benefit under the Maryland State Retirement/Pension System	Retiree and eligible dependents shall be entitled to receive eighty-five percent (85%) of selected County health insurance premium costs for the PPO health plan and ninety percent (90%) for the EPO health plan.
Retiree retired with less than 15 years of County service	Retiree and eligible dependents shall be entitled to remain in the County's health insurance plan if they pay the full rate to cover all County health insurance premium costs.
All eligible retirees hired prior to July 1, 2010	Coverage may include the retiree, spouse and dependents. Coverage does not cease upon death of the retiree.
<u>Years of County Service Prior to Retirement and eligible retiree hired on or after July 1, 2010</u>	<u>Subsidy Level Description</u>
All eligible retirees hired or rehired on or after July 1, 2010	Retiree shall receive a health insurance subsidy based on the retiree's years of service as outlined above but shall pay the full additional cost for coverage of any eligible dependant.

Component Units

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.

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:

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

**Queen Anne's County  
Housing Authority**  
P.O. Box 280  
Finance Office  
205 East Water Street, Suite 100  
Centreville, Maryland 21617

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

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**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>
County and		
Housing Authority	404	117
Board of Education	830	291
Library	<u>13</u>	<u>4</u>
Total	<u>1,247</u>	<u>412</u>

**Basis of Accounting and Financial Statements**

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

For further financial information, Summary and Combining financial statements may be found on pages 48 to 49 and 146 to 147, respectively. Required Supplementary Information may be found after these Notes, on page 106.

**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.

Net assets held in trust for above entities as of June 30, 2012 consisted of \$1,137,429. This is an increase of \$528,076 from the June 30, 2011 balance of \$609,353. The majority of the increase was a result of \$489,496 relating to Queen Anne's County deposited into the trust during the fiscal year. These funds were withdrawn during the prior year in order to fund current post-employment benefits, but were added back to the trust in fiscal year 2012.

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, 2012**

**NOTE 14 - OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)**

**Annual OPEB Cost and Net OPEB Obligation**

	County and Housing Authority	Board of Education	Library	Total for All Employers
Actuarial accrued liability (AAL)	\$ 76,949,000	\$ 77,831,000	\$ 3,094,000	\$ 157,874,000
Actuarial value of plan assets	77,000	502,358	30,000	609,358
Unfunded actuarial accrued liability (UAAL)	<u>\$ 76,872,000</u>	<u>\$ 77,328,642</u>	<u>\$ 3,064,000</u>	<u>\$ 157,264,642</u>
Annual Required Contribution (ARC)	\$ 7,998,000	\$ 7,005,000	\$ 251,000	\$ 15,254,000
Interest on Net OPEB Obligations	672,000	578,000	21,000	1,271,000
Adjustment to ARC	<u>(732,000)</u>	<u>(630,000)</u>	<u>(22,000)</u>	<u>(1,384,000)</u>
Total Annual OPEB Cost	7,938,000	6,953,000	250,000	15,141,000
Less: Trust Contributions	(526,090)	-	-	(526,090)
Less: Pay-As-You-Go Contributions	<u>(1,022,887)</u>	<u>(1,409,451)</u>	<u>(19,600)</u>	<u>(2,451,938)</u>
Total Contributions	<u>(1,548,977)</u>	<u>(1,409,451)</u>	<u>(19,600)</u>	<u>(2,978,028)</u>
Increase in Net OPEB Obligation	6,389,023	5,543,549	230,400	12,162,972
Net OPEB Obligation beginning of year	<u>16,876,533</u>	<u>14,794,329</u>	<u>561,264</u>	<u>32,232,126</u>
Net OPEB Obligation end of year	<u>\$ 23,265,556</u>	<u>\$ 20,337,878</u>	<u>\$ 791,664</u>	<u>\$ 44,395,098</u>
Percent of Annual OPEB Cost Contributed	<u>19.4%</u>	<u>20.1%</u>	<u>7.8%</u>	<u>19.5%</u>
Covered payroll	<u>\$ 18,903,632</u>	<u>\$ 29,268,937</u>	<u>\$ 971,915</u>	<u>\$ 49,144,484</u>

The Net OPEB Obligation (NOO) of \$23,265,556 at the end of the year for the County and Housing Authority consisted of liabilities of \$22,829,978 for the County (\$19,003,721 for Governmental Activities and \$3,826,257 for Business Type Activities) and \$435,578 for the Housing Authority.

The increase in net OPEB Obligation (NOO) for Queen Anne's County and the Housing Authority, listed above in the amount of \$6,389,023, consists of \$6,298,517 for the Queen Anne's County portion and \$90,506 for the Housing Authority.

The schedule of funding progress, presented as required supplementary information (RSI) on page 106 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.

In the Queen Anne's County Library financial statements, the net OPEB obligation at the end of the year differs from the figure in the above. The above table shows an ending balance of \$791,664 while the Library financial statements show an ending balance of \$721,600. The Library noted that the prior year amounts were restated in order to match actuarial valuations. However, we believe the difference is a result of using estimates for contributions, rather than actual amounts. The Library made a note of this and plans to adjust in fiscal year 2013.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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.

Percentage of ARC Contributed	Fiscal Year Ended June 30	Annual Postemployment Benefit Cost	ARC Contributed	Percentage of ARC Contributed	Net OPEB Obligation (NOO)
County and Housing Authority	2009	\$ 5,312,000	\$ 1,007,955	18.98%	\$ 4,304,045
	2010	6,702,000	604,222	9.02%	6,097,778
	2011	7,375,000	900,290	12.21%	6,474,710
	2012	7,938,000	1,548,977	19.51%	6,389,023
		<u>27,327,000</u>	<u>4,061,444</u>	<u>14.86%</u>	<u>23,265,556</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
		<u>25,735,000</u>	<u>5,397,122</u>	<u>20.97%</u>	<u>20,337,878</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
		<u>874,000</u>	<u>82,336</u>	<u>9.42%</u>	<u>791,664</u>
Totals	2009	11,397,000	2,581,144	22.65%	8,815,856
	2010	13,254,000	1,793,008	13.53%	11,460,992
	2011	14,144,000	2,188,722	15.47%	11,955,278
	2012	15,141,000	2,978,028	19.67%	12,162,972
		<u>\$ 53,936,000</u>	<u>\$ 9,540,902</u>	<u>17.69%</u>	<u>\$ 44,395,098</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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

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Actuarial valuation date	October 1, 2011
Actuarial cost method	Projected unit credit
Amortization method	Closed
Amortization period	27 years (as of July 1, 2011)
Interest Assumptions	4.00% investment rate of return
Asset valuation method	Market value of assets
Salary increases	3% per year
Mortality	RP 2000, separate tables for males and females
Actuarial trend assumptions	Based on Society of Actuaries Long Term Medical Trend Model, the 2011 rate is 7.5 percent decreasing gradually. The rate in 2050 is 5.9 percent. The ultimate rate is 5.2 percent and is attained in 2080.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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 \$91,081 as of June 30, 2012. This negative balance will clear itself as the balance of outstanding loans receivable in 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 \$66,747 as of June 30, 2012. 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 assets of \$420,453 as of June 30, 2012.

**Parks and Recreation – Golf Course Enterprise Fund**

The Golf Course Enterprise Fund has a deficit balance in unrestricted net assets of \$327,863 as of June 30, 2012.

**Parks and Recreation – Property Management Enterprise Fund**

The Property Management Enterprise Fund has a deficit balance in unrestricted net assets of \$422,256 as of June 30, 2012.

Note that during the fiscal year 2013 budget process, 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.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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, 2012 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.

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

In fiscal year 2010, the County's Department of Housing and Community Services received a grant of \$350,000 from the Maryland Department of Housing and Community Development. This Maryland Neighborhood Conservation Initiative (NCI) Grant provided funding to be used for the acquisition and purchase of foreclosed properties for resale to qualifying homebuyers, as well as the issuance of zero percent deferred payment loans to eligible critical service workers. Per the terms of the agreement, the grantee may reuse funds for these same activities until June 30, 2013. Funds returned to the County from program participants after June 30, 2013 must be returned to the state. Therefore, this grant has been recorded as a pass-through grant, with the County contingently liable for the return of these funds to the state at some point in time after June 30, 2013.

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 \$1,279,836 million has been committed, including \$1,044,180 for the construction of a new County Courthouse, \$158,915 for infrastructure improvements in the Matapeake Business Park, and \$76,741 for site improvements pursuant to agreements with local developers. In the Roads Capital Projects Fund, \$774,913 has been contributed by developers and is committed to fund infrastructure improvements.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**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 31.04% 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, 2012, total closure and post closure costs were estimated at approximately \$9.6 million. Midshore II, located in Caroline County, was 5.07% filled. Closure and post closure costs for Midshore II are estimated at approximately \$13.9 million. Therefore, the total closure and post closure costs for both landfills are \$23.5 million, with approximately \$7.3 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 \$9.6 million as of June 30, 2012, 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 \$19.5 million. As of June 30, 2012, \$6.1 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 \$374,888 in tipping fees to the facility during fiscal 2012.

MES has satisfied its financial assurance requirements based upon the local government financial ratio tests of the project participants as of June 30, 2011. MES expects to satisfy these requirements as of June 30, 2012 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, 2012**

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**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 \$242,000 in expenses, including \$24,000 in fiscal year 2012, 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; 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 will include the application of decontaminating chemicals to the soil in an effort to determine the dosage rate and the corresponding reduction in pollutants that can 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 being prepared, and a second site injection will be administered in the spring/summer of 2013. The contract duration for the final injection will depend on the scope of work; however the County expects it to be completed by the end of fiscal year 2014.

No liability has been recorded at this time since costs for both the initial and final site injections cannot be reliably estimated. None of these outlays met the requirements for capitalization noted in GASB Statement 49 and they were not capitalized.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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**NOTE 19 – COMBINATION OF ROADS BOARD FUND WITH GENERAL FUND**

Beginning in fiscal year 2012, reporting for the Roads Board Operating Fund is consolidated with the General Fund. In fiscal years 2011 and prior years, the Roads Board was reported as a Special Revenue Fund, with its major revenue source being State-Shared Highway User Tax. However, at the beginning of fiscal year 2010, the State virtually ceased sharing this tax with the Counties. Since the Roads Board revenue stream no longer meets the criteria required to report the Roads Board as a Special Revenue Fund, it has become part of the General Fund in fiscal year 2012. The County Commissioners of Queen Anne's County approved this change in Ordinance No. 12-15.

**NOTE 20 – SPECIAL ITEM**

In Fiscal Year 2012, Queen Anne's County reached an agreement with the Queen Anne's County Public Housing Authority whereby the two parties determined that the Housing Authority would become a separate entity from the County effective July 1, 2012. In fiscal years 2012 and prior, the Housing Authority, operating as a component unit of the County, had recorded bond debt on its books related to its Foxxtown Apartment Community and Scattered Housing Program. In light of the aforementioned County/Housing Authority separation, and because the County is ultimately liable for the bond debt, the County has recorded a liability (and a corresponding receivable due from the Housing Authority) on its books in the amount of \$1,360,643, which represents the Housing Authority's indebtedness to the County with respect to the bonds. Since the bonds were issued in prior years and this is a non-recurring material transaction, the County recorded this transaction as a Special Item in the General Capital Projects fund in fiscal year 2012.

**NOTE 21 – SUBSEQUENT EVENTS**

Municipal Lease:

In August 2012, the County entered into a capital lease 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 lease was \$564,073 and payable over five years. The first payment was due in August 2012. The annual interest rate is 2.0118%. At the end of the lease, the County will own the vehicles.

**Required Supplementary Information**

**QUEEN ANNE'S COUNTY, MARYLAND  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2012**

**OTHER POST-EMPLOYMENT BENEFITS TRUST**

The following required supplementary information relates to 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.

<u>Funding Progress</u>	<u>Valuation Date</u>	<u>Value of Assets at Valuation Date</u>	<u>Accrued Liability (AAL)</u>	<u>Unfunded Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
County and Housing Authority	July 1, 2008	\$ -	\$ 49,107,000	\$ 49,107,000	0.00%	\$ 23,690,163	207%
	July 1, 2009	500,000	63,935,000	63,435,000	0.78%	23,778,696	267%
	July 1, 2010	500,000	70,570,000	70,070,000	0.71%	20,439,972	343%
	July 1, 2011	77,000	76,949,000	76,872,000	0.10%	18,903,632	407%
Board of Education	July 1, 2008	-	62,759,000	62,759,000	0.00%	24,267,735	259%
	July 1, 2009	500,000	67,450,000	66,950,000	0.74%	28,421,068	236%
	July 1, 2010	500,000	73,060,000	72,560,000	0.68%	28,329,494	256%
	July 1, 2011	502,358	77,831,000	77,328,642	0.65%	29,268,937	264%
Library	July 1, 2008	-	2,010,000	2,010,000	0.00%	1,050,748	191%
	July 1, 2009	30,000	2,614,000	2,584,000	1.15%	1,128,084	229%
	July 1, 2010	30,000	2,902,000	2,872,000	1.03%	1,225,057	234%
	July 1, 2011	30,000	3,094,000	3,064,000	0.97%	971,915	315%
Total	July 1, 2008	-	113,876,000	113,876,000	0.00%	49,008,646	232%
	July 1, 2009	1,030,000	133,999,000	132,969,000	0.77%	53,327,848	249%
	July 1, 2010	1,030,000	146,532,000	145,502,000	0.70%	49,994,523	291%
	July 1, 2011	\$ 609,358	\$ 157,874,000	\$ 157,264,642	0.39%	\$ 49,144,484	320%

Analysis of the dollar amounts of plan net assets, actuarial accrued liability, and unfunded actuarial liability in isolation can be misleading. Expressing the assets as a percentage of the actuarial accrued liability (Funded Ratio) provides one indication of the system's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the system is becoming. In this fiscal year, the Funded Ratio is 0.39 percent, down from 0.70 percent the year before. The majority of the decrease in the Funded Ratio relates to Queen Anne's County as a result of funds withdrawn in the previous fiscal year. Those funds were deposited back into the Trust during fiscal year 2012, however it does not show in the table above due to the timing of the valuation.

Trends in the unfunded actuarial accrued liability and annual covered payroll are both affected by inflation. Expressing the unfunded accrued liability as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the system is becoming. In this fiscal year, the UAAL as a percentage of covered payroll is 320 percent, up from 291 percent the year before.

**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, 2012**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Taxes				
Local Property Tax	\$ 65,852,256	\$ 65,852,256	\$ 65,881,777	\$ 29,521
Local Income Tax	31,100,000	35,225,900	35,969,879	743,979
Admission and Amusement Taxes	225,000	225,000	183,634	(41,366)
Recordation Taxes	2,650,000	2,650,000	2,553,755	(96,245)
Hotel Taxes	420,000	420,000	468,382	48,382
State Shared Taxes	161,398	161,398	269,363	107,965
Licenses and Permits	858,603	843,602	877,365	33,763
Intergovernmental	2,140,609	2,171,784	1,949,802	(221,982)
Bond Interest Reimbursement - Build America Bond	430,707	430,707	432,212	1,505
Charges for Current Services	1,584,810	1,704,700	2,015,949	311,249
Fines and Forfeitures	17,800	23,800	41,627	17,827
Investment Income	115,000	115,000	56,439	(58,561)
Donations	26,800	27,237	8,009	(19,228)
Miscellaneous	172,833	153,834	1,198,705	1,044,871
<b>Total Revenues</b>	<b>105,755,816</b>	<b>110,005,218</b>	<b>111,906,898</b>	<b>1,901,680</b>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Legislative	368,650	368,650	348,132	20,518
Public Information	262,307	279,185	249,993	29,192
Judicial				
Circuit Court	474,071	436,218	405,537	30,681
Orphan's Court	74,192	75,092	75,030	62
State's Attorney	1,118,811	1,118,811	1,009,923	108,888
County Administrator	274,720	274,720	274,485	235
Board of Elections	510,003	510,003	426,044	83,959
Finance Office	1,027,735	1,106,184	977,960	128,224
Human Resources	487,747	487,747	447,844	39,903
Planning and Zoning	1,845,346	1,893,187	1,780,681	112,506
Information Technology	512,260	512,260	455,450	56,810
General Services	1,963,562	2,040,562	2,038,428	2,134
Legal Services	322,243	392,243	389,889	2,354
<b>Total General Government</b>	<b>9,241,647</b>	<b>9,494,862</b>	<b>8,879,396</b>	<b>615,466</b>
<b>PUBLIC SAFETY</b>				
Sheriff's Office	6,085,019	6,091,294	6,089,371	1,923
Volunteer Fire and Rescue Services	2,895,695	2,895,694	2,838,149	57,545
Detention Center	4,395,652	4,410,313	3,962,390	447,923
Animal Control	731,579	736,541	726,662	9,879
Emergency Services	7,102,676	7,128,605	6,956,549	172,056
<b>Total Public Safety</b>	<b>21,210,621</b>	<b>21,262,447</b>	<b>20,573,121</b>	<b>689,326</b>
<b>PUBLIC WORKS</b>				
Administration	389,201	310,752	259,043	51,709
Other Public Roads	25,008	25,008	12,085	12,923
Solid Waste Disposal	1,944,929	1,953,019	1,528,814	424,205
Engineering Division	642,449	642,449	545,969	96,480
Roads Division	4,583,184	3,983,184	3,436,294	546,890
Parks	1,917,469	1,917,469	1,662,548	254,921
<b>Total Public Works</b>	<b>9,502,240</b>	<b>8,831,881</b>	<b>7,444,753</b>	<b>1,387,128</b>

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**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, 2012**

(CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	POSITIVE (NEGATIVE)
<u>HEALTH</u>				
Health Department	\$ 1,665,972	\$ 1,677,963	\$ 1,604,462	\$ 73,501
<u>SOCIAL SERVICES</u>				
Social Services	330,392	346,610	253,854	92,756
<u>EDUCATION</u>				
Board of Education	43,528,032	43,528,032	43,528,032	-
Chesapeake College	1,688,442	1,698,492	1,698,492	-
Total Education	45,216,474	45,226,524	45,226,524	-
<u>LIBRARY</u>				
Queen Anne's County Free Library	1,276,393	1,278,393	1,277,993	400
<u>CONSERVATION OF NATURAL RESOURCES</u>				
Cooperative Extension Service	259,433	259,433	243,235	16,198
Soil Conservation Service	138,770	138,770	125,493	13,277
Johnsongrass Program	115,376	115,376	95,772	19,604
4-H Park	64,378	64,878	64,580	298
Total Conservation of Natural Resources	577,957	578,457	529,080	49,377
<u>ECONOMIC AND COMMUNITY DEVELOPMENT</u>				
Public Housing Authority	31,198	31,198	31,198	-
Economic Development & Tourism	477,356	463,633	458,823	4,810
Total Economic and Community Development	508,554	494,831	490,021	4,810
<u>DEBT SERVICE</u>				
School Debt Service - Principal	4,995,824	5,361,596	5,361,596	-
School Debt Service - Interest	2,854,951	2,997,989	2,997,989	-
County Debt Service - Principal	1,878,287	1,570,104	1,569,688	416
County Debt Service - Interest	1,292,320	1,151,066	1,104,695	46,371
Total Debt Service	11,021,382	11,080,755	11,033,968	46,787
<u>INTERGOVERNMENTAL</u>				
Aid to Municipalities	232,686	234,686	234,356	330
SDAT Costs from State	360,000	360,450	360,421	29
Pension Admin Costs from State	152,000	151,550	-	151,550
Total Intergovernmental	744,686	746,686	594,777	151,909

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, 2012**

(CONTINUED)

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	POSITIVE (NEGATIVE)
<u>MISCELLANEOUS</u>				
Aid to Other Agencies	\$ 30,952	\$ 30,952	\$ 29,351	\$ 1,601
Insurance & Benefits	1,580,000	2,530,000	2,519,422	10,578
Transfer to OPEB Fund	-	489,496	489,496	-
Contingencies	64,900	72,900	71,656	1,244
Salary Reversions	(650,000)	(650,000)	-	(650,000)
<b>Total Miscellaneous</b>	<b>1,025,852</b>	<b>2,473,348</b>	<b>3,109,925</b>	<b>(636,577)</b>
<b>Total Expenditures</b>	<b>102,322,170</b>	<b>103,492,757</b>	<b>101,017,874</b>	<b>2,474,883</b>
<b>Excess of Revenues Over Expenditures</b>	<b>3,433,646</b>	<b>6,512,461</b>	<b>10,889,024</b>	<b>4,376,563</b>
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds of Capital Asset Disposals	-	-	24,030	24,030
Insurance Proceeds	-	-	9,407	9,407
Transfers In From:				
Roads Capital Projects	252,843	252,843	1,420,413	1,167,570
Impact Fees - School	808,120	808,120	808,120	-
Kent Narrows	39,408	39,408	39,408	-
Community Partnerships	18,000	17,000	21,594	4,594
<b>Total Transfers In</b>	<b>1,118,371</b>	<b>1,117,371</b>	<b>2,289,535</b>	<b>1,172,164</b>
Transfers Out To:				
General Capital Projects Fund	2,053,474	5,024,831	5,024,831	-
Roads Capital Projects Fund	-	600,000	600,000	-
Department of Aging	1,182,119	1,181,221	1,147,168	34,053
Department of Housing and Community Services	409,167	409,167	289,100	120,067
Community Partnerships	181,094	181,094	147,265	33,829
Law Library	6,525	6,525	1,500	5,025
Agricultural Transfer Tax Fund	10,000	10,000	10,000	-
Impact Fees - Fire Companies/Contingencies	-	4,135	4,133	2
Sanitary District - Sewer	4,800	4,800	-	4,800
Sanitary District - Water	81,411	81,411	81,411	-
Airport Enterprise Fund	73,674	73,674	63,079	10,595
Golf Course Enterprise Fund	194,758	194,758	140,868	53,890
Recreation Programs Enterprise Fund	295,638	295,638	295,638	-
Property Management Enterprise Fund	28,130	28,130	25,000	3,130
Marinas Enterprise Fund	101,227	101,227	-	101,227
<b>Total Transfers Out</b>	<b>4,622,017</b>	<b>8,196,611</b>	<b>7,829,993</b>	<b>366,618</b>
<b>Total Other Financing Sources (Uses)</b>	<b>(3,503,646)</b>	<b>(7,079,240)</b>	<b>(5,507,021)</b>	<b>1,572,219</b>
<b>Net Increase (Decrease) in Fund Balance</b>	<b>\$ (70,000)</b>	<b>\$ (566,779)</b>	<b>5,382,003</b>	<b>\$ 5,948,782</b>
Fund Balances, July 1			7,417,091	
Fund Balances, June 30			<u>\$ 12,799,094</u>	

## **Combining and Individual Fund Statements and Schedules**

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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**

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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.

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

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

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

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

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

**Agricultural Transfer Tax** – This fund accounts for activities funded primarily by the Agricultural Transfer Tax to purchase agricultural easements that preclude development and is included in the conservation of natural resources function.

**Rural Legacy** – This fund accounts for activities funded primarily by Maryland's Rural Legacy Program to purchase easements that preclude development and is included in the conservation of natural resources function.

**Purchase of Developments Rights Fund** – 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 projects that benefited Price's Creek and Grove Creek and is included in the conservation of natural resources function.

**Kent Narrows** – This fund accounts for activities funded by tax revenues to repay parking improvement bonds 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, 2012**

	DEPARTMENT OF AGING	HOUSING AND COMMUNITY SERVICES	REVOLVING LOAN FUND	COMMUNITY PARTNERSHIPS FOR CHILDREN	CRITICAL AREAS
<b><u>ASSETS</u></b>					
Cash and Cash Equivalents	\$ 196,974	\$ 1,079,705	\$ 448,729	\$ 912,515	\$ 150,342
Receivables					
Accounts Receivable (Net)	-	9,586	17,777	9,954	-
Loans Receivable	-	3,645,674	129,707	-	-
Special Assessments (Net)	-	-	-	-	-
Due from Other Governments	179,102	24,809	-	164,615	-
Total Assets	<u>\$ 376,076</u>	<u>\$ 4,759,774</u>	<u>\$ 596,213</u>	<u>\$ 1,087,084</u>	<u>\$ 150,342</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>					
<b>Liabilities</b>					
Accrued Liabilities	\$ 85,666	\$ 17,089	\$ -	\$ 217,255	\$ -
Due to Other Funds	117,042	92,278	-	3,096	-
Due to Other Governmental Agencies	43,694	-	-	345,455	-
Deferred Revenue	6,620	40,450	-	445,656	-
Total Liabilities	<u>253,022</u>	<u>149,817</u>	<u>-</u>	<u>1,011,462</u>	<u>-</u>
<b>Fund Balances</b>					
Nonspendable	-	3,645,674	129,707	-	-
Restricted	4,747	1,055,364	466,506	-	150,342
Assigned	118,307	-	-	75,622	-
Unassigned	-	(91,081)	-	-	-
Total Fund Balances	<u>123,054</u>	<u>4,609,957</u>	<u>596,213</u>	<u>75,622</u>	<u>150,342</u>
Total Liabilities and Fund Balances	<u>\$ 376,076</u>	<u>\$ 4,759,774</u>	<u>\$ 596,213</u>	<u>\$ 1,087,084</u>	<u>\$ 150,342</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

(CONTINUED)

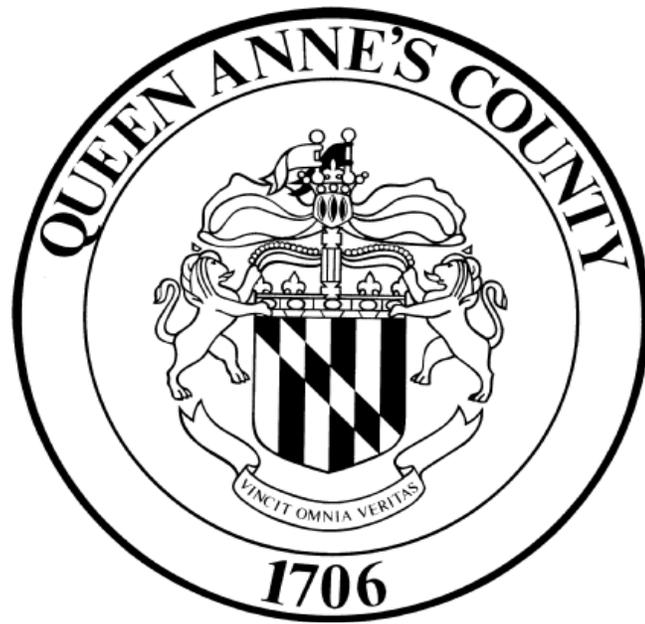
LAW LIBRARY	SHERIFF'S DRUG TASK FORCE	INMATE WELFARE FUND	AGRICULTURAL TRANSFER	RURAL LEGACY	PURCHASE OF DEVELOPMENT RIGHTS
\$ 12,365	\$ 268,825	\$ 232,799	\$ 48,792	\$ 419,299	\$ 1,325,834
-	-	5,754	568	-	572
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	85,937
<u>\$ 12,365</u>	<u>\$ 268,825</u>	<u>\$ 238,553</u>	<u>\$ 49,360</u>	<u>\$ 419,299</u>	<u>\$ 1,412,343</u>
\$ 131	\$ 69,584	\$ 5,784	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	9,897	-	-	-
-	-	-	-	-	-
<u>131</u>	<u>69,584</u>	<u>15,681</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	199,241	222,872	49,360	419,299	1,412,343
12,234	-	-	-	-	-
-	-	-	-	-	-
<u>12,234</u>	<u>199,241</u>	<u>222,872</u>	<u>49,360</u>	<u>419,299</u>	<u>1,412,343</u>
<u>\$ 12,365</u>	<u>\$ 268,825</u>	<u>\$ 238,553</u>	<u>\$ 49,360</u>	<u>\$ 419,299</u>	<u>\$ 1,412,343</u>

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**QUEEN ANNE'S COUNTY, MARYLAND**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

(CONTINUED)

	DREDGING SPECIAL ASSESSMENTS	KENT NARROWS	CAPITAL PROJECTS			TOTAL NON-MAJOR GOVERNMENTAL
			SCHOOL IMPACT FEES	FIRE COMPANY IMPACT FEES	PARKS AND RECREATION IMPACT FEES	
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 17,574	\$ 221,951	\$ 777,787	\$ 151,166	\$ 240,036	\$ 6,504,693
Receivables						
Accounts Receivable (Net)	379	-	-	-	-	44,590
Loans Receivable	-	-	796,116	89,263	85,222	4,745,982
Special Assessments (Net)	638,104	-	-	-	-	638,104
Due from Other Governments	-	-	-	-	-	454,463
Total Assets	<u>\$ 656,057</u>	<u>\$ 221,951</u>	<u>\$ 1,573,903</u>	<u>\$ 240,429</u>	<u>\$ 325,258</u>	<u>\$ 12,387,832</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accrued Liabilities	\$ -	\$ 457	\$ -	\$ -	\$ -	\$ 395,966
Due to Other Funds	-	-	-	66,747	-	279,163
Due to Other Governmental Agencies	-	-	-	-	-	399,046
Deferred Revenue	638,104	-	796,116	89,263	85,222	2,101,431
Total Liabilities	<u>638,104</u>	<u>457</u>	<u>796,116</u>	<u>156,010</u>	<u>85,222</u>	<u>3,175,606</u>
<b>Fund Balances</b>						
Nonspendable	-	-	-	-	-	3,775,381
Restricted	17,953	221,494	777,787	151,166	240,036	5,388,510
Assigned	-	-	-	-	-	206,163
Unassigned	-	-	-	(66,747)	-	(157,828)
Total Fund Balances	<u>17,953</u>	<u>221,494</u>	<u>777,787</u>	<u>84,419</u>	<u>240,036</u>	<u>9,212,226</u>
Total Liabilities and Fund Balances	<u>\$ 656,057</u>	<u>\$ 221,951</u>	<u>\$ 1,573,903</u>	<u>\$ 240,429</u>	<u>\$ 325,258</u>	<u>\$ 12,387,832</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, 2012**

	DEPARTMENT OF AGING	HOUSING AND COMMUNITY SERVICES	REVOLVING LOAN FUND	COMMUNITY PARTNERSHIPS FOR CHILDREN	CRITICAL AREAS
<b>REVENUES</b>					
Taxes					
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	114,163	-	-	-
State Shared Taxes	-	-	-	-	-
Intergovernmental	844,937	275,458	-	1,062,029	-
Charges for Current Services	71,655	155,000	-	-	18,999
Fines and Forfeitures	-	-	-	-	-
Investment Income	91	6,997	12,944	53	-
Donations	33,788	3,000	-	1,535	-
Miscellaneous	1,350	-	200	19,640	-
Total Revenues	<u>951,821</u>	<u>554,618</u>	<u>13,144</u>	<u>1,083,257</u>	<u>18,999</u>
<b>EXPENDITURES</b>					
Current					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Social Services	2,093,750	-	-	1,185,418	-
Conservation of Natural Resources	-	-	-	-	-
Economic/Community Development	-	530,822	-	-	-
Capital Outlay	38,684	-	-	23,457	-
Debt Service					
Principal	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	<u>2,132,434</u>	<u>530,822</u>	<u>-</u>	<u>1,208,875</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,180,613)</u>	<u>23,796</u>	<u>13,144</u>	<u>(125,618)</u>	<u>18,999</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of Capital Asset Disposals	23,366	-	-	-	-
Insurance Proceeds	2,224	-	-	-	-
Transfers In	1,147,168	289,100	-	147,265	-
Transfers Out	-	-	-	(21,594)	-
Other Financing Sources (Uses)	<u>1,172,758</u>	<u>289,100</u>	<u>-</u>	<u>125,671</u>	<u>-</u>
Net Increase (Decrease) in Fund Balances	(7,855)	312,896	13,144	53	18,999
Fund Balances, July 1	<u>130,909</u>	<u>4,297,061</u>	<u>583,069</u>	<u>75,569</u>	<u>131,343</u>
Fund Balances, June 30	<u>\$ 123,054</u>	<u>\$ 4,609,957</u>	<u>\$ 596,213</u>	<u>\$ 75,622</u>	<u>\$ 150,342</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, 2012**

(CONTINUED)

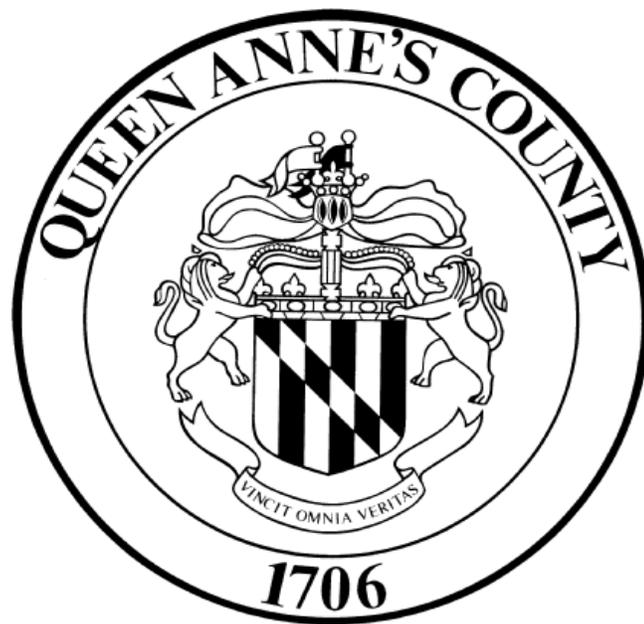
LAW LIBRARY	SHERIFF'S DRUG TASK FORCE	INMATE WELFARE FUND	AGRICULTURAL TRANSFER	RURAL LEGACY	PURCHASE OF DEVELOPMENT RIGHTS
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	761,085
-	-	-	36,872	-	-
-	-	8,073	-	892,631	-
9,575	-	67,337	-	-	-
15,518	165,538	-	-	-	-
7	227	259	163	811	1,987
-	-	-	-	-	-
-	-	31,957	-	-	-
<u>25,100</u>	<u>165,765</u>	<u>107,626</u>	<u>37,035</u>	<u>893,442</u>	<u>763,072</u>
12,773	-	-	-	-	-
-	53,827	123,278	-	-	-
-	-	-	-	-	-
-	-	-	297,117	1,499,319	268,844
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	119,598
-	-	-	-	-	<u>14,255</u>
<u>12,773</u>	<u>53,827</u>	<u>123,278</u>	<u>297,117</u>	<u>1,499,319</u>	<u>402,697</u>
<u>12,327</u>	<u>111,938</u>	<u>(15,652)</u>	<u>(260,082)</u>	<u>(605,877)</u>	<u>360,375</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,500	-	-	132,349	-	-
-	-	-	-	-	<u>(122,349)</u>
<u>1,500</u>	<u>-</u>	<u>-</u>	<u>132,349</u>	<u>-</u>	<u>(122,349)</u>
13,827	111,938	(15,652)	(127,733)	(605,877)	238,026
(1,593)	87,303	238,524	177,093	1,025,176	1,174,317
<u>\$ 12,234</u>	<u>\$ 199,241</u>	<u>\$ 222,872</u>	<u>\$ 49,360</u>	<u>\$ 419,299</u>	<u>\$ 1,412,343</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, 2012**

(CONTINUED)

	DREDGING		CAPITAL PROJECTS			TOTAL NON-MAJOR GOVERNMENTAL
	SPECIAL ASSESSMENTS	KENT NARROWS	SCHOOL IMPACT FEES	FIRE COMPANY IMPACT FEES	PARKS AND RECREATION IMPACT FEES	
<b>REVENUES</b>						
Taxes						
Local Property Tax	\$ -	\$ 37,055	\$ -	\$ -	\$ -	\$ 37,055
Recordation Taxes	-	-	-	-	-	875,248
State Shared Taxes	-	-	-	-	-	36,872
Intergovernmental	-	-	-	-	-	3,083,128
Charges for Current Services	45,290	-	1,169,425	148,827	139,126	1,825,234
Fines and Forfeitures	-	-	-	-	-	181,056
Investment Income	807	-	273	226	199	25,044
Donations	-	-	-	-	-	38,323
Miscellaneous	-	-	-	-	-	53,147
<b>Total Revenues</b>	<b>46,097</b>	<b>37,055</b>	<b>1,169,698</b>	<b>149,053</b>	<b>139,325</b>	<b>6,155,107</b>
<b>EXPENDITURES</b>						
Current						
General Government	-	-	-	-	-	12,773
Public Safety	-	-	-	234,851	-	411,956
Social Services	-	-	-	-	-	3,279,168
Conservation of Natural Resources	-	-	-	-	-	2,065,280
Economic/Community Development	-	5,370	-	-	-	536,192
Capital Outlay	-	-	-	-	-	62,141
Debt Service						
Principal	44,425	-	-	-	-	164,023
Interest and Fiscal Charges	-	-	-	-	-	14,255
<b>Total Expenditures</b>	<b>44,425</b>	<b>5,370</b>	<b>-</b>	<b>234,851</b>	<b>-</b>	<b>6,545,788</b>
Excess of Revenues Over (Under) Expenditures	1,672	31,685	1,169,698	(85,798)	139,325	(390,681)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of Capital Asset Disposals	-	-	-	-	-	23,366
Insurance Proceeds	-	-	-	-	-	2,224
Transfers In	-	-	-	4,133	-	1,721,515
Transfers Out	-	(39,408)	(808,120)	-	-	(991,471)
<b>Other Financing Sources (Uses)</b>	<b>-</b>	<b>(39,408)</b>	<b>(808,120)</b>	<b>4,133</b>	<b>-</b>	<b>755,634</b>
Net Increase (Decrease) in Fund Balances	1,672	(7,723)	361,578	(81,665)	139,325	364,953
Fund Balances, July 1	16,281	229,217	416,209	166,084	100,711	8,847,273
Fund Balances, June 30	\$ 17,953	\$ 221,494	\$ 777,787	\$ 84,419	\$ 240,036	\$ 9,212,226



**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, 2012**

	DEPARTMENT OF AGING				HOUSING AND COMMUNITY SERVICES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>								
Taxes								
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	-	-	-	80,000	80,000	114,163	34,163
State Shared Taxes	-	-	-	-	-	-	-	-
Intergovernmental	845,469	945,033	844,937	(100,096)	356,211	337,072	275,458	(61,614)
Charges for Current Services	63,350	71,050	71,655	605	155,000	155,000	155,000	-
Fines and Forfeitures	-	-	-	-	-	-	-	-
Investment Income	-	-	91	91	-	-	6,997	6,997
Donations	56,000	56,000	33,788	(22,212)	-	3,000	3,000	-
Miscellaneous	1,000	1,000	1,350	350	-	-	-	-
<b>Total Revenues</b>	<b>965,819</b>	<b>1,073,083</b>	<b>951,821</b>	<b>(121,262)</b>	<b>591,211</b>	<b>575,072</b>	<b>554,618</b>	<b>(20,454)</b>
<b>EXPENDITURES</b>								
Current Operating Expenditures	2,153,938	2,206,304	2,093,750	112,554	1,348,304	1,404,320	530,822	873,498
Capital Outlay	-	54,000	38,684	15,316	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>2,153,938</b>	<b>2,260,304</b>	<b>2,132,434</b>	<b>127,870</b>	<b>1,348,304</b>	<b>1,404,320</b>	<b>530,822</b>	<b>873,498</b>
Excess of Revenues Over (Under) Expenditures	(1,188,119)	(1,187,221)	(1,180,613)	6,608	(757,093)	(829,248)	23,796	853,044
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds of Capital Asset Disposals	6,000	6,000	23,366	17,366	-	-	-	-
Insurance Proceeds	-	-	2,224	2,224	-	-	-	-
Transfers In	1,182,119	1,181,221	1,147,168	(34,053)	409,167	409,167	289,100	(120,067)
Transfers Out	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>1,188,119</b>	<b>1,187,221</b>	<b>1,172,758</b>	<b>(14,463)</b>	<b>409,167</b>	<b>409,167</b>	<b>289,100</b>	<b>(120,067)</b>
<b>Net Increase (Decrease) in Fund Balances</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(7,855)</b>	<b>\$ (7,855)</b>	<b>\$ (347,926)</b>	<b>\$ (420,081)</b>	<b>312,896</b>	<b>\$ 732,977</b>
Fund Balances, July 1			130,909				4,297,061	
Fund Balances, June 30			\$ 123,054				\$ 4,609,957	

**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, 2012**  
(Continued)

COMMUNITY PARTNERSHIPS FOR CHILDREN				LAW LIBRARY				INMATE WELFARE FUND			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1,104,622	1,253,020	1,062,029	(190,991)	-	-	-	-	-	8,000	8,073	73
-	-	-	-	14,000	14,000	9,575	(4,425)	90,000	90,000	67,337	(22,663)
-	-	-	-	21,000	21,000	15,518	(5,482)	-	-	-	-
-	-	53	53	25	25	7	(18)	1,000	1,000	259	(741)
-	4,000	1,535	(2,465)	-	-	-	-	-	-	-	-
3,215	3,215	19,640	16,425	25,000	25,000	-	(25,000)	40,000	40,000	31,957	(8,043)
1,107,837	1,260,235	1,083,257	(176,978)	60,025	60,025	25,100	(34,925)	131,000	139,000	107,626	(31,374)
1,258,523	1,392,902	1,185,418	207,484	66,550	66,550	12,773	53,777	125,250	135,250	123,278	11,972
-	23,111	23,457	(346)	-	-	-	-	40,000	38,000	-	38,000
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
1,258,523	1,416,013	1,208,875	207,138	66,550	66,550	12,773	53,777	165,250	173,250	123,278	49,972
(150,686)	(155,778)	(125,618)	30,160	(6,525)	(6,525)	12,327	18,852	(34,250)	(34,250)	(15,652)	18,598
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
172,778	172,778	147,265	(25,513)	6,525	6,525	1,500	(5,025)	-	-	-	-
(22,092)	(17,000)	(21,594)	(4,594)	-	-	-	-	-	-	-	-
150,686	155,778	125,671	(30,107)	6,525	6,525	1,500	(5,025)	-	-	-	-
\$ -	\$ -	53	\$ 53	\$ -	\$ -	13,827	\$ 13,827	\$ (34,250)	\$ (34,250)	(15,652)	\$ 18,598
		75,569				(1,593)				238,524	
		\$ 75,622				\$ 12,234				\$ 222,872	

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, 2012**  
(Continued)

	AGRICULTURAL TRANSFER				RURAL LEGACY			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>								
Taxes								
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	-	-	-	-	-	-	-
State Shared Taxes	155,000	155,000	36,872	(118,128)	-	-	-	-
Intergovernmental	-	-	-	-	-	892,631	892,631	-
Charges for Current Services	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-
Investment Income	-	-	163	163	-	800	811	11
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>155,000</b>	<b>155,000</b>	<b>37,035</b>	<b>(117,965)</b>	<b>-</b>	<b>893,431</b>	<b>893,442</b>	<b>11</b>
<b>EXPENDITURES</b>								
Current Operating Expenditures	165,000	297,349	297,117	232	-	1,500,004	1,499,319	685
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>165,000</b>	<b>297,349</b>	<b>297,117</b>	<b>232</b>	<b>-</b>	<b>1,500,004</b>	<b>1,499,319</b>	<b>685</b>
Excess of Revenues Over (Under) Expenditures	(10,000)	(142,349)	(260,082)	(117,733)	-	(606,573)	(605,877)	696
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds of Capital Asset Disposals	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-
Transfers In	10,000	132,349	132,349	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>10,000</b>	<b>132,349</b>	<b>132,349</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Increase (Decrease) in Fund Balances</b>	<b>\$ -</b>	<b>\$ (10,000)</b>	<b>(127,733)</b>	<b>\$ (117,733)</b>	<b>\$ -</b>	<b>\$ (606,573)</b>	<b>(605,877)</b>	<b>\$ 696</b>
Fund Balances, July 1			177,093				1,025,176	
Fund Balances, June 30			\$ 49,360				\$ 419,299	

**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, 2012**  
 (CONTINUED)

PURCHASE OF DEVELOPMENT RIGHTS				DREDGING SPECIAL ASSESSMENTS				KENT NARROWS			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,000	\$ 38,000	\$ 37,055	\$ (945)
500,000	500,000	761,085	261,085	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	1,900	1,987	87	48,625	48,625	45,290	(3,335)	-	-	-	-
-	-	-	-	-	-	807	807	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
<u>500,000</u>	<u>501,900</u>	<u>763,072</u>	<u>261,172</u>	<u>48,625</u>	<u>48,625</u>	<u>46,097</u>	<u>(2,528)</u>	<u>38,000</u>	<u>38,000</u>	<u>37,055</u>	<u>(945)</u>
-	268,845	268,844	1	-	-	-	-	8,500	8,500	5,370	3,130
-	-	-	-	-	-	-	-	-	-	-	-
121,228	121,228	119,598	1,630	48,625	48,625	44,425	4,200	-	-	-	-
12,355	14,255	14,255	-	-	-	-	-	-	-	-	-
<u>133,583</u>	<u>404,328</u>	<u>402,697</u>	<u>1,631</u>	<u>48,625</u>	<u>48,625</u>	<u>44,425</u>	<u>4,200</u>	<u>8,500</u>	<u>8,500</u>	<u>5,370</u>	<u>3,130</u>
<u>366,417</u>	<u>97,572</u>	<u>360,375</u>	<u>262,803</u>	<u>-</u>	<u>-</u>	<u>1,672</u>	<u>1,672</u>	<u>29,500</u>	<u>29,500</u>	<u>31,685</u>	<u>2,185</u>
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-
-	(122,349)	(122,349)	-	-	-	-	-	(39,408)	(39,408)	(39,408)	-
-	(122,349)	(122,349)	-	-	-	-	-	(39,408)	(39,408)	(39,408)	-
<u>\$ 366,417</u>	<u>\$ (24,777)</u>	<u>238,026</u>	<u>\$ 262,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,672</u>	<u>\$ 1,672</u>	<u>\$ (9,908)</u>	<u>\$ (9,908)</u>	<u>(7,723)</u>	<u>\$ 2,185</u>
		1,174,317				16,281				229,217	
		<u>\$ 1,412,343</u>				<u>\$ 17,953</u>				<u>\$ 221,494</u>	

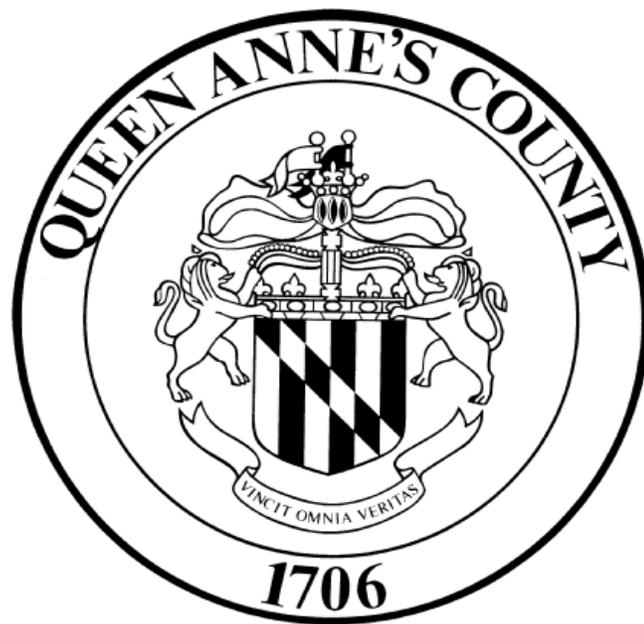
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**QUEEN ANNE'S COUNTY, MARYLAND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(Continued)

	CAPITAL PROJECTS - SCHOOL IMPACT FEES				CAPITAL PROJECTS - FIRE COMPANY IMPACT FEES			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>								
Taxes								
Local Property Tax	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Recordation Taxes	-	-	-	-	-	-	-	-
State Shared Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for Current Services	600,000	600,000	1,169,425	569,425	-	-	148,827	148,827
Fines and Forfeitures	-	-	-	-	-	-	-	-
Investment Income	2,000	2,000	273	(1,727)	-	-	226	226
Donations	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
<b>Total Revenues</b>	<b>602,000</b>	<b>602,000</b>	<b>1,169,698</b>	<b>567,698</b>	<b>-</b>	<b>-</b>	<b>149,053</b>	<b>149,053</b>
<b>EXPENDITURES</b>								
Current Operating Expenditures	-	-	-	-	-	234,851	234,851	-
Capital Outlay	-	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>234,851</b>	<b>234,851</b>	<b>-</b>
Excess of Revenues Over (Under) Expenditures	602,000	602,000	1,169,698	567,698	-	(234,851)	(85,798)	149,053
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds of Capital Asset Disposals	-	-	-	-	-	-	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	4,135	4,133	(2)
Transfers Out	(808,120)	(808,120)	(808,120)	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(808,120)</b>	<b>(808,120)</b>	<b>(808,120)</b>	<b>-</b>	<b>-</b>	<b>4,135</b>	<b>4,133</b>	<b>(2)</b>
<b>Net Increase (Decrease) in Fund Balances</b>	<b>\$ (206,120)</b>	<b>\$ (206,120)</b>	<b>361,578</b>	<b>\$ 567,698</b>	<b>\$ -</b>	<b>\$ (230,716)</b>	<b>(81,665)</b>	<b>\$ 149,051</b>
Fund Balances, July 1			416,209				166,084	
Fund Balances, June 30			\$ 777,787				\$ 84,419	

**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, 2012**  
(CONTINUED)

CAPITAL PROJECTS - PARKS & RECREATION IMPACT FEES			
ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
80,000	80,000	139,126	59,126
-	-	-	-
1,500	1,500	199	(1,301)
-	-	-	-
-	-	-	-
<u>81,500</u>	<u>81,500</u>	<u>139,325</u>	<u>57,825</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>81,500</u>	<u>81,500</u>	<u>139,325</u>	<u>57,825</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>(81,500)</u>	<u>(81,500)</u>	<u>-</u>	<u>81,500</u>
<u>(81,500)</u>	<u>(81,500)</u>	<u>-</u>	<u>81,500</u>
<u>\$ -</u>	<u>\$ -</u>	<u>139,325</u>	<u>\$ 139,325</u>
		<u>100,711</u>	
		<u>\$ 240,036</u>	



## CAPITAL PROJECTS FUNDS

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Capital Projects Funds are 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.

We do not amend closed projects in the General Capital Projects Fund or Roads Capital Projects Fund. The names of these projects begin with a CLS. Once the project is closed, it is considered null and void and there is no remaining authority, and therefore we do not amend those after the fact.

Force in kind capital projects do not contain any budget authority. These projects are only intended as a tracking tool. Most costs associated with force in kind projects are related to staff costs and the project is attached to the employee's normal activity, which contains the budget authority.

**General Capital Projects** – This fund accounts for capital project activities funded by all governmental resources, except those reserved for use in the Roads Capital Projects Fund, noted below.

**Roads Capital Projects** - This fund accounts for capital project activities funded by governmental resources specifically reserved for use in the Roads Capital Projects Fund. These resources consist of State-Shared Highway User Tax, which is mandated for this use, plus federal, state, and local roads-related grants and transfers.

**QUEEN ANNE'S COUNTY MARYLAND**  
**CAPITAL PROJECTS FUNDS**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

PROJ #	GENERAL CAPITAL PROJECTS:	TOTAL APPROPRIATION	EXPENDITURES			UNEXPENDED APPROPRIATIONS	INCLUDED IN CONSTRUCTION IN PROGRESS	CAPITALIZED CURRENT YEAR
			PRIOR YEARS	CURRENT YEAR	TOTAL			
<u>GENERAL GOVERNMENT</u>								
400003	County Facilities Program	\$ 976,446	\$ 818,692	\$ 96,293	\$ 914,985	\$ 61,461	\$ -	\$ -
400007	GASB/Tax System Update	284,000	15,477	101,756	117,233	166,767	-	-
400015	County Wide Mapping	815,000	646,096	4,200	650,296	164,704	-	-
400027	Strategic Planning	576,602	386,834	-	386,834	189,768	-	-
400031	Mgt Info Systems Network	932,375	703,006	22,658	725,664	206,711	-	11,074
400233	Rec Mgmt Sys - Non Fin	205,000	159,661	-	159,661	45,339	-	-
400269	Tax Ditches - Beaverdam	64,500	43,496	-	43,496	21,004	-	-
400271	Tax Ditches - Longmarsh	64,000	53,140	-	53,140	10,860	-	-
400359	Public Drainage	375,000	-	-	-	375,000	-	-
400363	Church Hill Pond Stabilization	200,000	70,113	2,626	72,739	127,261	-	-
400375	Sustainable Communities Council	5,000	1,701	-	1,701	3,299	-	-
400377	BNR Septic Retrofit Grant	5,000	-	-	-	5,000	-	-
400449	Nesbit Road ER Infrastructure	3,000,000	2,474,123	-	2,474,123	525,877	-	-
400457	GIS & Strategic Plan Land Use	65,000	20,821	1,650	22,471	42,529	-	-
400557	CLS-Security Upgrade & Generator	170,000	84,750	49,296	134,046	35,954	-	44,249
400559	Courthouse Property	2,126,284	1,314,231	28,883	1,343,114	783,170	-	28,883
400613	2011 Bond Issuance - Consultant & Advertising Expense	152,454	130,112	-	130,112	22,342	-	-
400615	Grasonville Community Center	50,000	50,000	-	50,000	-	-	-
400619	DNR Natural Filters	100,000	23,288	20,624	43,912	56,088	43,912	20,624
400635	Coastal Bays Grant - Town of Centreville	70,000	14,640	4,444	19,084	50,916	-	-
400637	Coastal Bays Grant - Corsica River Conservancy	200,000	16,532	3,049	19,581	180,419	-	-
400645	Benefits & Compensation Studies	35,000	-	30,000	30,000	5,000	-	-
400647	Watershed Improvement Program	150,000	-	-	-	150,000	-	-
400649	CLS-Eco Restoration	35,000	-	34,584	34,584	416	-	34,584
400653	Coastal Community Initiative	70,705	-	19,012	19,012	51,693	-	-
	Total General Government	10,727,366	7,026,713	419,075	7,445,788	3,281,578	43,912	139,414
<u>PUBLIC SAFETY</u>								
400217	Transfer to VFDs	1,157,390	1,084,689	-	1,084,689	72,701	-	-
400281	Detention Center Furniture & Carpet	30,000	-	-	-	30,000	-	-
400313	County Wide Mapping - 911	815,530	794,469	-	794,469	21,061	-	-
400499	Railroad Avenue Building Renovation	625,000	602,548	4,271	606,819	18,181	-	4,271
400525	CLS-Animal Services - Quarantine Facility	119,127	119,127	(2,694)	116,433	2,694	-	(2,694)
	Total Public Safety	2,747,047	2,600,833	1,577	2,602,410	144,637	-	1,577
<u>PUBLIC WORKS</u>								
400077	Wetlands Mitigation	216,560	152,929	1,697	154,626	61,934	-	-
400079	Roof Repair / Replacement	454,647	452,586	-	452,586	2,061	-	-
400091	DPW - Fee In Lieu	20,000	20,000	-	20,000	-	-	-
400215	Preventive Park Maintenance	920,480	762,692	43,781	806,473	114,007	-	-
400221	Capital Equipment	179,904	69,904	112,580	182,484	(2,580)	-	112,580
400235	Solid Waste Capital Equipment	174,001	173,039	-	173,039	962	-	-
400241	Cash Deposit Agreements	35,748	35,748	-	35,748	-	-	-
400305	White Marsh Park	2,397,291	2,328,682	50,269	2,378,951	18,340	-	-
400391	Cross County Connec Trail PS1	1,932,688	60,935	-	60,935	1,871,753	60,935	-
400393	Davidson Property Improvements	323,525	77,112	-	77,112	246,413	77,112	-
400471	CLS-Bio-Swale Drainage Ditch	75,000	14,771	53,240	68,011	6,989	-	53,240
400501	DPW Yard MTBE Remediation	200,000	19,889	23,681	43,570	156,430	-	-
400509	Solid Waste Loader Replacement	63,626	-	-	-	63,626	-	-
400513	Bay City/Matapeake Trail	30,000	-	-	-	30,000	-	-
400519	Talisman/Kudner Improvements	6,855	-	-	-	6,855	-	-
400521	County Complex Land	2,184,120	1,607,218	6,856	1,614,074	570,046	-	-
400529	Chesapeake Pool Improvements	100,000	77,356	2,117	79,473	20,527	-	-
400541	Sudlersville Middle Infrastructure	780,588	470,829	290,055	760,884	19,704	424,578	175,094
400607	Grasonville Tennis Courts	40,000	-	-	-	40,000	-	-
400617	CLS-YMCA Feasibility Study	51,394	46,894	4,500	51,394	-	-	-
400621	CLS-YMCA Fundraising Study	25,000	-	-	-	25,000	-	-
400623	CLS-Energy Efficiency Upgrades	286,231	-	286,231	286,231	-	-	286,231
400625	Coastal Bays - Health Dept. Parking	200,000	694	200,760	201,454	(1,454)	-	190,741
400627	Coastal Bays - Bloomfield Parking	50,000	-	50,000	50,000	-	-	50,000
400629	Kirwan Creek - WMP IMPL	170,000	13,864	155,890	169,754	246	-	155,890
400633	CLS-Bloomfield Info Kiosk	15,385	10,186	3,473	13,659	1,726	-	3,473
400639	RT 18 Park Trail	30,000	-	30,000	30,000	-	-	-
	Total Public Works	10,963,043	6,395,328	1,315,130	7,710,458	3,252,585	562,625	1,027,249
<u>SOCIAL SERVICES</u>								
400511	Aging - Vehicle Replacement	35,000	-	-	-	35,000	-	-
	Total Social Services	35,000	-	-	-	35,000	-	-

CONTINUED

**QUEEN ANNE'S COUNTY MARYLAND**  
**CAPITAL PROJECTS FUNDS**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
**(CONTINUED)**

PROJ #	GENERAL CAPITAL PROJECTS:	TOTAL APPROPRIATION	EXPENDITURES			UNEXPENDED APPROPRIATIONS	INCLUDED IN CONSTRUCTION IN PROGRESS	CAPITALIZED CURRENT YEAR
			PRIOR YEARS	CURRENT YEAR	TOTAL			
<u>EDUCATION</u>								
ALLOCATIONS TO COMPONENT UNIT - BOARD OF EDUCATION								
400543	Sudlersville Middle Infrastructure	\$ 694,177	\$ 519,083	\$ 175,094	\$ 694,177	\$ -	\$ -	\$ -
700061	Matapeake Middle	16,909,456	16,838,271	-	16,838,271	71,185	-	-
700117	CLS-Playground Repairs - Kent Island Elem School	140,660	140,660	-	140,660	-	-	-
700151	Bayside Elementary HVAC	1,064,153	1,039,789	-	1,039,789	24,364	-	-
700157	QACHS Field Upgrades	519,532	476,698	35,079	511,777	7,755	-	-
700161	Financial Hardware System	60,000	56,650	-	56,650	3,350	-	-
700165	CLS-Generator - BOE Bldg	50,000	49,245	255	49,500	500	-	-
700169	New Sudlersville Middle School	28,585,930	8,845,632	6,987,036	15,832,668	12,753,262	-	-
700177	BOE Security Entrance & Cameras	160,000	157,980	-	157,980	2,020	-	-
700179	Centreville Middle Boiler	224,917	91,348	-	91,348	133,569	-	-
700181	CLS-Bayside Elementary Parking Lot	116,205	116,205	-	116,205	-	-	-
700183	Centreville Elementary - Resurface Playcourts	29,766	29,516	-	29,516	250	-	-
700187	Kennard Elementary Addition	4,412,354	153,432	1,184,641	1,338,073	3,074,281	-	-
700191	CLS-Carpet & Tile Replacement	80,000	80,000	-	80,000	-	-	-
700193	Security Entrance & Cameras	65,000	63,507	-	63,507	1,493	-	-
700195	Equipment & Vehicles	700,000	695,624	-	695,624	4,376	-	-
700203	CLS-Textbooks	300,000	299,641	359	300,000	-	-	-
700205	BOE Phone System	60,000	54,664	-	54,664	5,336	-	-
700207	QACHS Bleachers	145,000	131,684	-	131,684	13,316	-	-
700209	CLS-Energy Management System Upgrade	44,050	40,720	3,086	43,806	244	-	-
700215	KIHS Roof Repairs	104,729	9,893	87,385	97,278	7,451	-	-
700221	Warehouse Lot Paving	100,000	-	-	-	100,000	-	-
700223	BOE Parking Lot Expansion	25,000	-	-	-	25,000	-	-
700225	CLS-BOE Portables	67,149	62,464	4,685	67,149	-	-	-
700227	BOE Relocatables	146,500	-	51,353	51,353	95,147	-	-
	Total Education	54,804,578	29,952,706	8,528,973	38,481,679	16,322,899	-	-
<u>CONSERVATION</u>								
400293	4-H Park Improvements	597,555	525,142	45,604	570,746	26,809	-	-
400553	Ag Preservation - Emerson Property	416,861	-	-	-	416,861	-	-
400555	Ag Preservation - Frizz King Property	572,000	572,000	-	572,000	-	-	-
400571	Ag Preservation - Brown's Branch	968,166	968,166	-	968,166	-	-	-
400631	CREP Easements	1,532,705	1,405,171	106,126	1,511,297	21,408	-	56,478
400643	4-H Parking Phase II	100,000	-	100,000	100,000	-	-	-
400687	Ag Preservation - Milliken Farm	4,650	-	4,650	4,650	-	-	-
	Total Conservation	4,191,937	3,470,479	256,380	3,726,859	465,078	-	56,478
<u>ECONOMIC/COMMUNITY DEVELOPMENT</u>								
400201	Land Sales Proceeds (See Transfers)	30,345	30,345	-	30,345	-	-	-
400573	Housing - NCI - 107 Watkins (See Transfers)	230,159	216,900	-	216,900	13,259	-	-
400583	Matapeake Business Park	1,640,000	76,066	115,219	191,285	1,448,715	191,285	115,219
400651	QAC Recreation Trail Map	16,000	-	15,790	15,790	210	-	-
	Subtotal Economic/Community Development	1,916,504	323,311	131,009	454,320	1,462,184	191,285	115,219
<u>ECONOMIC/COMMUNITY DEVELOPMENT - ALLOCATION TO COMPONENT UNIT - PHA</u>								
400207	Housing & Community Service Transfer (See Transfers)	100,000	100,000	-	100,000	-	-	-
400209	CLS-PHA Allocation	606,642	606,642	(283,914)	322,728	283,914	-	-
400485	Restricted Allocation-Scattered Site	100,000	100,000	-	100,000	-	-	-
	Subtotal Allocation to Component Unit - PHA	806,642	806,642	(283,914)	522,728	283,914	-	-
	Total Economic/Community Development	2,723,146	1,129,953	(152,905)	977,048	1,746,098	191,285	115,219

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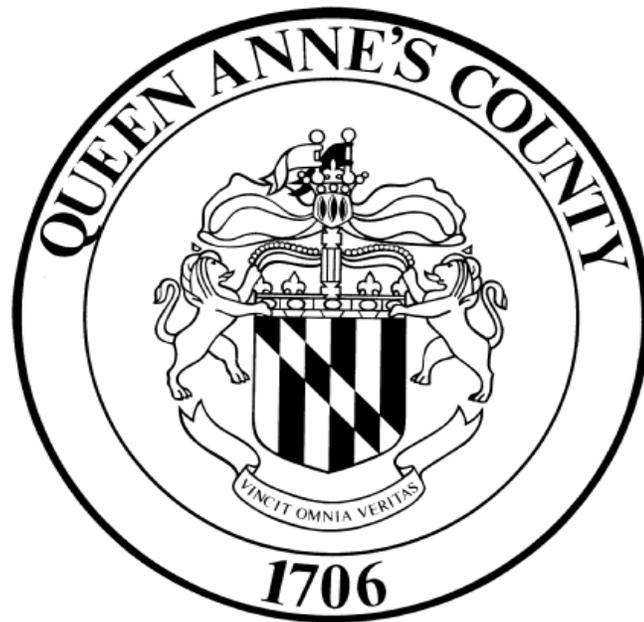
**QUEEN ANNE'S COUNTY MARYLAND**  
**CAPITAL PROJECTS FUNDS**  
**SCHEDULE OF APPROPRIATIONS AND EXPENDITURES**  
**FOR THE YEAR ENDED JUNE 30, 2012**  
(Continued)

PROJ #	GENERAL CAPITAL PROJECTS:	TOTAL APPROPRIATION	EXPENDITURES		UNEXPENDED APPROPRIATIONS	INCLUDED IN CONSTRUCTION IN PROGRESS	CAPITALIZED CURRENT YEAR
			PRIOR YEARS	CURRENT YEAR			
<u>DEBT SERVICE</u>							
400613	2011 Bond Issuance Costs	\$ 256,244	\$ 129,671	\$ 126,573	\$ 256,244	\$ -	\$ -
400655	2012 Refunding Bonds	8,724,048	-	8,719,850	8,719,850	4,198	-
	Total Debt Service	8,980,292	129,671	8,846,423	8,976,094	4,198	-
<u>TRANSFERS TO OTHER FUNDS</u>							
400045	Land Preservation Transfers	405,000	405,000	-	405,000	-	-
400127	Public Landings Allocation	200,000	200,000	-	200,000	-	-
400167	Enterprise Transfer/Allocation	3,336,695	3,236,490	-	3,236,490	100,205	-
400201	Land Sale Proceeds	125,000	125,000	-	125,000	-	-
400207	Housing & Comm Svc Transfer - to Housing Services	450,000	450,000	-	450,000	-	-
400213	Loan Fund Transfers	460,000	460,000	-	460,000	-	-
400217	Transfer to VFD's	162,410	162,410	-	162,410	-	-
400573	Transfer to Housing & Community Services Fund	214,741	214,741	-	214,741	-	-
400551	Transfer to/from General Fund	8,310,000	8,310,000	-	8,310,000	-	-
400469	Sanitary District Transfer/Allocation	233,000	233,000	-	233,000	-	-
400483	2009 Bond Issuance - Transfers	617,428	616,343	1,085	617,428	-	-
	Total Transfers	14,514,274	14,412,984	1,085	14,414,069	100,205	-
	Total General Capital Projects	\$ 109,686,683	\$ 65,118,667	\$ 19,215,738	\$ 84,334,405	\$ 25,352,278	\$ 797,822
<u>ROADS BOARD CAPITAL PROJECTS:</u>							
<u>PUBLIC WORKS</u>							
820005	Asphalt Overlays - Upgrade	\$ 3,680,336	\$ 986,282	\$ -	\$ 986,282	\$ 2,694,054	\$ -
820151	Island Creek Road Bridge	3,105,000	73,418	1,199,210	1,272,628	1,832,372	1,198,618
820221	Taylor Mill Road Bridge	197,500	450	-	450	197,050	450
820271	CLS-Tanyard Road Improvements	689,302	686,352	4,822	691,174	(1,872)	4,822
820291	Carmichael Road Improvements	203,669	6,807	147,436	154,243	49,426	154,243
820295	Fogwell Road Improvements	53,215	-	-	-	53,215	-
820297	Rt 18-552 Improvements	1,574,248	233,249	2,995	236,244	1,338,004	236,244
820301	Heron View	28,131	28,131	-	28,131	-	-
	Total Public Works - Roads	9,531,401	2,014,689	1,354,463	3,369,152	6,162,249	1,662,972
<u>TRANSFERS TO OTHER FUNDS</u>							
820187	To Roads Operating	1,841,876	1,019,487	822,389	1,841,876	-	-
820209	County Wide Mapping II	80,000	80,000	-	80,000	-	-
820299	To Roads Operating	598,024	-	598,024	598,024	-	-
	Total Transfers to Other Funds	2,519,900	1,099,487	1,420,413	2,519,900	-	-
	Total Roads Board Capital Projects	\$ 12,051,301	\$ 3,114,176	\$ 2,774,876	\$ 5,889,052	\$ 6,162,249	\$ 1,662,972
	Total General and Roads Capital Projects	\$ 121,737,984	\$ 68,232,843	\$ 21,990,614	\$ 90,223,457	\$ 31,514,527	\$ 2,460,794
Force in Kind Capital Projects reported in non-capital projects Funds and added to CIP							
400306	White March Park FIC	\$ 411,085	\$ 407,809	\$ 3,276	\$ 411,085	\$ -	\$ -
400392	Cross County Conn II FIC	29,557	28,015	1,542	29,557	-	27,634
400394	Davidson Property FIC	43,470	43,369	101	43,470	-	43,470
400472	CLS-Bioswale Drain FIC	33,076	25,433	7,643	33,076	-	-
400626	Coastal Bays Health Dept Parking - FIC	18,545	3,981	14,564	18,545	-	-
400630	Kirwan Creek WMP IMPL - FIC	43,809	14,716	29,093	43,809	-	-
400634	Bloomfield Kiosk - FIC	6,574	1,905	4,669	6,574	-	-
400640	RT 18 Park Trail - FIC	3,874	-	3,874	3,874	-	-
	Total Construction in Progress and Capitalized Current Year	\$ 589,990	\$ 525,228	\$ 64,762	\$ 589,990	\$ -	\$ 71,104
							\$ 2,531,898
							\$ 2,751,420

## **NON-MAJOR ENTERPRISE FUNDS**

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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; 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:**

**Public Marinas** – This fund accounts for operation, maintenance, and major repairs of public marinas. For a fee, the general public has access to these marinas for temporary mooring.

### **Parks and Recreation:**

**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.

**Recreation Programs** – This fund accounts for self-supporting recreation programs wherein user charges cover the majority of operating expenditures.

**Public Landings** – This fund accounts for operation, maintenance, and major repairs of public landings and bulkheads. For a fee, the general public has access to these landings to launch small craft into the many waterways that surround the County.

**Property Management** – This fund accounts for the operation, maintenance and major repairs associated with the County's many parks and public facilities.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2012**

<u>ASSETS</u>	GOLF COURSE	RECREATION PROGRAMS	PUBLIC LANDINGS
<b>Current Assets</b>			
Equity in Pooled Cash	\$ -	\$ 467,617	\$ 237,664
Accounts Receivable (Net)	-	-	720
Due from Other Governments	-	-	16,102
Bond Interest Reimbursement Receivable - Build America Bond	-	-	167
Inventories	7,237	-	-
Prepaid Expenses	20,000	-	-
<b>Total Current Assets</b>	<b>27,237</b>	<b>467,617</b>	<b>254,653</b>
<b>Capital Assets</b>			
Land, Improved and Unimproved	1,904,522	-	559,862
Buildings and Improvements to Buildings	313,443	-	-
Improvements Other Than Buildings	122,268	-	2,453,629
Automotive Equipment	22,835	-	10,880
Equipment	580,346	-	56,814
Furniture and Fixtures	-	24,023	4,979
Construction in Progress	-	-	156,153
<b>Capital Assets before Depreciation</b>	<b>2,943,414</b>	<b>24,023</b>	<b>3,242,317</b>
<b>Less Accumulated Depreciation</b>	<b>(646,182)</b>	<b>(17,935)</b>	<b>(350,692)</b>
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	<b>2,297,232</b>	<b>6,088</b>	<b>2,891,625</b>
<b>Total Noncurrent Assets</b>	<b>2,297,232</b>	<b>6,088</b>	<b>2,891,625</b>
<b>Total Assets</b>	<b>2,324,469</b>	<b>473,705</b>	<b>3,146,278</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Accounts Payable	28,276	24,681	12,657
Accrued Interest Payable	4,738	-	476
Escrow Deposits	-	2,551	-
Due to Other Funds	310,570	-	-
Unearned Revenue	2,374	-	-
Current Portion of Compensated Absences	5,030	14,929	20,435
Current Portion of Bonds/Notes Payable	76,763	-	1,578
<b>Total Current Liabilities</b>	<b>427,751</b>	<b>42,161</b>	<b>35,146</b>
<b>Noncurrent Liabilities</b>			
Compensated Absences	3,674	10,905	14,926
Other Post-Employment Benefit Obligation	-	240,479	103,031
Bonds/Notes Payable	583,418	-	38,303
<b>Total Noncurrent Liabilities</b>	<b>587,092</b>	<b>251,384</b>	<b>156,260</b>
<b>Total Liabilities</b>	<b>1,014,843</b>	<b>293,545</b>	<b>191,406</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	1,637,051	6,088	2,851,744
Restricted for:			
Donations	438	-	-
Unrestricted	(327,863)	174,072	103,128
<b>Total Net Assets</b>	<b>\$ 1,309,626</b>	<b>\$ 180,160</b>	<b>\$ 2,954,872</b>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**JUNE 30, 2012**

(CONTINUED)

PROPERTY MANAGEMENT	TOTAL PARKS AND RECREATION	PUBLIC MARINAS	TOTAL NON-MAJOR ENTERPRISE
\$ -	\$ 705,281	\$ 341,717	\$ 1,046,998
2,272	2,992	-	2,992
-	16,102	-	16,102
-	167	3,573	3,740
-	7,237	-	7,237
-	20,000	-	20,000
<u>2,272</u>	<u>751,779</u>	<u>345,290</u>	<u>1,097,069</u>
49,335	2,513,719	209,248	2,722,967
867,429	1,180,872	-	1,180,872
99,013	2,674,910	2,715,191	5,390,101
49,730	83,445	-	83,445
165,859	803,019	-	803,019
-	29,002	-	29,002
-	156,153	-	156,153
1,231,366	7,441,120	2,924,439	10,365,559
<u>(450,050)</u>	<u>(1,464,859)</u>	<u>(109,068)</u>	<u>(1,573,927)</u>
<u>781,316</u>	<u>5,976,261</u>	<u>2,815,371</u>	<u>8,791,632</u>
<u>781,316</u>	<u>5,976,261</u>	<u>2,815,371</u>	<u>8,791,632</u>
<u>783,588</u>	<u>6,728,040</u>	<u>3,160,661</u>	<u>9,888,701</u>
17,666	83,280	750	84,030
-	5,214	11,852	17,066
8,300	10,851	-	10,851
14,715	325,285	-	325,285
61,680	64,054	-	64,054
-	40,394	-	40,394
-	78,341	39,447	117,788
<u>102,361</u>	<u>607,419</u>	<u>52,049</u>	<u>659,468</u>
-	29,505	-	29,505
322,167	665,677	6,796	672,473
-	621,721	962,185	1,583,906
<u>322,167</u>	<u>1,316,903</u>	<u>968,981</u>	<u>2,285,884</u>
<u>424,528</u>	<u>1,924,322</u>	<u>1,021,030</u>	<u>2,945,352</u>
781,316	5,276,199	1,813,739	7,089,938
-	438	-	438
<u>(422,256)</u>	<u>(472,919)</u>	<u>325,892</u>	<u>(147,027)</u>
<u>\$ 359,060</u>	<u>\$ 4,803,718</u>	<u>\$ 2,139,631</u>	<u>\$ 6,943,349</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>GOLF COURSE</u>	<u>RECREATION PROGRAMS</u>	<u>PUBLIC LANDINGS</u>
<b><u>OPERATING REVENUES</u></b>			
Charges for Services	\$ 320,896	\$ 254,827	\$ 310,099
Intergovernmental	-	5,217	24,140
Bond Interest Reimbursement - Build America Bond	-	-	669
Material Sales	48,473	-	-
Miscellaneous Revenues	<u>2,222</u>	<u>18,072</u>	<u>31,805</u>
 Total Operating Revenues	 <u>371,591</u>	 <u>278,116</u>	 <u>366,713</u>
<b><u>OPERATING EXPENSES</u></b>			
Cost of Sales and Services			
Parks and Recreation	426,579	510,605	352,650
Public Marinas	<u>-</u>	<u>-</u>	<u>-</u>
 Total Cost of Sales and Services	 426,579	 510,605	 352,650
Other Post-Employment Benefit Contributions	-	63,040	24,518
Depreciation	<u>45,945</u>	<u>2,402</u>	<u>55,869</u>
 Total Operating Expenses	 <u>472,524</u>	 <u>576,047</u>	 <u>433,037</u>
 Operating Income (Loss)	 <u>(100,933)</u>	 <u>(297,931)</u>	 <u>(66,324)</u>
<b><u>NON-OPERATING (EXPENSES)</u></b>			
Interest Expense	<u>(39,936)</u>	<u>-</u>	<u>(1,911)</u>
 Gain (Loss) Before Contributions and Transfers	 <u>(140,869)</u>	 <u>(297,931)</u>	 <u>(68,235)</u>
 Capital Contributions, Fees and Grants	 <u>-</u>	 <u>-</u>	 <u>28,380</u>
 Transfers In	 <u>140,868</u>	 <u>295,638</u>	 <u>-</u>
 Change in Net Assets	 <u>(1)</u>	 <u>(2,293)</u>	 <u>(39,855)</u>
 Total Net Assets - Beginning of Year	 <u>1,309,627</u>	 <u>182,453</u>	 <u>2,994,727</u>
 Total Net Assets - End of Year	 <u>\$ 1,309,626</u>	 <u>\$ 180,160</u>	 <u>\$ 2,954,872</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

(CONTINUED)

<u>PROPERTY MANAGEMENT</u>	<u>TOTAL PARKS AND RECREATION</u>	<u>PUBLIC MARINAS</u>	<u>TOTAL NON-MAJOR ENTERPRISE</u>
\$ 615,728	\$ 1,501,550	\$ 102,290	\$ 1,603,840
22,889	52,246	-	52,246
-	669	14,183	14,852
920	49,393	-	49,393
<u>49,731</u>	<u>101,830</u>	<u>166</u>	<u>101,996</u>
<u>689,268</u>	<u>1,705,688</u>	<u>116,639</u>	<u>1,822,327</u>
616,925	1,906,759	-	1,906,759
<u>-</u>	<u>-</u>	<u>29,199</u>	<u>29,199</u>
616,925	1,906,759	29,199	1,935,958
77,509	165,067	1,119	166,186
<u>52,044</u>	<u>156,260</u>	<u>35,023</u>	<u>191,283</u>
<u>746,478</u>	<u>2,228,086</u>	<u>65,341</u>	<u>2,293,427</u>
<u>(57,210)</u>	<u>(522,398)</u>	<u>51,298</u>	<u>(471,100)</u>
<u>-</u>	<u>(41,847)</u>	<u>(45,543)</u>	<u>(87,390)</u>
<u>(57,210)</u>	<u>(564,245)</u>	<u>5,755</u>	<u>(558,490)</u>
<u>300</u>	<u>28,680</u>	<u>78,314</u>	<u>106,994</u>
<u>25,000</u>	<u>461,506</u>	<u>-</u>	<u>461,506</u>
<u>(31,910)</u>	<u>(74,059)</u>	<u>84,069</u>	<u>10,010</u>
<u>390,970</u>	<u>4,877,777</u>	<u>2,055,562</u>	<u>6,933,339</u>
<u>\$ 359,060</u>	<u>\$ 4,803,718</u>	<u>\$ 2,139,631</u>	<u>\$ 6,943,349</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>GOLF COURSE</u>	<u>RECREATION PROGRAMS</u>	<u>PUBLIC LANDINGS</u>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Receipts from customers and users	\$ 321,277	\$ 254,081	\$ 317,808
Receipts from other operating revenues	50,695	23,289	135,123
Receipts from Build America Bond interest reimbursement	-	-	664
Payments to suppliers	(316,404)	42,486	(92,844)
Payments to employees and on behalf of employees	(110,329)	(553,464)	(257,431)
Net Cash Provided (Used) by Operating Activities	<u>(54,761)</u>	<u>(233,608)</u>	<u>103,320</u>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>			
Transfers from other funds	140,868	295,638	-
Loan proceeds from interfund loans	310,570	20,000	-
Principal paid on interfund loans	(279,425)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>172,013</u>	<u>315,638</u>	<u>-</u>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>			
Receipts from capital grants and contributions	-	-	28,380
Principal paid on capital debt	(80,000)	-	(1,752)
Receipts from bonds, including premiums, net of issuance costs	-	-	1,842
Interest paid on capital debt	(37,252)	-	(1,896)
Acquisition and Construction of Capital Assets	-	-	(29,113)
Net Cash (Used) by Capital and Related Financing Activities	<u>(117,252)</u>	<u>-</u>	<u>(2,539)</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>			
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	-	82,030	100,781
Balances - Beginning of year	-	385,587	136,883
Balances - End of year	<u>\$ -</u>	<u>\$ 467,617</u>	<u>\$ 237,664</u>
<b><u>Reconciliation of operating income (loss) to net cash provided by operating activities</u></b>			
Operating income (loss)	\$ (100,933)	\$ (297,931)	\$ (66,324)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	45,945	2,402	55,869
Changes in assets and liabilities:			
Accounts receivable, net	-	-	8,407
Operating grants receivable	-	-	79,178
Build America Bonds Interest receivable	-	-	(5)
Inventories and Prepaid Expenses	(18,500)	-	-
Vendor accounts payable	17,477	2,668	1,172
Compensated absences	869	(3,040)	1,203
Other Post-Employment Benefit Obligation	-	63,039	24,518
Escrow deposits payable	-	(746)	-
Deferred revenue collected in advance	381	-	(698)
Net Cash Provided (Used) by Operating Activities	<u>\$ (54,761)</u>	<u>\$ (233,608)</u>	<u>\$ 103,320</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NON-MAJOR ENTERPRISE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

(CONTINUED)

<u>PROPERTY MANAGEMENT</u>	<u>TOTAL PARKS AND RECREATION</u>	<u>PUBLIC MARINAS</u>	<u>TOTAL NON-MAJOR ENTERPRISE</u>
\$ 652,037	\$ 1,545,203	\$ 102,290	\$ 1,647,493
74,187	283,294	166	283,460
-	664	14,232	14,896
(326,757)	(693,519)	(7,396)	(700,915)
<u>(313,778)</u>	<u>(1,235,002)</u>	<u>(22,060)</u>	<u>(1,257,062)</u>
85,689	(99,360)	87,232	(12,128)
25,000	461,506	-	461,506
14,715	345,285	-	345,285
<u>(114,204)</u>	<u>(393,629)</u>	<u>-</u>	<u>(393,629)</u>
(74,489)	413,162	-	413,162
300	28,680	78,314	106,994
-	(81,752)	(49,977)	(131,729)
-	1,842	116,730	118,572
-	(39,148)	(44,760)	(83,908)
<u>(11,500)</u>	<u>(40,613)</u>	<u>(162,811)</u>	<u>(203,424)</u>
(11,200)	(130,991)	(62,504)	(193,495)
-	-	-	-
-	182,811	24,728	207,539
-	522,470	316,989	839,459
<u>\$ -</u>	<u>\$ 705,281</u>	<u>\$ 341,717</u>	<u>\$ 1,046,998</u>
\$ (57,210)	\$ (522,398)	\$ 51,298	\$ (471,100)
52,044	156,260	35,023	191,283
(1,021)	7,386	-	7,386
647	79,825	-	79,825
-	(5)	49	44
-	(18,500)	1	(18,499)
(23,610)	(2,293)	(259)	(2,552)
-	(968)	-	(968)
77,509	165,066	1,120	166,186
650	(96)	-	(96)
<u>36,680</u>	<u>36,363</u>	<u>-</u>	<u>36,363</u>
<u>\$ 85,689</u>	<u>\$ (99,360)</u>	<u>\$ 87,232</u>	<u>\$ (12,128)</u>



## **FIDUCIARY FUNDS**

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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 & Public Housing Authority  
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.

**Mid-shore Regional Recycling Program (MRRP)** – This fund accounts for activities of the regional recycling effort that is supported by four counties, including Queen Anne’s County.

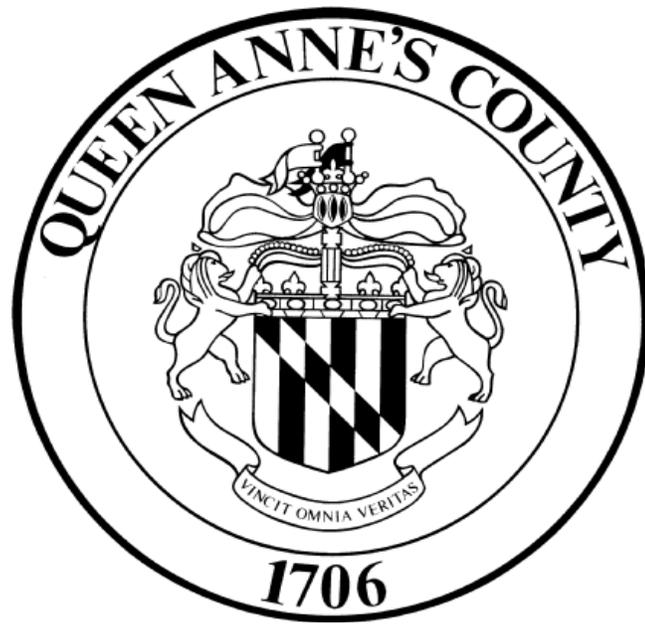
**Escheat – Abandoned Property** – This fund accounts for stale-dated County payroll and disbursements checks that are voided by the County and remitted to the State after three years as abandoned property. In accordance with State statutes, these funds are available to be claimed by the original payee or they revert to the State.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**OTHER POST-EMPLOYMENT BENEFIT TRUST FUND**  
**JUNE 30, 2012**

	QUEEN ANNE'S COUNTY	QUEEN ANNE'S COUNTY PUBLIC HOUSING AUTHORITY	QUEEN ANNE'S COUNTY BOARD OF EDUCATION	QUEEN ANNE'S COUNTY LIBRARY	KENT COUNTY	TOTAL OPEB TRUST FUND
<b>ASSETS</b>						
Cash and Cash Equivalents	\$ 490,702	\$ 113,172	\$ 503,354	\$ 30,201	\$ 156,040	\$ 1,293,469
Total Assets	<u>490,702</u>	<u>113,172</u>	<u>503,354</u>	<u>30,201</u>	<u>156,040</u>	<u>1,293,469</u>
<b>LIABILITIES</b>						
Due to Other Governments	-	-	-	-	156,040	156,040
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,040</u>	<u>156,040</u>
<b>NET ASSETS HELD IN TRUST</b>	<u>\$ 490,702</u>	<u>\$ 113,172</u>	<u>\$ 503,354</u>	<u>\$ 30,201</u>	<u>\$ -</u>	<u>\$ 1,137,429</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**OTHER POST-EMPLOYMENT BENEFIT TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	QUEEN ANNE'S COUNTY	QUEEN ANNE'S COUNTY PUBLIC HOUSING AUTHORITY	QUEEN ANNE'S COUNTY BOARD OF EDUCATION	QUEEN ANNE'S COUNTY LIBRARY	TOTAL OPEB TRUST FUND
<b>ADDITIONS</b>					
Contributions					
Employers	\$ 1,508,144	\$ 40,833	\$ 1,409,451	\$ 19,600	\$ 2,978,028
Members	278,825	3,121	757,936	4,630	1,044,512
Total Contributions	<u>1,786,969</u>	<u>43,954</u>	<u>2,167,387</u>	<u>24,230</u>	<u>4,022,540</u>
Investment Income	<u>725</u>	<u>206</u>	<u>996</u>	<u>59</u>	<u>1,986</u>
Total Additions	<u>1,787,694</u>	<u>44,160</u>	<u>2,168,383</u>	<u>24,289</u>	<u>4,024,526</u>
<b>DEDUCTIONS</b>					
Claims Paid	<u>1,297,473</u>	<u>7,360</u>	<u>2,167,387</u>	<u>24,230</u>	<u>3,496,450</u>
Change in Assets	490,221	36,800	996	59	528,076
<b>NET ASSETS HELD IN TRUST</b>					
Net Assets - Beginning of Year	<u>481</u>	<u>76,372</u>	<u>502,358</u>	<u>30,142</u>	<u>609,353</u>
Net Assets - End of Year	<u>\$ 490,702</u>	<u>\$ 113,172</u>	<u>\$ 503,354</u>	<u>\$ 30,201</u>	<u>\$ 1,137,429</u>



**QUEEN ANNE'S COUNTY, MARYLAND**  
**STATEMENT OF AGENCY FUNDS ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**JUNE 30, 2012**

	<u>TAX DITCH FUND</u>	<u>ZONING DEPOSITS</u>	<u>STATE &amp; TOWN TAX COLLECTIONS</u>	<u>MOTOR VEHICLE ADMIN DEPOSITS</u>	<u>MIDSHORE REGIONAL RECYCLING</u>	<u>ESCHEAT - ABANDONED PROPERTY</u>	<u>TOTAL AGENCY FUNDS</u>
<b>ASSETS</b>							
Cash and Cash Equivalents	\$ 120,991	\$ 267,511	\$ 79,781	\$ 5,480	\$ 5,661	\$ 2,766	\$ 482,190
Miscellaneous Receivables	-	-	-	-	101,686	-	101,686
Total Assets	<u>\$ 120,991</u>	<u>\$ 267,511</u>	<u>\$ 79,781</u>	<u>\$ 5,480</u>	<u>\$ 107,347</u>	<u>\$ 2,766</u>	<u>\$ 583,876</u>
<b>LIABILITIES</b>							
Due to Other Governments	\$ -	\$ -	\$ 79,781	\$ 5,480	\$ 107,347	\$ 2,766	\$ 195,374
Deposits and Escrows	<u>120,991</u>	<u>267,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,502</u>
Total Liabilities	<u>\$ 120,991</u>	<u>\$ 267,511</u>	<u>\$ 79,781</u>	<u>\$ 5,480</u>	<u>\$ 107,347</u>	<u>\$ 2,766</u>	<u>\$ 583,876</u>

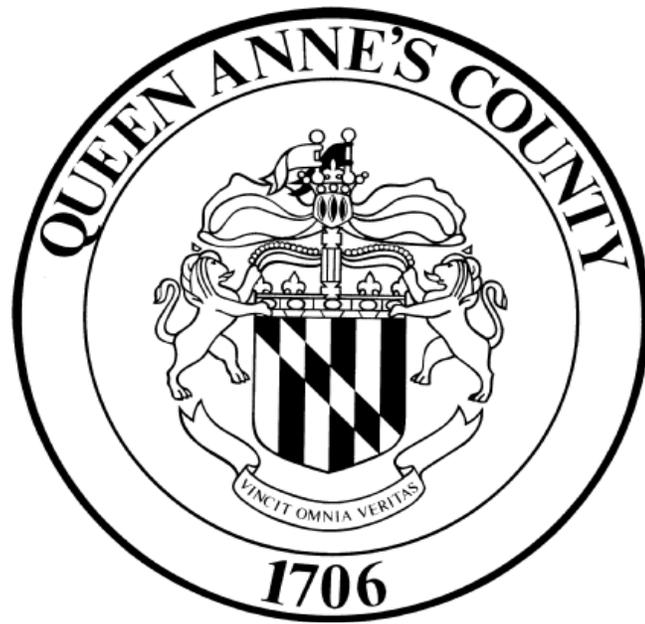
**QUEEN ANNE'S COUNTY, MARYLAND**  
**STATEMENT OF CHANGES IN AGENCY FUNDS ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Cash</u>	<u>Miscellaneous Receivables</u>	<u>Total Assets</u>
<b><u>TAX DITCH FUND</u></b>			
Balance 7-1-11	\$ 121,288	\$ -	\$ 121,288
Additions	19,516	-	19,516
Deductions	(19,813)	-	(19,813)
Balance 6-30-12	<u>\$ 120,991</u>	<u>\$ -</u>	<u>\$ 120,991</u>
<b><u>ZONING DEPOSITS</u></b>			
Balance 7-1-11	\$ 187,652	\$ -	\$ 187,652
Additions	98,692	-	98,692
Deductions	(18,833)	-	(18,833)
Balance 6-30-12	<u>\$ 267,511</u>	<u>\$ -</u>	<u>\$ 267,511</u>
<b><u>STATE AND TOWN TAX COLLECTIONS</u></b>			
Balance 7-1-11	\$ 1,575	\$ -	\$ 1,575
Additions	12,581,614	-	12,581,614
Deductions	(12,503,408)	-	(12,503,408)
Balance 6-30-12	<u>\$ 79,781</u>	<u>\$ -</u>	<u>\$ 79,781</u>
<b><u>MOTOR VEHICLE ADMIN DEPOSITS</u></b>			
Balance 7-1-11	\$ 5,414	\$ -	\$ 5,414
Additions	327,713	-	327,713
Deductions	(327,647)	-	(327,647)
Balance 6-30-12	<u>\$ 5,480</u>	<u>\$ -</u>	<u>\$ 5,480</u>
<b><u>MIDSHORE REGIONAL RECYCLING</u></b>			
Balance 7-1-11	\$ 6,761	\$ 124,671	\$ 131,432
Additions	721,272	101,686	822,958
Deductions	(722,372)	(124,671)	(847,043)
Balance 6-30-12	<u>\$ 5,661</u>	<u>\$ 101,686</u>	<u>\$ 107,347</u>
<b><u>ESCHEAT - ABANDONED PROPERTY</u></b>			
Balance 7-1-11	\$ 4,334	\$ -	\$ 4,334
Additions	3,721	-	3,721
Deductions	(5,289)	-	(5,289)
Balance 6-30-12	<u>\$ 2,766</u>	<u>\$ -</u>	<u>\$ 2,766</u>
<b><u>TOTALS - ALL AGENCY FUNDS</u></b>			
Balance 7-1-11	\$ 327,024	\$ 124,671	\$ 451,695
Additions	13,752,528	101,686	13,854,214
Deductions	(13,597,362)	(124,671)	(13,722,033)
Balance 6-30-12	<u>\$ 482,190</u>	<u>\$ 101,686</u>	<u>\$ 583,876</u>

**QUEEN ANNE'S COUNTY, MARYLAND**  
**STATEMENT OF CHANGES IN AGENCY FUNDS ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

(CONTINUED)

<u>Due to Other Governments</u>	<u>Escrow Deposits</u>	<u>Total Liabilities</u>
\$ -	\$ 121,288	\$ 121,288
-	19,516	19,516
-	(19,813)	(19,813)
<u>\$ -</u>	<u>\$ 120,991</u>	<u>\$ 120,991</u>
\$ -	\$ 187,652	\$ 187,652
-	98,692	98,692
-	(18,833)	(18,833)
<u>\$ -</u>	<u>\$ 267,511</u>	<u>\$ 267,511</u>
\$ 1,575	\$ -	\$ 1,575
12,581,614	-	12,581,614
(12,503,408)	-	(12,503,408)
<u>\$ 79,781</u>	<u>\$ -</u>	<u>\$ 79,781</u>
\$ 5,414	\$ -	\$ 5,414
327,015	-	327,015
(326,949)	-	(326,949)
<u>\$ 5,480</u>	<u>\$ -</u>	<u>\$ 5,480</u>
\$ 131,432	\$ -	\$ 131,432
345,579	-	345,579
(369,664)	-	(369,664)
<u>\$ 107,347</u>	<u>\$ -</u>	<u>\$ 107,347</u>
\$ 4,334	\$ -	\$ 4,334
3,721	-	3,721
(5,289)	-	(5,289)
<u>\$ 2,766</u>	<u>\$ -</u>	<u>\$ 2,766</u>
\$ 142,755	\$ 308,940	\$ 451,695
13,257,929	118,208	13,376,137
(13,205,310)	(38,646)	(13,243,956)
<u>\$ 195,374</u>	<u>\$ 388,502</u>	<u>\$ 583,876</u>



## **Community Partnerships for Children**

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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, 2012 (with Summarized Totals as of June 30, 2011)**

	Admin	Fed/State GOCCP GOC	Federal Family Support Ctr	State CSAFE	State OTHER
<b>ASSETS</b>					
Cash and cash equivalents	\$ 67,475	\$ 801,543	\$ 4,131	\$ -	\$ 33,908
Accounts receivable	8,876	1,078	-	-	-
Due from State governmental agencies	-	84,303	-	3,096	-
Due from Federal governmental agencies	-	77,216	-	-	-
<b>Total Assets</b>	<b>\$ 76,351</b>	<b>\$ 964,140</b>	<b>\$ 4,131</b>	<b>\$ 3,096</b>	<b>\$ 33,908</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable and accrued expenditures	\$ 6,617	\$ 210,638	\$ -	\$ -	\$ -
Due to other funds	-	-	-	3,096	-
Due to State governmental agencies	2,175	305,241	4,131	-	33,908
Deferred revenue	-	445,656	-	-	-
<b>Total Liabilities</b>	<b>8,792</b>	<b>961,535</b>	<b>4,131</b>	<b>3,096</b>	<b>33,908</b>
<b>FUND BALANCES</b>					
Assigned	67,559	2,605	-	-	-
<b>Total Fund Balances</b>	<b>67,559</b>	<b>2,605</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 76,351</b>	<b>\$ 964,140</b>	<b>\$ 4,131</b>	<b>\$ 3,096</b>	<b>\$ 33,908</b>

**QUEEN ANNE'S COUNTY**  
**COMMUNITY PARTNERSHIPS FOR CHILDREN SPECIAL REVENUE FUND**  
**COMBINING BALANCE SHEETS**  
**BY GRANTOR**  
**JUNE 30, 2012 (with Summarized Totals as of June 30, 2011)**

(CONTINUED)

Total Community Partnerships	Returned Reinvestment Fund	2012 Total	2011 Summarized Total
\$ 907,057	\$ 5,458	\$ 912,515	\$ 313,620
9,954	-	9,954	-
87,399	-	87,399	106,225
<u>77,216</u>	<u>-</u>	<u>77,216</u>	<u>162,391</u>
<u>\$ 1,081,626</u>	<u>\$ 5,458</u>	<u>\$ 1,087,084</u>	<u>\$ 582,236</u>
\$ 217,255	\$ -	\$ 217,255	\$ 190,304
3,096	-	3,096	8,411
345,455	-	345,455	307,952
<u>445,656</u>	<u>-</u>	<u>445,656</u>	<u>-</u>
<u>1,011,462</u>	<u>-</u>	<u>1,011,462</u>	<u>506,667</u>
<u>70,164</u>	<u>5,458</u>	<u>75,622</u>	<u>75,569</u>
<u>70,164</u>	<u>5,458</u>	<u>75,622</u>	<u>75,569</u>
<u>\$ 1,081,626</u>	<u>\$ 5,458</u>	<u>\$ 1,087,084</u>	<u>\$ 582,236</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, 2012 (with Summarized Totals for the Year Ended June 30, 2011)**

	Federal/State GOCCP/GOC					
	Administrative	CASA Start	Resource Promotion	Chesapeake Helps	Healthy Fam/Home Visiting	Family Navigators
<b>REVENUES</b>						
<b>CPA</b>						
Intergovernmental						
GOC	\$ 65,000	\$ 54,770	\$ 8,923	\$ 130,914	\$ 57,616	\$ 163,810
<b>Non-CPA</b>						
Intergovernmental						
Federal GOCCP Youth Strategies	-	66,309	-	-	-	-
Federal SAMHSA Drug-Free Communities	-	-	-	-	-	-
Federal MSDE Healthy Families	-	-	-	-	-	-
State GOCCP - non-CPA	-	-	-	-	-	-
Other State Grant Funding	5,520	-	-	-	296,372	-
Investment Income	-	-	-	-	-	-
Earned Reinvestment Donations	-	-	-	-	-	-
Miscellaneous	19,640	-	-	-	-	-
Subtotal Non-CPA	<u>25,160</u>	<u>66,309</u>	<u>-</u>	<u>-</u>	<u>296,372</u>	<u>-</u>
Total Revenues	<u>90,160</u>	<u>121,079</u>	<u>8,923</u>	<u>130,914</u>	<u>353,988</u>	<u>163,810</u>
<b>EXPENDITURES</b>						
<b>CPA</b>						
Program Contracted Services	-	-	8,923	130,914	-	163,810
Other Expenditures						
Salaries	54,085	-	-	-	-	-
Fringe Benefit Costs	2,598	-	-	-	-	-
Office Supplies	-	-	-	-	-	-
Training	-	-	-	-	-	-
Marketing/Promotions	-	-	-	-	-	-
Other Charges	-	54,770	-	-	57,616	-
Subtotal CPA Expenditures	<u>56,683</u>	<u>54,770</u>	<u>8,923</u>	<u>130,914</u>	<u>57,616</u>	<u>163,810</u>
<b>Non-CPA</b>						
Program Contracted Services	-	66,309	-	-	296,372	-
Other Expenditures						
Salaries	83,017	-	-	-	-	-
Fringe Benefit Costs	65,149	-	-	-	-	-
Auditing	1,180	-	-	-	-	-
Consultants	-	-	-	-	-	-
Professional Groups	-	-	-	-	-	-
Equipment Rental	5,860	-	-	-	-	-
Other Contracted Services	-	-	-	-	-	-
Postage	587	-	-	-	-	-
Office Supplies	1,139	-	-	-	-	-
Equipment Operation	180	-	-	-	-	-
Business Travel	399	-	-	-	-	-
Meetings & Conferences	8,351	-	-	-	-	-
Training	-	-	-	-	-	-
Board's Expenditures	4,928	-	-	-	-	-
Advertising	-	-	-	-	-	-
Communications	1,635	-	-	-	-	-
Utilities	-	-	-	-	-	-
Other Charges	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Subtotal Non-CPA Expenditures	<u>172,425</u>	<u>66,309</u>	<u>-</u>	<u>-</u>	<u>296,372</u>	<u>-</u>
Total Expenditures	<u>229,108</u>	<u>121,079</u>	<u>8,923</u>	<u>130,914</u>	<u>353,988</u>	<u>163,810</u>
Excess of Revenues Over (Under) Expenditures	(138,948)	-	-	-	-	-
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In within Partnerships	-	-	-	-	-	-
Transfers (Out) within Partnerships	(8,317)	-	-	-	-	-
Transfers In (Out) for						
Program Contracted Services - In	147,265	-	-	-	-	-
Program Contracted Services - Out	-	-	-	-	-	-
Other Financing Sources (Uses)	<u>138,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease) in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2012 (with Summarized Totals for the Year Ended June 30, 2011)**

(CONTINUED)

Federal/State GOCCP/GOC						
MD After School Opportunity	Character Counts	Care Program	Teen Court	Underage Drinking Campaign	GOCCP/GOC Operating Fund Total	
\$ 51,806	\$ 25,000	\$ -	\$ -	\$ -	\$ 492,839	
-	-	48,169	47,721	15,900	178,099	
-	-	-	-	-	-	
-	-	12,440	-	-	12,440	
-	-	-	-	-	296,372	
-	1,535	-	-	-	1,535	
-	-	-	-	-	-	
-	1,535	60,609	47,721	15,900	488,446	
51,806	26,535	60,609	47,721	15,900	981,285	
51,806	-	-	-	-	355,453	
-	23,605	-	-	-	23,605	
-	4,380	-	-	-	4,380	
-	445	-	-	-	445	
-	250	-	-	-	250	
-	4,637	-	-	-	4,637	
-	-	-	-	-	112,386	
51,806	33,317	-	-	-	501,156	
-	-	27,681	11,143	3,005	404,510	
-	1,350	-	22,390	8,710	32,450	
-	185	-	1,823	1,145	3,153	
-	-	-	-	-	-	
-	-	-	900	-	900	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	(38)	(38)	
-	-	-	-	-	-	
-	-	1,895	-	-	1,895	
-	-	-	-	-	-	
-	-	819	-	-	819	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	11,465	-	11,465	
-	-	23,457	-	-	23,457	
-	1,535	53,852	47,721	12,822	478,611	
51,806	34,852	53,852	47,721	12,822	979,767	
-	(8,317)	6,757	-	3,078	1,518	
-	8,317	-	-	-	8,317	
-	-	-	-	-	-	
-	-	(6,757)	-	(3,078)	(9,835)	
-	8,317	(6,757)	-	(3,078)	(1,518)	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

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, 2012 (with Summarized Totals for the Year Ended June 30, 2011)**

(CONTINUED)

	CSAFE		State GOC	
	Community Policing	All Programs Subtotal	CPA Subtotal	Non-CPA Subtotal
<b>REVENUES</b>				
<b>CPA</b>				
Intergovernmental				
GOC	\$ -	\$ 557,839	\$ 557,839	\$ -
<b>Non-CPA</b>				
Intergovernmental				
Federal GOCCP Youth Strategies	-	178,099	-	-
Federal SAMHSA Drug-Free Communities	-	-	-	-
Federal MSDE Healthy Families	-	-	-	-
State GOCCP - non-CPA	11,759	24,199	-	-
Other	-	301,892	-	-
Investment Income	-	-	-	-
Earned Reinvestment Donations	-	1,535	-	-
Miscellaneous	-	19,640	-	-
Subtotal Non-CPA	11,759	525,365	-	-
Total Revenues	11,759	1,083,204	557,839	-
<b>EXPENDITURES</b>				
<b>CPA</b>				
Program Contracted Services	-	355,453	355,453	-
Other Expenditures				
Salaries	-	77,690	77,690	-
Fringe Benefit Costs	-	6,978	6,978	-
Office Supplies	-	445	445	-
Training	-	250	250	-
Marketing/Promotions	-	4,637	4,637	-
Other Charges	-	112,386	112,386	-
Subtotal CPA Expenditures	-	557,839	557,839	-
<b>Non-CPA</b>				
Program Contracted Services	-	404,510	-	-
Other Expenditures				
Salaries	-	115,467	-	-
Fringe Benefit Costs	-	68,302	-	-
Auditing	-	1,180	-	-
Consultants	-	900	-	-
Professional Groups	-	-	-	-
Equipment Rental	-	5,860	-	-
Other Contracted Services	-	-	-	-
Postage	-	587	-	-
Office Supplies	-	1,101	-	-
Equipment Operation	-	180	-	-
Business Travel	-	2,294	-	-
Meetings & Conferences	-	8,351	-	-
Training	-	819	-	-
Board's Expenditures	-	4,928	-	-
Advertising	-	-	-	-
Communications	-	1,635	-	-
Utilities	-	-	-	-
Other Charges	-	11,465	-	-
Capital Outlay	-	23,457	-	-
Subtotal Non-CPA Expenditures	-	651,036	-	-
Total Expenditures	-	1,208,875	557,839	-
Excess of Revenues Over (Under) Expenditures	11,759	(125,671)	-	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In within Partnerships	-	8,317	-	8,317
Transfers (Out) within Partnerships	-	(8,317)	-	(8,317)
Transfers In (Out) for				
Program Contracted Services - In	-	147,265	-	-
Program Contracted Services - Out	(11,759)	(21,594)	-	-
Other Financing Sources (Uses)	(11,759)	125,671	-	-
Net Increase (Decrease) in Fund Balances	\$ -	-	-	-
Fund Balances, July 1		70,164	607,286	(6,429)
Fund Balances, June 30		\$ 70,164	\$ 607,286	\$ (6,429)

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, 2012 (with Summarized Totals for the Year Ended June 30, 2011)**

(CONTINUED)

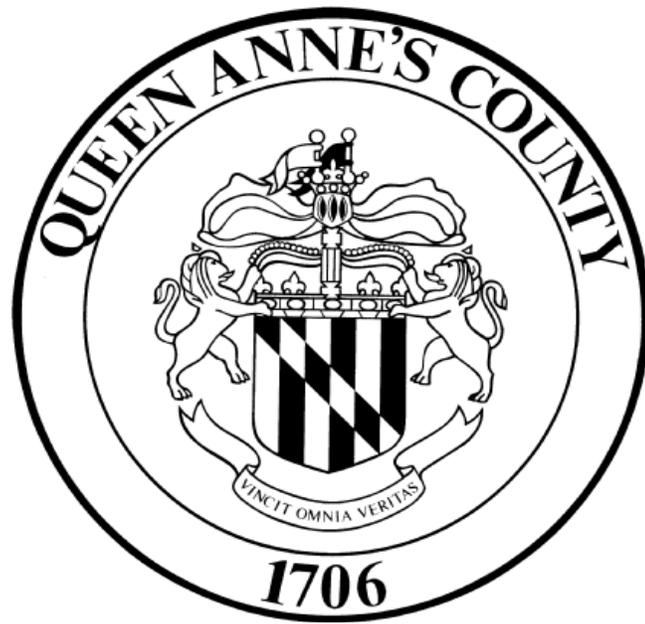
State GOCCP Non-CPA Subtotal	Federal GOCCP Youth Strategies	Federal Drug Free Community	Other Non-CPA State Grants	Other	Total Community Partnerships Operating Funds	Returned Reinvestment Fund	2012 Total	2011 Summarized Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 557,839	\$ -	\$ 557,839	\$ 579,901
-	178,099	-	-	-	178,099	-	178,099	95,603
-	-	-	-	-	-	-	-	15,400
-	-	-	-	-	-	-	-	296,372
24,199	-	-	-	-	24,199	-	24,199	6,704
-	-	-	301,892	-	301,892	-	301,892	16,995
-	-	-	-	-	-	53	53	44
-	-	-	-	1,535	1,535	-	1,535	1,000
-	-	-	-	19,640	19,640	-	19,640	47,075
24,199	178,099	-	301,892	21,175	525,365	53	525,418	479,193
24,199	178,099	-	301,892	21,175	1,083,204	53	1,083,257	1,059,094
-	-	-	-	-	355,453	-	355,453	435,723
-	-	-	-	-	77,690	-	77,690	81,036
-	-	-	-	-	6,978	-	6,978	6,653
-	-	-	-	-	445	-	445	-
-	-	-	-	-	250	-	250	-
-	-	-	-	-	4,637	-	4,637	4,000
-	-	-	-	-	112,386	-	112,386	53,489
-	-	-	-	-	557,839	-	557,839	580,901
-	108,138	-	296,372	-	404,510	-	404,510	481,211
-	31,100	-	-	84,367	115,467	-	115,467	147,041
-	2,968	-	-	65,334	68,302	-	68,302	84,169
-	-	-	-	1,180	1,180	-	1,180	1,731
-	900	-	-	-	900	-	900	15,000
-	-	-	-	-	-	-	-	50
-	-	-	-	5,860	5,860	-	5,860	3,198
-	-	-	-	-	-	-	-	5,286
-	-	-	-	587	587	-	587	790
-	(38)	-	-	1,139	1,101	-	1,101	5,988
-	-	-	-	180	180	-	180	205
-	1,895	-	-	399	2,294	-	2,294	215
-	-	-	5,520	2,831	8,351	-	8,351	-
-	819	-	-	-	819	-	819	1,325
-	-	-	-	4,928	4,928	-	4,928	14,146
-	-	-	-	-	-	-	-	211
-	-	-	-	1,635	1,635	-	1,635	1,523
-	-	-	-	-	-	-	-	3,332
-	11,465	-	-	-	11,465	-	11,465	-
12,440	11,017	-	-	-	23,457	-	23,457	-
12,440	168,264	-	301,892	168,440	651,036	-	651,036	765,421
12,440	168,264	-	301,892	168,440	1,208,875	-	1,208,875	1,346,322
11,759	9,835	-	-	(147,265)	(125,671)	53	(125,618)	(287,228)
-	-	-	-	-	8,317	-	8,317	3,490
-	-	-	-	-	(8,317)	-	(8,317)	(3,490)
-	-	-	-	147,265	147,265	-	147,265	304,268
(11,759)	(9,835)	-	-	-	(21,594)	-	(21,594)	(16,995)
(11,759)	(9,835)	-	-	147,265	125,671	-	125,671	287,273
-	-	-	-	-	-	53	53	45
3,491	1	(1,525)	-	(532,660)	70,164	5,405	75,569	75,524
\$ 3,491	\$ 1	\$ (1,525)	\$ -	\$ (532,660)	\$ 70,164	\$ 5,458	\$ 75,622	\$ 75,569

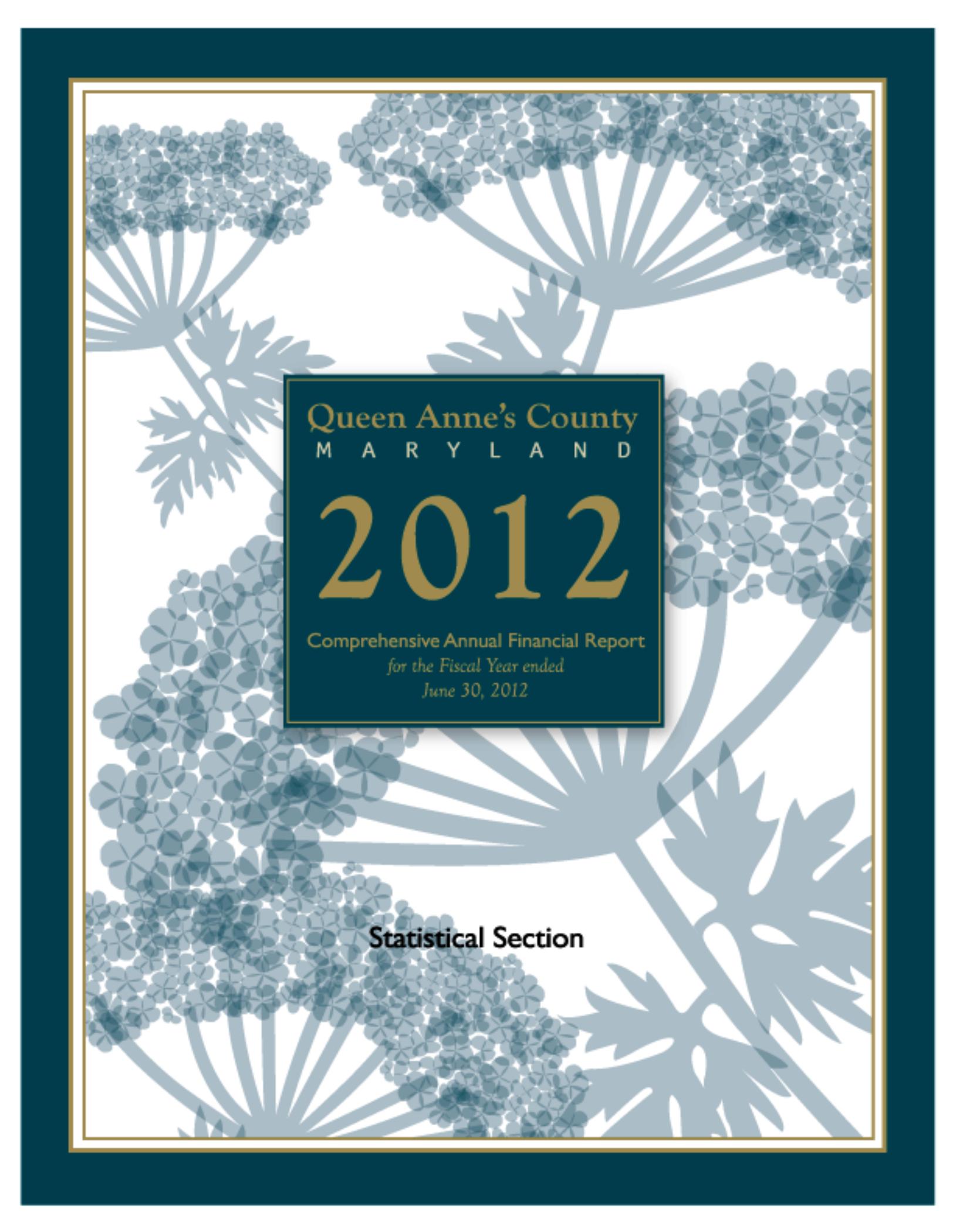
**QUEEN ANNE'S COUNTY**  
**COMMUNITY PARTNERSHIPS FOR CHILDREN SPECIAL REVENUE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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)
<b>REVENUES</b>								
Intergovernmental								
GOC - CPA and Non-CPA	\$ 611,158	\$ 586,886	\$ 557,839	\$ (29,047)	\$ -	\$ -	\$ -	\$ -
State GOCCP Non-CPA	22,092	29,440	24,199	(5,241)	-	-	-	-
Federal GOCCP Youth Strategies	50,000	215,322	178,099	(37,223)	-	-	-	-
Federal SAMHSA Drug-Free Communities	125,000	125,000	-	(125,000)	-	-	-	-
Federal MSDE Healthy Families	296,372	-	-	-	-	-	-	-
Other	-	296,372	301,892	5,520	-	-	-	-
Investment Income	-	-	-	-	-	-	53	53
Donations	-	4,000	1,535	(2,465)	-	-	-	-
Miscellaneous	3,215	3,215	19,640	16,425	-	-	-	-
<b>Total Revenues</b>	<b>1,107,837</b>	<b>1,260,235</b>	<b>1,083,204</b>	<b>(177,031)</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>53</b>
<b>EXPENDITURES</b>								
Program Contracted Services	905,184	997,754	759,963	237,791	-	-	-	-
Other Expenditures								
Salaries	185,286	218,286	193,157	25,129	-	-	-	-
Fringe Benefit Costs	81,406	86,297	75,280	11,017	-	-	-	-
Auditing	2,988	2,988	1,180	1,808	-	-	-	-
Consultants	-	900	900	-	-	-	-	-
Equipment Rental	3,198	3,198	5,860	(2,662)	-	-	-	-
Postage	3,614	3,614	587	3,027	-	-	-	-
Office Supplies	6,032	6,032	1,546	4,486	-	-	-	-
Equipment Operation	500	500	180	320	-	-	-	-
Business Travel	350	350	2,294	(1,944)	-	-	-	-
Meetings & Conferences	-	2,199	8,351	(6,152)	-	-	-	-
Training	-	819	1,069	(250)	-	-	-	-
Board's Expenditures	5,060	5,060	4,928	132	-	-	-	-
Marketing/Promotions	3,000	3,000	4,637	(1,637)	-	-	-	-
Communications	1,200	1,200	1,635	(435)	-	-	-	-
Utilities	3,089	3,089	-	3,089	-	-	-	-
Other Charges	57,616	57,616	123,851	(66,235)	-	-	-	-
Capital Outlay CPA	-	23,111	23,457	(346)	-	-	-	-
<b>Total Expenditures</b>	<b>1,258,523</b>	<b>1,416,013</b>	<b>1,208,875</b>	<b>207,138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess of Revenues Over (Under) Expenditures	(150,686)	(155,778)	(125,671)	30,107	-	-	53	53
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers In within Partnerships	8,317	8,317	8,317	-	-	-	-	-
Transfers Out within Partnerships	(8,317)	(8,317)	(8,317)	-	-	-	-	-
Transfers In (Out) for:								
Program Contracted Services - In	172,778	172,778	147,265	(25,513)	-	-	-	-
Program Contracted Services - Out	(22,092)	(17,000)	(21,594)	(4,594)	-	-	-	-
<b>Other Financing Sources (Uses)</b>	<b>150,686</b>	<b>155,778</b>	<b>125,671</b>	<b>(30,107)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Increase (Decrease) in Fund Balances/Net Assets	\$ -	\$ -	-	\$ -	\$ -	\$ -	53	\$ 53
Fund Balances, July 1			70,164				5,405	
Fund Balances, June 30			\$ 70,164				\$ 5,458	

**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, 2012**  
(Continued)

TOTAL			
Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
\$ 611,158	\$ 586,886	\$ 557,839	\$ (29,047)
22,092	29,440	24,199	(5,241)
50,000	215,322	178,099	(37,223)
125,000	125,000	-	(125,000)
296,372	-	-	-
-	296,372	301,892	5,520
-	-	53	53
-	4,000	1,535	(2,465)
3,215	3,215	19,640	16,425
<u>1,107,837</u>	<u>1,260,235</u>	<u>1,083,257</u>	<u>(176,978)</u>
905,184	997,754	759,963	237,791
185,286	218,286	193,157	25,129
81,406	86,297	75,280	11,017
2,988	2,988	1,180	1,808
-	900	900	-
3,198	3,198	5,860	(2,662)
3,614	3,614	587	3,027
6,032	6,032	1,546	4,486
500	500	180	320
350	350	2,294	(1,944)
-	2,199	8,351	(6,152)
-	819	1,069	(250)
5,060	5,060	4,928	132
3,000	3,000	4,637	(1,637)
1,200	1,200	1,635	(435)
3,089	3,089	-	3,089
57,616	57,616	123,851	(66,235)
-	23,111	23,457	(346)
<u>1,258,523</u>	<u>1,416,013</u>	<u>1,208,875</u>	<u>207,138</u>
(150,686)	(155,778)	(125,618)	30,160
8,317	8,317	8,317	-
(8,317)	(8,317)	(8,317)	-
172,778	172,778	147,265	(25,513)
<u>(22,092)</u>	<u>(17,000)</u>	<u>(21,594)</u>	<u>(4,594)</u>
150,686	155,778	125,671	(30,107)
<u>\$ -</u>	<u>\$ -</u>	53	<u>\$ 53</u>
		75,569	
		<u>\$ 75,622</u>	





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

2012

Comprehensive Annual Financial Report  
*for the Fiscal Year ended  
June 30, 2012*

**Statistical Section**



## STATISTICAL SECTION

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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 ASSETS BY COMPONENT - GOVERNMENT-WIDE  
 (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)  
 LAST TEN FISCAL YEARS  
 Table 1

	2003	2004	2005	2006	2007
<b>Governmental Activities:</b>					
Invested in capital assets, net of related debt	\$ 111,710,606	\$ 82,209,646	\$ 85,784,267	\$ 95,644,000	\$ 103,657,227
Restricted	22,167,033	8,118,231	8,418,254	9,842,795	18,012,695
Unrestricted (deficit) (1)	(29,783,476)	(14,178,514)	(6,161,281)	7,339,567	(3,740,905)
Total Governmental Activities Net Assets	<u>104,094,163</u>	<u>76,149,363</u>	<u>88,041,240</u>	<u>112,826,362</u>	<u>117,929,017</u>
<b>Business-type Activities:</b>					
Invested in capital assets, net of related debt	50,984,848	52,094,337	55,612,719	69,672,273	74,463,912
Restricted	6,482,894	7,857,202	7,742,890	11,733,254	19,133,485
Unrestricted	-	-	-	-	-
Total Business-type Activities Net Assets	<u>57,467,742</u>	<u>59,951,539</u>	<u>63,355,609</u>	<u>81,405,527</u>	<u>93,597,397</u>
<b>Primary Government:</b>					
Invested in capital assets, net of related debt	162,695,454	134,303,983	141,396,986	165,316,273	178,121,139
Restricted	28,649,927	15,975,433	16,161,144	21,576,049	37,146,180
Unrestricted (deficit) (1)	(29,783,476)	(14,178,514)	(6,161,281)	7,339,567	(3,740,905)
Total Primary Government Net Assets	<u>\$ 161,561,905</u>	<u>\$ 136,100,902</u>	<u>\$ 151,396,849</u>	<u>\$ 194,231,889</u>	<u>\$ 211,526,414</u>

NOTES:

- \* Government-wide net asset information is reported on the accrual basis of accounting.
- \* Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are 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.
- \* Information prior to FY03 is not available, due to the FY03 implementation of GASB 34.
- \* Source: Statement of Net Assets, pages 32-33.

(1) In the government-wide financial statements, the County has reported negative unrestricted net assets 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 positive net assets for its governmental activities and for government-wide purposes. Government-wide unrestricted net assets would have been:

Unrestricted (deficit) net assets reported above	\$ (29,783,476)	\$ (14,178,514)	\$ (6,161,281)	\$ 7,339,567	\$ (3,740,905)
Debt issued for capital on behalf of others	41,941,175	51,839,220	47,345,646	44,460,306	57,496,385
County net assets absent effect of this relationship	<u>\$ 12,157,699</u>	<u>\$ 37,660,706</u>	<u>\$ 41,184,365</u>	<u>\$ 51,799,873</u>	<u>\$ 53,755,480</u>

QUEEN ANNE'S COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 NET ASSETS BY COMPONENT - GOVERNMENT-WIDE  
 (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)  
 LAST TEN FISCAL YEARS  
 Table 1

(CONTINUED)

	2008	2009	2010	2011	2012
\$	117,831,360	\$ 123,217,989	\$ 121,702,025	\$ 118,274,533	\$ 117,436,984
	15,376,330	16,582,660	22,290,307	22,399,514	5,982,041
	(15,075,202)	(26,672,299)	(45,795,597)	(61,193,944)	(44,098,063)
	<u>118,132,488</u>	<u>113,128,350</u>	<u>98,196,735</u>	<u>79,480,103</u>	<u>79,320,962</u>
	77,237,512	77,146,688	79,032,373	78,069,061	77,891,395
	18,276,271	19,886,675	18,180,809	16,821,905	3,513,948
	-	-	-	-	12,002,822
	<u>95,513,783</u>	<u>97,033,363</u>	<u>97,213,182</u>	<u>94,890,966</u>	<u>93,408,165</u>
	195,068,872	200,364,677	200,734,398	196,343,594	195,328,379
	33,652,601	36,469,335	40,471,116	39,221,419	9,495,989
	(15,075,202)	(26,672,299)	(45,795,597)	(61,193,944)	(32,095,241)
\$	<u>213,646,271</u>	<u>\$ 210,161,713</u>	<u>\$ 195,409,917</u>	<u>\$ 174,371,069</u>	<u>\$ 172,729,127</u>
\$	(15,075,202)	\$ (26,672,299)	\$ (45,795,597)	\$ (61,193,944)	\$ (32,095,241)
	53,758,049	50,291,243	57,677,186	72,437,047	68,278,842
\$	<u>38,682,847</u>	<u>\$ 23,618,944</u>	<u>\$ 11,881,589</u>	<u>\$ 11,243,103</u>	<u>\$ 36,183,601</u>

QUEEN ANNE'S COUNTY, MARYLAND  
**FINANCIAL TRENDS**  
**CHANGES IN NET ASSETS - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)**  
**LAST TEN FISCAL YEARS**  
**Table 2-a**

	2003	2004	2005	2006	2007
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General Government	\$ 7,537,390	\$ 8,902,751	\$ 8,774,831	\$ 9,071,760	\$ 9,854,468
Public Safety	10,161,429	13,064,686	14,255,183	17,534,652	19,149,388
Public Works	7,594,914	7,512,277	8,303,570	8,898,010	9,913,917
Health	952,194	1,123,795	1,284,216	1,377,717	1,450,866
Social Services	4,003,914	4,084,308	4,786,130	4,420,205	4,474,784
Education	43,050,433	46,142,006	40,377,624	42,303,087	56,118,585
Parks & Recreation (3)	2,068,102	3,810,546	2,385,014	2,562,890	3,158,455
Library	975,549	1,020,653	1,073,222	1,168,232	1,266,183
Conservation of Natural Resources	892,015	537,207	591,986	478,426	497,926
Economic/Community Development	1,775,216	1,634,749	1,546,516	1,575,099	3,258,876
Interest and Fiscal Charges	2,649,524	2,981,403	2,288,442	2,508,070	2,864,493
Total Governmental Activities Expenses	81,660,680	90,814,381	85,666,734	91,898,148	112,007,941
<b>Business-type Activities:</b>					
Water and Sewer	6,603,225	6,975,749	6,974,968	7,127,140	7,802,798
Parks & Recreation	1,929,891	2,007,419	2,524,904	2,509,783	3,273,986
Public Marinas	-	-	-	-	57,372
Airport	492,856	522,863	529,755	713,896	674,337
Total Business-type Activities Expenses	9,025,972	9,506,031	10,029,627	10,350,819	11,808,493
Total Primary Government Expenses	90,686,652	100,320,412	95,696,361	102,248,967	123,816,434
<b>Program Revenues</b>					
<b>Governmental Activities:</b>					
<b>General Government</b>					
Charges for Services	688,216	1,007,791	1,124,756	1,139,531	1,127,737
Operating Grants and Contributions	146,501	185,597	312,136	454,948	377,412
Capital Grants and Contributions	62,382	61,448	22,747	60,000	5,000
Total Revenue	897,099	1,254,836	1,459,639	1,654,479	1,510,149
<b>Public Safety</b>					
Charges for Services	720,580	1,197,844	968,857	1,595,738	1,642,258
Operating Grants and Contributions	1,265,912	887,519	1,443,474	1,743,073	1,255,307
Capital Grants and Contributions	-	493,132	271,867	456,993	272,497
Total Revenue	1,986,492	2,578,495	2,684,198	3,795,804	3,170,062
<b>Public Works</b>					
Charges for Services	692,471	782,252	1,666,335	1,189,117	871,962
Operating Grants and Contributions	4,259,700	3,624,359	4,130,984	3,710,398	5,572,760
Capital Grants and Contributions	230,243	168,092	461,499	57,000	1,838,101
Total Revenue	5,182,414	4,574,703	6,258,818	4,956,515	8,282,823
<b>Health</b>					
Operating Grants and Contributions	5,241	-	-	150,966	-
<b>Social Services</b>					
Charges for Services	265,809	188,032	162,958	58,467	73,497
Operating Grants and Contributions	2,881,622	2,769,345	3,035,511	2,550,840	2,589,967
Capital Grants and Contributions	459,411	829,082	24,388	-	172,732
Total Revenue	3,606,842	3,786,459	3,222,857	2,609,307	2,836,196
<b>Education</b>					
Charges for Services	703,191	1,277,905	917,387	1,696,657	963,216
Operating Grants and Contributions	-	-	-	18,000	-
Capital Grants and Contributions	-	-	-	-	-
Total Revenue	703,191	1,277,905	917,387	1,714,657	963,216
<b>Parks &amp; Recreation</b>					
Charges for Services	20,494	14,532	21,724	68,051	158,447
Operating Grants and Contributions	8,893	4,619	-	42,690	58,485
Capital Grants and Contributions	585,164	3,103,241	297,537	5,998,982	4,363,393
Total Revenue	614,551	3,122,392	319,261	6,109,723	4,580,325
<b>Conservation of Natural Resources</b>					
Charges for Services	89,691	109,527	150,052	119,580	100,488
Operating Grants and Contributions	250,078	324,573	371,960	680,396	597,613
Capital Grants and Contributions	-	5,211	28,535	-	-
Total Revenue	339,769	439,311	550,547	799,976	698,101
<b>Economic/Community Development</b>					
Charges for Services	24,261	17,615	23,728	11,086	4,083
Operating Grants and Contributions	658,808	465,989	247,404	121,497	120,254
Capital Grants and Contributions	5,000	-	-	-	-
Total Revenue	688,069	483,604	271,132	132,583	124,337
Total Governmental Activities Program Revenues	14,023,668	17,517,705	15,683,839	21,924,010	22,165,209

QUEEN ANNE'S COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 CHANGES IN NET ASSETS - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)  
 LAST TEN FISCAL YEARS

Table 2-a

(CONTINUED)

	2008	2009	2010	2011	2012
\$	11,167,743	\$ 13,317,683	\$ 14,089,387	\$ 15,968,633	\$ 13,421,531
	20,721,185	23,570,049	25,361,341	25,413,678	25,469,721
	10,420,547	10,237,718	9,432,489	9,098,949	10,373,286
	1,441,143	1,590,004	1,663,321	1,701,677	1,642,723
	4,978,883	5,617,621	5,554,667	5,001,240	4,526,166
	58,034,317	53,296,238	53,491,659	57,506,341	53,693,309
	3,330,087	5,060,018	3,618,427	3,090,228	-
	1,270,718	1,414,008	1,473,689	1,457,336	1,302,163
	2,172,443	2,473,308	5,281,372	3,811,748	2,802,337
	3,527,908	2,197,116	2,001,306	1,893,570	887,837
	3,033,416	2,831,002	3,510,678	4,078,105	4,196,072
	<u>120,098,390</u>	<u>121,604,765</u>	<u>125,478,336</u>	<u>129,021,505</u>	<u>118,315,145</u>
	9,621,784	10,689,782	10,610,705	10,905,989	10,711,211
	2,179,157	2,178,163	2,789,901	4,099,507	2,269,933
	27,344	38,050	96,739	67,395	110,884
	812,067	879,906	1,017,780	1,167,655	1,457,087
	<u>12,640,352</u>	<u>13,785,901</u>	<u>14,515,125</u>	<u>16,240,546</u>	<u>14,549,115</u>
	<u>132,738,742</u>	<u>135,390,666</u>	<u>139,993,461</u>	<u>145,262,051</u>	<u>132,864,260</u>
	1,047,371	1,055,945	1,261,230	1,086,641	1,081,808
	295,898	403,018	546,176	694,347	742,205
	757,975	5,567	44,743	118,100	116,710
	<u>2,101,244</u>	<u>1,464,530</u>	<u>1,852,149</u>	<u>1,899,088</u>	<u>1,940,723</u>
	3,167,090	1,394,463	1,263,212	1,090,545	1,320,647
	1,254,611	1,266,869	1,891,120	1,461,080	1,113,018
	1,171	273,176	303,566	82,885	191,223
	<u>4,422,872</u>	<u>2,934,508</u>	<u>3,457,898</u>	<u>2,634,510</u>	<u>2,624,888</u>
	1,014,600	714,765	791,796	872,352	1,107,426
	6,304,965	7,566,648	632,923	546,719	488,027
	544,610	298,500	264,078	901,289	541,887
	<u>7,864,175</u>	<u>8,579,913</u>	<u>1,688,797</u>	<u>2,320,360</u>	<u>2,137,340</u>
	-	-	-	-	-
	64,041	68,386	67,423	69,382	71,655
	2,911,796	2,928,291	2,666,917	2,050,062	2,076,096
	613,804	348,124	2,688,245	215,748	18,691
	<u>3,589,641</u>	<u>3,344,801</u>	<u>5,422,585</u>	<u>2,335,192</u>	<u>2,166,442</u>
	1,011,013	740,213	852,201	755,443	1,169,425
	-	8,050	433,000	-	-
	-	161,673	-	-	-
	<u>1,011,013</u>	<u>909,936</u>	<u>1,285,201</u>	<u>755,443</u>	<u>1,169,425</u>
	302,195	240,954	177,568	187,901	-
	72,659	509	123,336	1,868	-
	5,666,226	1,087,329	631,504	199,698	-
	<u>6,041,080</u>	<u>1,328,792</u>	<u>932,408</u>	<u>389,467</u>	<u>-</u>
	88,534	97,481	101,019	75,354	98,593
	322,718	55,847	93,002	1,006,138	36,872
	-	691,085	4,191,024	1,923,471	998,757
	<u>411,252</u>	<u>844,413</u>	<u>4,385,045</u>	<u>3,004,963</u>	<u>1,134,222</u>
	5,249	4,786	-	4,236	159,492
	163,245	641,305	-	239,893	245,143
	-	-	-	110,561	81,867
	<u>168,494</u>	<u>646,091</u>	<u>-</u>	<u>354,690</u>	<u>486,502</u>
	<u>25,609,771</u>	<u>20,052,984</u>	<u>19,024,083</u>	<u>13,693,713</u>	<u>11,659,542</u>

CONTINUED

QUEEN ANNE'S COUNTY, MARYLAND  
**FINANCIAL TRENDS**  
**CHANGES IN NET ASSETS - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)**  
**LAST TEN FISCAL YEARS**

Table 2-a

(CONTINUED)

	2003	2004	2005	2006	2007
<b>Business-type Activities:</b>					
<b>Water and Sewer</b>					
Charges for Services	\$ 6,738,431	\$ 7,206,833	\$ 6,704,817	\$ 8,057,402	\$ 12,169,440
Operating Grants and Contributions	-	-	541,052	-	-
Capital Grants and Contributions	2,506,457	868,581	994,303	12,576,490	5,015,603
Total Revenue	9,244,888	8,075,414	8,240,172	20,633,892	17,185,043
<b>Parks &amp; Recreation</b>					
Charges for Services	883,297	1,051,908	1,099,161	1,576,001	1,581,030
Operating Grants and Contributions	-	-	330,204	387,270	1,279,648
Capital Grants and Contributions	658,120	145,975	4,000	469,624	144,844
Total Revenue	1,541,417	1,197,883	1,433,365	2,432,895	3,005,522
<b>Public Marinas</b>					
Charges for Services	-	-	-	-	108,100
Operating Grants and Contributions	-	-	-	-	92,348
Capital Grants and Contributions	-	-	-	-	-
Total Revenue	-	-	-	-	200,448
<b>Airport</b>					
Charges for Services	179,029	149,601	182,092	23,661	32,683
Operating Grants and Contributions	-	-	-	4,448	1,112
Capital Grants and Contributions	41,190	23,636	69,595	6,368,327	667,166
Total Revenue	220,219	173,237	251,687	6,396,436	700,961
Total Business-type Activities Program Revenues	11,006,524	9,446,534	9,925,224	29,463,223	21,091,974
Total Primary Government Program Revenues	25,030,192	26,964,239	25,609,063	51,387,233	43,257,183
<b>Net (Expense) Revenue (1)</b>					
Governmental activities	(67,637,012)	(73,296,676)	(69,982,895)	(69,974,138)	(89,842,732)
Business-type activities	1,980,552	(59,497)	(104,403)	19,112,404	9,283,481
Total Primary Government Net Expense	\$ (65,656,460)	\$ (73,356,173)	\$ (70,087,298)	\$ (50,861,734)	\$ (80,559,251)
<b>General Revenues and Other Changes in Net Assets</b>					
<b>Governmental Activities:</b>					
Taxes (2)	\$ 66,274,065	\$ 75,137,137	\$ 80,932,258	\$ 87,157,631	\$ 90,910,849
Grants and Contributions Not Restricted to Specific Programs	-	-	88,750	-	-
Investment income	274,585	285,279	682,682	1,738,114	3,162,830
Gain (Loss) on Sale of Capital Assets	58,529	(452,997)	-	2,983,087	13,605
Miscellaneous	608,688	724,069	1,063,336	997,032	1,928,398
Transfers In (Out)	(554,940)	(154,916)	(3,055,362)	2,396,851	(1,070,297)
Special Items - Gain	832,718	215,000	-	-	-
Extraordinary Loss	(24,430)	-	-	(477,707)	-
Total Governmental Activities	67,469,215	75,753,572	79,711,664	94,795,008	94,945,385
<b>Business-type Activities:</b>					
Investment income	756,118	635,674	634,413	771,883	956,687
Gain (Loss) on Sale of Capital Assets	(39,866)	-	-	-	4,691
Miscellaneous	333,402	915,879	772,083	562,482	876,714
Transfers In (Out)	554,940	154,916	3,055,362	(2,396,851)	1,070,297
Special items - (Loss)	-	-	(953,385)	-	-
Extraordinary Gain	-	951,460	-	-	-
Total Business-type Activities	1,604,594	2,657,929	3,508,473	(1,062,486)	2,908,389
Total Primary Government	69,073,809	78,411,501	83,220,137	93,732,522	97,853,774
<b>Change in Net Assets</b>					
Governmental activities	(167,797)	2,456,896	9,728,769	24,820,870	5,102,653
Business-type activities	3,585,146	2,598,432	3,404,070	18,049,918	12,191,870
Total Primary Government	\$ 3,417,349	\$ 5,055,328	\$ 13,132,839	\$ 42,870,788	\$ 17,294,523

NOTES:

- \* Government-wide net asset information is reported on the accrual basis of accounting.
- \* Information prior to FY03 is not available, due to the FY03 implementation of GASB34.
- \* Source: Statement of Activities, pages 34-35.

- (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 will be included in public works.

QUEEN ANNE'S COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 CHANGES IN NET ASSETS - GOVERNMENT-WIDE (GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES)  
 LAST TEN FISCAL YEARS

Table 2-a

(CONTINUED)

2008	2009	2010	2011	2012
\$ 8,014,366	\$ 7,695,100	\$ 8,224,428	\$ 8,192,471	\$ 7,977,667
-	-	98,492	-	55,728
<u>2,584,371</u>	<u>682,935</u>	<u>208,115</u>	<u>837,426</u>	<u>347,573</u>
<u>10,598,737</u>	<u>8,378,035</u>	<u>8,531,035</u>	<u>9,029,897</u>	<u>8,380,968</u>
1,459,725	1,526,244	1,633,203	1,568,227	1,501,550
55,953	45,824	41,838	39,572	52,915
<u>95,890</u>	<u>69,068</u>	<u>289,895</u>	<u>196,487</u>	<u>28,680</u>
<u>1,611,568</u>	<u>1,641,136</u>	<u>1,964,936</u>	<u>1,804,286</u>	<u>1,583,145</u>
105,900	100,250	62,600	84,987	102,290
3,710	-	29,017	16,241	14,183
-	-	545,123	588,326	78,314
<u>109,610</u>	<u>100,250</u>	<u>636,740</u>	<u>689,554</u>	<u>194,787</u>
46,960	34,907	50,585	37,955	58,589
-	-	33,922	3,715	47,412
<u>382,945</u>	<u>289,112</u>	<u>1,519,810</u>	<u>448,600</u>	<u>693,162</u>
<u>429,905</u>	<u>324,019</u>	<u>1,604,317</u>	<u>490,270</u>	<u>799,163</u>
<u>12,749,820</u>	<u>10,443,440</u>	<u>12,737,028</u>	<u>12,014,007</u>	<u>10,958,063</u>
<u>38,359,591</u>	<u>30,496,424</u>	<u>31,761,111</u>	<u>25,707,720</u>	<u>22,617,605</u>
(94,488,619)	(101,551,781)	(106,454,253)	(115,327,792)	(106,655,603)
<u>109,468</u>	<u>(3,342,461)</u>	<u>(1,778,097)</u>	<u>(4,226,539)</u>	<u>(3,591,052)</u>
<u>\$ (94,379,151)</u>	<u>\$ (104,894,242)</u>	<u>\$ (108,232,350)</u>	<u>\$ (119,554,331)</u>	<u>\$ (110,246,655)</u>
\$ 91,853,216	\$ 95,530,316	\$ 90,469,883	\$ 96,093,533	\$ 105,693,926
-	-	-	-	-
2,128,509	642,472	144,553	136,523	126,650
-	1,540,404	26,731	281,158	27,627
721,946	2,182,525	786,719	711,868	1,254,255
(11,581)	(3,348,074)	(559,331)	(611,922)	(605,996)
-	-	-	-	-
-	-	-	-	-
<u>94,692,090</u>	<u>96,547,643</u>	<u>90,868,555</u>	<u>96,611,160</u>	<u>106,496,462</u>
875,509	595,279	436,045	407,629	374,665
-	-	-	-	-
919,828	918,688	962,540	884,772	1,127,590
11,581	3,348,074	559,331	611,922	605,996
-	-	-	-	-
-	-	-	-	-
<u>1,806,918</u>	<u>4,862,041</u>	<u>1,957,916</u>	<u>1,904,323</u>	<u>2,108,251</u>
<u>96,499,008</u>	<u>101,409,684</u>	<u>92,826,471</u>	<u>98,515,483</u>	<u>108,604,713</u>
203,471	(5,004,138)	(15,585,698)	(18,716,632)	(159,141)
<u>1,916,386</u>	<u>1,519,580</u>	<u>179,819</u>	<u>(2,322,216)</u>	<u>(1,482,801)</u>
<u>\$ 2,119,857</u>	<u>\$ (3,484,558)</u>	<u>\$ (15,405,879)</u>	<u>\$ (21,038,848)</u>	<u>\$ (1,641,942)</u>

QUEEN ANNE'S COUNTY, MARYLAND  
**FINANCIAL TRENDS**  
**GENERAL TAX REVENUES - GOVERNMENTAL ACTIVITIES**  
**LAST TEN FISCAL YEARS**  
**Table 2-b**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Local Property Taxes	\$ 36,257,473	\$ 39,784,933	\$ 42,121,614	\$ 44,688,709	\$ 46,185,050
Local Income Tax	23,471,091	27,738,830	29,957,555	31,959,096	35,346,494
Other Local Taxes	6,545,501	7,613,374	8,853,089	10,509,826	9,379,305
Total Taxes - Governmental Activities	<u>\$ 66,274,065</u>	<u>\$ 75,137,137</u>	<u>\$ 80,932,258</u>	<u>\$ 87,157,631</u>	<u>\$ 90,910,849</u>

	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
Local Property Taxes	\$ 50,021,587	\$ 55,362,114	\$ 59,267,240	\$ 60,070,368	\$ 65,937,415
Local Income Tax	35,700,111	34,834,937	25,715,247	30,624,679	34,028,234
Other Local Taxes	6,131,518	5,333,265	5,487,396	5,398,486	5,728,277
Total Taxes - Governmental Activities	<u>\$ 91,853,216</u>	<u>\$ 95,530,316</u>	<u>\$ 90,469,883</u>	<u>\$ 96,093,533</u>	<u>\$ 105,693,926</u>

NOTES:

\* Government-wide general tax revenue information is reported on the accrual basis of accounting.  
\* Source: Statement of Activities, pages 34-35.

QUEEN ANNE'S COUNTY, MARYLAND  
**FINANCIAL TRENDS**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
**Table 3**

	2003	2004	2005	2006	2007
<b>General Fund:</b>					
Reserved	\$ 5,578,543	\$ 5,766,939	\$ 5,705,316	\$ 6,169,255	\$ 7,140,303
Unreserved	<u>3,269,461</u>	<u>5,669,161</u>	<u>4,104,926</u>	<u>14,944,399</u>	<u>15,302,827</u>
Total General Fund	<u>8,848,004</u>	<u>11,436,100</u>	<u>9,810,242</u>	<u>21,113,654</u>	<u>22,443,130</u>
<b>All Other Governmental Funds:</b>					
Reserved	9,570,304	12,329,623	15,075,521	13,751,478	20,060,988
Unreserved, reported in:					
Capital Projects Fund	6,465,484	11,835,783	11,706,521	13,579,649	17,618,012
Special Revenue Funds	<u>2,972,713</u>	<u>2,698,617</u>	<u>3,156,479</u>	<u>2,810,027</u>	<u>3,019,522</u>
Total All Other Governmental Funds	<u>19,008,501</u>	<u>26,864,023</u>	<u>29,938,521</u>	<u>30,141,154</u>	<u>40,698,522</u>
Total All Governmental Funds	<u>\$ 27,856,505</u>	<u>\$ 38,300,123</u>	<u>\$ 39,748,763</u>	<u>\$ 51,254,808</u>	<u>\$ 63,141,652</u>
	2008	2009	2010	2011	2012
<b>General Fund:</b>					
Reserved	\$ 8,948,231	\$ 8,643,600	\$ 7,734,692	\$ -	\$ -
Unreserved	3,972,847	6,381,843	6,296,418	-	-
Nonspendable (1)	-	-	-	4,000	555,215
Restricted (1)	-	-	-	333,798	340,670
Committed (1)	-	-	-	657,068	695,944
Assigned (1)	-	-	-	70,000	-
Unassigned (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,753,656</u>	<u>11,207,265</u>
Total General Fund	<u>12,921,078</u>	<u>15,025,443</u>	<u>14,031,110</u>	<u>5,818,522</u>	<u>12,799,094</u>
<b>All Other Governmental Funds:</b>					
Reserved	16,706,954	17,007,368	15,153,381	-	-
Unreserved, reported in:					
Capital Projects Funds	14,409,216	1,723,066	12,538,916	-	-
Special Revenue Funds	<u>2,185,304</u>	<u>2,751,120</u>	<u>7,842,939</u>	<u>-</u>	<u>-</u>
Nonspendable (1)	-	-	-	4,401,483	5,136,024
Restricted (1)	-	-	-	22,065,716	12,255,292
Committed (1)	-	-	-	1,820,818	2,054,749
Assigned (1)	-	-	-	14,745,215	18,654,017
Unassigned (1)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(172,381)</u>	<u>(157,828)</u>
Total All Other Governmental Funds	<u>33,301,474</u>	<u>21,481,554</u>	<u>35,535,236</u>	<u>42,860,851</u>	<u>37,942,254</u>
Total All Governmental Funds	<u>\$ 46,222,552</u>	<u>\$ 36,506,997</u>	<u>\$ 49,566,346</u>	<u>\$ 48,679,373</u>	<u>\$ 50,741,348</u>

NOTES:

\* Fund balance information for governmental funds is reported on the modified accrual basis of accounting.

\* Source: Balance Sheet, page 36.

(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**

	2003	2004	2005	2006	2007
<b>Revenues</b>					
Taxes					
Local Property Taxes	\$ 36,238,606	\$ 39,771,711	\$ 42,191,297	\$ 44,657,603	\$ 46,208,342
Local Income Taxes	23,517,175	26,765,483	28,237,534	31,633,987	34,980,663
Other Local Taxes	6,545,501	7,613,374	8,853,089	10,509,826	9,379,305
State Shared Taxes	4,424,763	3,660,145	4,528,046	4,233,139	5,125,419
Licenses and Permits	1,410,491	647,633	829,784	824,917	895,931
Intergovernmental	6,351,125	9,261,854	6,049,496	11,476,325	10,661,130
Bond Interest Reimbursement - Build America Bond	-	-	-	-	-
Charges for Current Services	1,248,229	3,464,771	3,394,626	4,864,374	3,806,563
Fines and Forfeitures	29,443	38,798	48,654	77,008	239,194
Special Assessments	43,067	(7,528)	-	-	-
Investment Income	465,164	410,845	907,275	1,738,139	3,162,830
Donations	81,350	93,178	104,093	98,610	74,694
Miscellaneous	853,309	954,621	1,567,883	1,346,669	1,853,706
Total Revenues	81,208,223	92,674,885	96,711,777	111,460,597	116,387,777
<b>Expenditures</b>					
Current					
General Government (1)	7,729,416	8,851,440	8,933,985	9,516,299	8,772,229
Public Safety	9,829,451	11,970,575	13,199,057	16,356,949	17,918,740
Public Works	6,790,032	7,872,914	9,055,472	9,168,186	9,167,362
Health	807,489	1,101,713	1,261,488	1,355,057	1,428,395
Social Services	4,303,930	4,922,755	4,367,736	4,294,781	4,260,927
Education	43,050,433	46,689,001	40,421,109	42,346,958	56,163,966
Parks and Recreation	2,616,946	6,266,051	2,481,296	9,096,593	2,809,748
Library	951,939	997,043	1,049,612	1,144,622	1,242,573
Conservation of Natural Resources	880,058	565,218	578,426	508,606	483,810
Economic/Community Development	1,848,707	1,809,329	1,552,689	1,558,978	3,188,316
Miscellaneous	-	-	-	-	915,542
Capital Outlay	1,488,726	1,173,687	1,280,650	1,049,361	14,291,416
Debt Service					
Principal	2,690,928	4,029,332	5,928,559	3,677,307	3,795,769
Debt Issuance Costs	-	-	-	-	236,899
Interest and Fiscal Charges	2,695,664	2,780,312	2,555,411	2,569,650	2,257,928
Total Expenditures	85,683,719	99,029,370	92,665,490	102,643,347	126,933,620
Excess (Deficiency) of Revenues over (under) Expenditures	(4,475,496)	(6,354,485)	4,046,287	8,817,250	(10,545,843)
<b>Other Financing Sources (Uses)</b>					
Issuance of Debt	-	16,602,500	30,026,336	-	23,219,790
Re-allocation of 2006 Bonds	-	-	-	-	-
Bond Premiums	-	-	1,069,864	-	236,899
Payments to Bond Refunding Agent	-	-	-	-	-
Bond Issuance Costs	-	-	(159,647)	-	-
Proceeds of Capital Asset Disposals	98,000	135,520	154,787	1,176,860	88,535
Insurance Proceeds	-	-	-	-	-
Capital Contributions - Developer	-	-	88,750	-	-
Transfers In	3,806,476	9,647,582	10,661,440	8,578,135	13,131,736
Transfers Out	(4,361,416)	(9,802,498)	(13,716,802)	(6,181,284)	(14,202,033)
Defeasance of debt	-	-	(30,722,375)	-	-
Total Other Financing Sources (Uses)	(456,940)	16,583,104	(2,597,647)	3,573,711	22,474,927
<b>Special and Extraordinary Items</b>					
Special Item	885,140	215,000	-	-	-
Extraordinary Gains (Losses)	(24,430)	-	-	(477,707)	(42,242)
Total Special Items and Extraordinary Gains (Losses)	860,710	215,000	-	(477,707)	(42,242)
Net Increase (Decrease) in Fund Balances	\$ (4,071,726)	\$ 10,443,619	\$ 1,448,640	\$ 11,913,254	\$ 11,886,842
Debt service as a percentage of non-capital expenditures (2, 3)	6.40%	6.96%	9.28%	6.15%	5.37%

NOTES:

\* Governmental fund information is reported on the modified accrual basis of accounting.

\* Source: Statement of Revenues, Expenditures and Changes in Fund Balances, page 38,

and the Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities, pages 40-41.

(1) For all fiscal years, "General Government" includes amounts previously classified as "Miscellaneous," "Intergovernmental" and/or "Contingency."

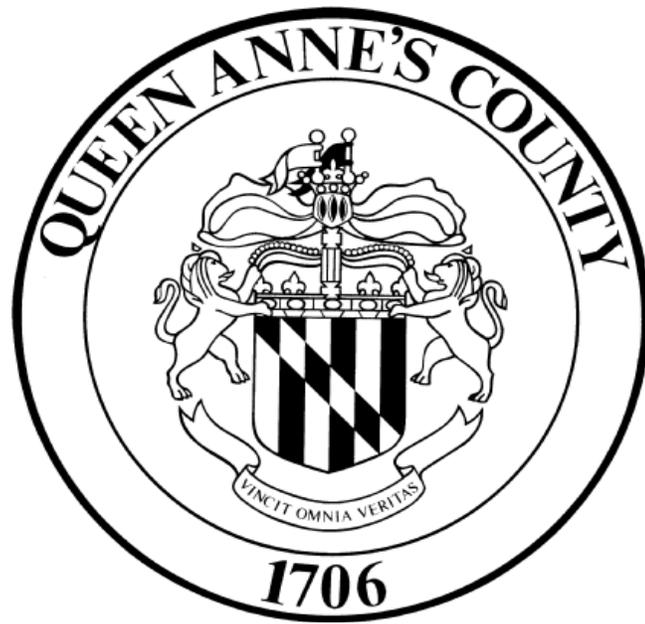
(2) Only the principal and interest components of debt service expenditures are included in the calculation of the ratio of total debt service expenditures to noncapital expenditures.

(3) Noncapital expenditures represents Total Expenditures above, less Capital Outlay.

QUEEN ANNE'S COUNTY, MARYLAND  
 FINANCIAL TRENDS  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 LAST TEN FISCAL YEARS  
 Table 4

(CONTINUED)

	2008	2009	2010	2011	2012
\$	50,007,054	\$ 55,374,053	\$ 59,242,742	\$ 60,097,959	\$ 65,918,832
	34,767,725	35,988,334	29,647,125	29,527,496	35,969,879
	6,131,518	5,333,265	5,487,396	5,398,486	5,728,277
	5,306,763	7,591,829	508,138	230,401	306,235
	890,821	874,639	863,782	919,663	877,365
	12,199,511	8,049,695	12,061,066	8,777,729	5,867,211
	-	-	193,567	438,022	432,212
	4,049,902	3,326,696	3,396,080	3,143,846	3,908,998
	1,759,370	115,658	258,937	78,345	222,683
	-	-	-	-	-
	2,128,509	642,472	144,553	136,523	126,650
	247,002	76,867	140,731	109,342	46,332
	719,067	2,182,525	786,719	708,455	1,254,255
	<u>118,207,242</u>	<u>119,556,033</u>	<u>112,730,836</u>	<u>109,566,267</u>	<u>120,658,929</u>
	10,128,699	10,841,479	10,608,976	10,397,457	9,171,830
	19,292,661	20,483,238	21,344,575	21,127,321	20,985,077
	9,182,618	8,678,715	7,671,352	7,277,767	7,733,226
	1,430,670	1,572,848	1,637,101	1,670,222	1,604,462
	4,747,491	5,029,493	4,767,647	4,098,650	3,533,022
	58,086,283	53,348,513	53,545,597	57,566,865	53,755,497
	3,083,038	3,145,367	3,055,335	2,521,175	-
	1,247,108	1,390,398	1,424,078	1,433,725	1,277,993
	2,177,820	2,445,352	5,263,577	3,872,916	2,794,262
	3,513,153	1,968,587	1,847,195	1,715,524	758,089
	731,771	706,792	1,373,090	4,699,452	3,704,702
	13,676,569	8,594,972	7,868,741	4,838,581	2,755,949
	4,888,405	5,089,347	4,948,144	6,964,558	7,095,307
	3,972	(423)	145,884	129,671	162,021
	3,147,529	2,778,490	3,114,505	3,629,426	4,116,939
	<u>135,337,787</u>	<u>126,073,168</u>	<u>128,615,797</u>	<u>131,943,310</u>	<u>119,448,376</u>
	<u>(17,130,545)</u>	<u>(6,517,135)</u>	<u>(15,884,961)</u>	<u>(22,377,043)</u>	<u>1,210,553</u>
	510,617	122,780	29,299,154	21,897,570	8,010,000
	(345,955)	-	-	-	-
	3,972	(423)	157,800	139,136	713,235
	-	-	-	-	(8,557,455)
	-	-	-	-	-
	45,494	64,089	30,861	582,601	47,396
	8,898	44,907	15,826	99,028	11,631
	-	-	-	-	-
	17,014,307	5,449,499	18,184,911	5,386,256	9,635,881
	(17,025,888)	(8,879,272)	(18,744,242)	(6,614,521)	(10,369,909)
	-	-	-	-	-
	<u>211,445</u>	<u>(3,198,420)</u>	<u>28,944,310</u>	<u>21,490,070</u>	<u>(509,221)</u>
	-	-	-	-	1,360,643
	-	-	-	-	-
	-	-	-	-	1,360,643
\$	<u>(16,919,100)</u>	<u>(9,715,555)</u>	<u>13,059,349</u>	<u>(886,973)</u>	<u>2,061,975</u>
	6.61% #	6.70% #	6.68%	8.33%	9.61%



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
2003	\$ 728,512,663	\$ 2,858,309,623	\$ 3,586,822,286	\$ 0.9760	\$ 64,201,229	\$ 3,651,023,515	\$ 276,953,744	\$ 3,927,977,259
2004	771,054,050	3,208,049,692	3,979,103,742	0.9760	59,945,270	4,039,049,012	297,843,389	4,336,892,401
2005	849,272,884	3,690,010,496	4,539,283,380	0.9260	57,382,490	4,596,665,870	330,840,259	4,927,506,129
2006	950,694,704	4,051,000,772	5,001,695,476	0.8700	59,360,390	5,061,055,866	369,542,935	5,430,598,801
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

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**

<b>Fiscal Year</b>	<b>County Direct Rate (1)</b>
2003	\$ 0.9760
2004	0.9760
2005	0.9260
2006	0.8700
2007	0.8000
2008	0.7700
2009	0.7700
2010	0.7700
2011	0.7671
2012	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
2003	\$ 0.0600
2004	0.0600
2005	0.0600
2006	0.0600
2007	0.0600
2008	0.0600
2009	0.0600
2010	0.0600
2011	0.0600
2012	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**

<b>Fiscal Year</b>	<b>Town of Centreville</b>	<b>Town of Barclay</b>	<b>Town of Church Hill</b>	<b>Town of Millington</b>	<b>Town of Queen Anne</b>
2003	\$ 0.4800	\$ 0.1000	\$ 0.3400	\$ 0.2800	\$ 0.1800
2004	0.4800	0.1000	0.3400	0.2800	0.1800
2005	0.4800	0.1000	0.3400	0.2800	0.1800
2006	0.4800	0.1000	0.3400	0.2800	0.1800
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

**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	\$ 0.1760	\$ 0.1420
	0.2000	0.1760	0.1420
	0.2000	0.1670	0.1330
	0.2000	0.1670	0.1220
	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

**QUEEN ANNE'S COUNTY, MARYLAND  
REVENUE CAPACITY  
TEN HIGHEST COMMERCIAL PROPERTY TAXPAYERS  
CURRENT FISCAL YEAR AND NINE YEARS AGO**

**Table 7**

<b>For the Fiscal Year Ended June 30, 2012</b>		
	<b>Assessable Base</b>	<b>Ratio: Taxpayer Base to Total Assessable Base</b>
Second Horizon Group Limited Partnership	\$ 52,302,300	0.68 %
Great American Life Insurance Company	21,335,500	0.28
KRM Development Corporation	17,299,600	0.23
Beach Harbor Campers Cooperative Inc	13,653,800	0.18
Mears Point Association	10,800,000	0.14
Washington Brick & Terracota Company	10,120,500	0.13
Anne Arundel Real Estate Holding Company	9,670,300	0.13
PRS Realty LLC	9,588,300	0.12
Kent Towne Market LLC	8,398,200	0.11
213 Centreville Associates LLC	8,365,100	0.11
Total	<u>\$ 161,533,600</u>	<u>2.11 %</u>
Total Assessable Base	<u>\$ 7,685,372,199</u>	<u>100.00 %</u>

<b>For the Fiscal Year Ended June 30, 2003</b>		
	<b>Assessable Base</b>	<b>Ratio: Taxpayer Base to Total Assessable Base</b>
Second Horizon Group Limited Partnership	\$ 32,519,962	0.96 %
KRM Development	15,382,183	0.46
Mears Point Association	8,043,166	0.24
Washington Brick & Terra Cotta Company	7,679,046	0.23
Bay Bridge Limited	7,154,300	0.21
TC Shopping Center	7,146,800	0.21
213 Centreville Associates LLC	6,932,432	0.21
Pasquale Didonato	6,152,752	0.18
Hunter's Oak LLC	6,081,230	0.18
C&E Enterprises	5,942,500	0.18
Total	<u>\$ 103,034,371</u>	<u>3.06 %</u>
Total Assessable Base	<u>\$ 3,369,796,979</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
2003	\$ 34,534,049	\$ 34,452,221	99.76%	\$ 81,828	\$ 34,534,049	100.00%
2004	38,135,222	38,052,633	99.78%	82,589	38,135,222	100.00%
2005	40,608,914	40,542,167	99.84%	66,747	40,608,914	100.00%
2006	43,208,732	43,107,941	99.77%	100,564	43,208,505	100.00%
2007	44,500,414	44,401,745	99.78%	98,450	44,500,195	100.00%
2008	48,575,431	48,505,180	99.86%	69,081	48,574,261	100.00%
2009	53,839,023	53,756,369	99.85%	80,367	53,836,736	100.00%
2010	57,788,231	57,720,564	99.88%	64,129	57,784,693	99.99%
2011	58,758,234	58,696,129	99.89%	53,930	58,750,059	99.99%
2012	64,512,256	64,498,505	99.98%	-	64,498,505	99.98%

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)
2003	\$ 52,800,000	\$ 457,912	\$ -	\$ 53,257,912	\$ 66,525,275	4.27%	\$ 1,584
2004	62,467,858	3,245,500	114,331	65,827,689	77,532,453	4.90%	1,789
2005	60,689,541	684,000	-	61,373,541	72,100,979	4.50%	1,624
2006	56,890,501	622,500	-	57,513,001	77,037,245	6.91%	1,695
2007	75,938,286	561,000	248,460	76,747,746	103,873,513	5.58%	2,246
2008	70,752,345	822,617	202,978	71,777,940	96,930,501	4.82%	2,024
2009	65,420,921	913,183	155,482	66,489,586	89,688,217	4.24%	1,905
2010	88,859,439	1,652,082	105,884	90,617,405	112,318,954	6.52%	2,309
2011	103,569,858	1,070,632	54,089	104,694,579	124,910,083	7.25%	2,608
2012	97,486,564	889,256	-	98,375,820	116,598,211	6.97%	2,439

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**

<b>Fiscal Year</b>	<b>General Bonded Debt (1)</b>	<b>Percentage of Total Taxable Assessable Base (2)</b>	<b>Per Capita (3)</b>
2003	\$ 59,665,000	1.63%	\$ 1,421
2004	68,292,858	1.69%	1,575
2005	66,073,204	1.44%	1,488
2006	61,834,164	1.22%	1,360
2007	80,547,137	1.41%	1,742
2008	74,846,830	1.17%	1,563
2009	68,994,689	0.97%	1,465
2010	92,394,621	1.22%	1,899
2011	107,093,191	1.38%	2,236
2012	100,469,996	1.31%	2,102

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.



*Queen Anne's County is located at the east end of the beautiful Chesapeake Bay Bridge.*

**QUEEN ANNE'S COUNTY, MARYLAND**  
**DEBT CAPACITY**  
**COMPUTATION OF NET DIRECT AND OVERLAPPING DEBT**  
**AS OF JUNE 30, 2012**  
**Table 11**

Name of Jurisdiction	Gross Debt
Queen Anne's County:	
County Government	
Total Net Direct Debt (1)	<u>\$ 116,598,211</u>
Towns: (2)	
Centreville	14,462,211
Millington	1,243,175
Queenstown	2,779,923
Sudlersville	<u>2,138,000</u>
Total Net Overlapping Debt	<u>20,623,309</u>
Total Net Direct and Overlapping Debt	<u><u>\$ 137,221,520</u></u>

NOTES:

- (1) Net direct debt of the County includes 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**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
<u>Computation of Legal Debt Margin - for Queen Anne's County</u>			
<u>Other than Debt related to the Sanitary District:</u>			
Authorized debt limit under Title 5 (Subtitle 4) (1)	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
Authorized bonded debt under specific public laws			
Enterprise Funds, excluding Sanitary District (4)	1,535,000	1,440,000	1,413,663
General Obligation Debt (4)	<u>52,800,000</u>	<u>62,467,858</u>	<u>60,689,541</u>
Subtotal	<u>54,335,000</u>	<u>63,907,858</u>	<u>62,103,204</u>
Total authorized debt under Title 5 and specific public laws	62,335,000	71,907,858	70,103,204
LESS Outstanding bonds, notes payable, and capital leases (5)	66,266,872	77,328,067	72,100,979
Less: Sanitary District debt (4)	<u>11,412,635</u>	<u>10,005,867</u>	<u>9,266,078</u>
Subtotal	<u>54,854,237</u>	<u>67,322,200</u>	<u>62,834,901</u>
Legal Debt Margin - Other than the Sanitary District	<u>\$ 7,480,763</u>	<u>\$ 4,585,658</u>	<u>\$ 7,268,303</u>
<u>Debt related to the Sanitary District Proprietary Fund:</u>			
Total taxable assessed value (3)	\$ 3,651,023,515	\$ 4,039,049,012	\$ 4,596,665,870
Plus exempt property (3)	<u>276,953,744</u>	<u>297,843,389</u>	<u>330,840,259</u>
Total assessed value	<u>\$ 3,927,977,259</u>	<u>\$ 4,336,892,401</u>	<u>\$ 4,927,506,129</u>
Debt Limit - 6% of total assessed value (2)	\$ 235,678,636	\$ 260,213,544	\$ 295,650,368
LESS Sanitary District	11,412,635	10,005,867	9,266,078
Less: Restricted Cash and Investments in the Debt Service Fund available for payment of principal	<u>4,264,878</u>	<u>4,289,452</u>	<u>4,105,842</u>
	<u>7,147,757</u>	<u>5,716,415</u>	<u>5,160,236</u>
Legal Debt Margin - Sanitary District	<u>\$ 228,530,879</u>	<u>\$ 254,497,129</u>	<u>\$ 290,490,132</u>

NOTES:

- (1) Title 5, Subtitle 4 (1), of the Code of Public Local Laws of Queen Anne's County authorizes the County to borrow up to \$8,000,000 for general operating and capital improvement expenditures. This authority is in addition to any bonded debt authorized under specific public local laws.
- (2) Title 24, Subtitle 1, Section 24-146(A) of the Code of Public Local Laws of Queen Anne's County authorizes the County to borrow an amount not to exceed 6% of the total value of property assessed. The proceeds of such borrowings must be used for sewer and water system construction payments.
- (3) See Table 5.
- (4) See Note 9, Section B.
- (5) See Table 9.

QUEEN ANNE'S COUNTY, MARYLAND  
DEBT CAPACITY  
COMPUTATION OF LEGAL DEBT MARGIN  
LAST TEN FISCAL YEARS  
Table 12-a

(CONTINUED)

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000	\$ 8,000,000
1,413,663	1,538,851	1,509,485	1,493,768	1,905,182	2,378,333	2,338,432
<u>56,890,501</u>	<u>75,938,286</u>	<u>70,752,345</u>	<u>65,420,921</u>	<u>88,859,439</u>	<u>103,569,858</u>	<u>97,486,564</u>
<u>58,304,164</u>	<u>77,477,137</u>	<u>72,261,830</u>	<u>66,914,689</u>	<u>90,764,621</u>	<u>105,948,191</u>	<u>99,824,996</u>
66,304,164	85,477,137	80,261,830	74,914,689	98,764,621	113,948,191	107,824,996
77,037,245	103,625,053	96,727,523	89,688,217	112,318,954	124,910,083	116,598,211
<u>18,069,698</u>	<u>25,552,847</u>	<u>23,615,821</u>	<u>21,684,421</u>	<u>19,782,739</u>	<u>17,830,357</u>	<u>15,883,959</u>
<u>58,967,547</u>	<u>78,072,206</u>	<u>73,111,702</u>	<u>68,003,796</u>	<u>92,536,215</u>	<u>107,079,726</u>	<u>100,714,252</u>
<u>\$ 7,336,617</u>	<u>\$ 7,404,931</u>	<u>\$ 7,150,128</u>	<u>\$ 6,910,893</u>	<u>\$ 6,228,406</u>	<u>\$ 6,868,465</u>	<u>\$ 7,110,744</u>
\$ 5,061,055,866	\$ 5,693,764,229	\$ 6,398,550,545	\$ 7,083,072,750	\$ 7,580,931,277	\$ 7,740,096,715	\$ 7,685,372,199
<u>369,542,935</u>	<u>419,303,486</u>	<u>474,798,401</u>	<u>547,163,868</u>	<u>596,219,654</u>	<u>644,654,739</u>	<u>694,372,116</u>
<u>\$ 5,430,598,801</u>	<u>\$ 6,113,067,715</u>	<u>\$ 6,873,348,946</u>	<u>\$ 7,630,236,618</u>	<u>\$ 8,177,150,931</u>	<u>\$ 8,384,751,454</u>	<u>\$ 8,379,744,315</u>
\$ 325,835,928	\$ 366,784,063	\$ 412,400,937	\$ 457,814,197	\$ 490,629,056	\$ 503,085,087	\$ 502,784,659
18,069,698	25,552,847	23,615,821	21,684,421	19,782,739	17,830,357	15,883,959
<u>3,940,626</u>	<u>4,746,865</u>	<u>4,551,821</u>	<u>4,180,188</u>	<u>3,925,026</u>	<u>3,658,194</u>	<u>3,244,564</u>
<u>14,129,072</u>	<u>20,805,982</u>	<u>19,064,000</u>	<u>17,504,233</u>	<u>15,857,713</u>	<u>14,172,163</u>	<u>12,639,395</u>
<u>\$ 311,706,856</u>	<u>\$ 345,978,081</u>	<u>\$ 393,336,937</u>	<u>\$ 440,309,964</u>	<u>\$ 474,771,343</u>	<u>\$ 488,912,924</u>	<u>\$ 490,145,264</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
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. 09-13, as adopted August, 2009.				
<b>CALCULATION PER FIRST FINANCIAL CRITERIA:</b>				
The sum of all outstanding and new general obligation and/or bonded debt is 2.5% or less of the total taxable assessed base.				
Total Taxable Assessed Base (1)	\$ 7,083,072,750	\$ 7,580,931,277	\$ 7,740,096,715	\$ 7,685,372,199
	2.5%	2.5%	2.5%	2.5%
2.5% of Total Taxable Assessed Base	<u>\$ 177,076,819</u>	<u>\$ 189,523,282</u>	<u>\$ 193,502,418</u>	<u>\$ 192,134,305</u>
LESS Outstanding and New General Obligation Debt (2) (3)				
Enterprise Funds' Debt - Bonds and Notes	\$ 23,198,631	\$ 21,701,549	\$ 20,215,504	\$ 18,222,391
General Obligation Debt - Bonds and Notes	66,334,104	90,511,521	104,640,490	98,375,820
Total Outstanding and New General Obligation Debt	<u>\$ 89,532,735</u>	<u>\$ 112,213,070</u>	<u>\$ 124,855,994</u>	<u>\$ 116,598,211</u>
2.5% of Total Taxable Assessed Base in Excess of Total Outstanding and New General Obligation Debt	<u>\$ 87,544,084</u>	<u>\$ 77,310,212</u>	<u>\$ 68,646,424</u>	<u>\$ 75,536,094</u>
<b>CALCULATION PER SECOND FINANCIAL CRITERIA:</b>				
The sum of all outstanding and new general obligation and/or bonded debt is \$3,000 or less per capita.				
Total County Population (4)	47,091	48,650	47,899	47,798
\$3,000 Per Capita	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
	<u>\$ 141,273,000</u>	<u>\$ 145,950,000</u>	<u>\$ 143,697,000</u>	<u>\$ 143,394,000</u>
LESS Outstanding and New General Obligation Debt (1)	<u>\$ 89,532,735</u>	<u>\$ 112,213,070</u>	<u>\$ 124,855,994</u>	<u>\$ 116,598,211</u>
\$3,000 Per Capita in Excess of Total Outstanding and New General Obligation Debt	<u>\$ 51,740,265</u>	<u>\$ 33,736,930</u>	<u>\$ 18,841,006</u>	<u>\$ 26,795,789</u>

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 August, 2009, as described in Note 9 F, Queen Anne's County adopted Resolution No. 09-13, thereby establishing a local debt policy in compliance with Article 95, Section 22F of the Annotated Code of Maryland. For comparative purposes, this policy has been calculated retroactively for FY09 data, as well as for FY10 data. This policy requires that the County's Director of Budget and Finance take the following steps:

- (a) prepare a five-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, 2012.

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, 2012			
Employer	Employees	Rank	Percentage of Total County Employment
Queen Anne's County Board of Education	941	1	8.23%
Chesapeake College	489	2	4.28%
Queen Anne's County Government	430	3	3.76%
S.E.W. Friel	275	4	2.41%
Paul Reed Smith Guitars	244	5	2.13%
Safeway	180	6	1.57%
River Plantation	175	7	1.53%
Genesis Healthcare	150	8	1.31%
Harris Seafood Company	150	9	1.31%
Acme Markets	149	10	1.30%
Total	3,183		27.83%

For the Fiscal Year Ended June 30, 2003			
Employer	Employees	Rank	Percentage of Total County Employment
Queen Anne's County Board of Education	837	1	8.96%
Queen Anne's County Government	461	2	4.94%
S.E.W. Friel	275	3	2.95%
Chesapeake College	200	4	2.14%
Paul Reed Smith Guitars	177	5	1.90%
Delmarva Sash & Door, Inc.	150	6	1.61%
Sisk Mailing Service	145	7	1.55%
Conagra	131	8	1.40%
Tidewater Publishing Corp.	130	9	1.39%
United Shellfish Co, Inc.	65	10	0.70%
Total	2,571		27.54%

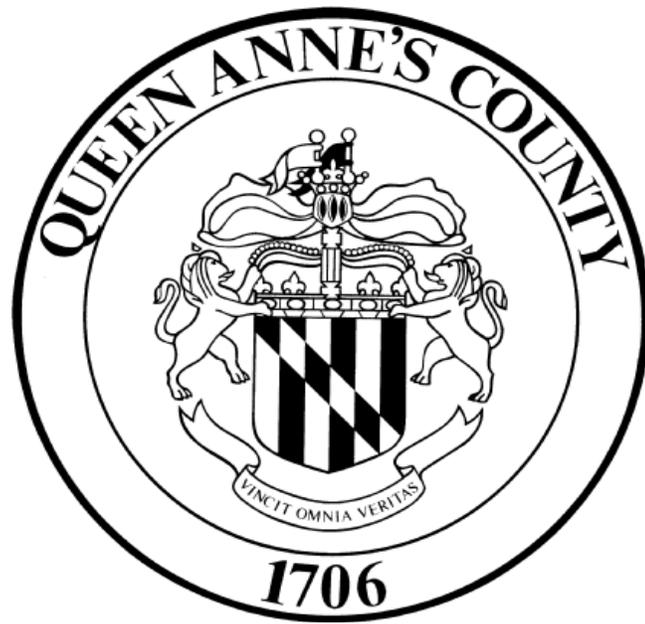
Source: Queen Anne's County Economic Development Office; Table 15.

**QUEEN ANNE'S COUNTY, MARYLAND  
 DEMOGRAPHIC AND ECONOMIC INFORMATION  
 DEMOGRAPHIC STATISTICS  
 LAST TEN FISCAL YEARS  
 Table 14**

<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Total Personal Income (2)</b>	<b>Per Capita Income (3)</b>	<b>Unemployment Rate (3)</b>	<b>Average Registered Number of Pupils (4)</b>
2003	42,000	\$ 1,558,032,000	\$ 37,096	3.50%	7,457
2004	43,350	1,582,275,000	36,500	3.10%	7,530
2005	44,392	1,601,707,752	36,081	3.50%	7,649
2006	45,450	1,114,661,250	24,525	3.50%	7,162
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	6.70%	7,774
2010	48,650	1,721,674,850	35,389	6.50%	7,723
2011	47,899	1,722,448,040	35,960	7.00%	7,722
2012	47,798	1,672,547,616	34,992	6.60%	7,757

**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**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Number of Exempt Employees	33	33	35	35	36	31	29	29	26	26
Number of Full Time Employees	399	413	420	432	470	481	475	461	406	395
Number of Part Time Employees (FTE)	29	21	21	23	25	20	18	17	10	9
Total County Government Employees	<u>461</u>	<u>467</u>	<u>476</u>	<u>490</u>	<u>531</u>	<u>532</u>	<u>522</u>	<u>507</u>	<u>442</u>	<u>430</u>

NOTES:  
 Source: Queen Anne's County Finance Office.

**QUEEN ANNE'S COUNTY, MARYLAND**  
**OPERATING INFORMATION**  
**COUNTY GOVERNMENT EMPLOYEES - FULL-TIME ONLY BY FUNCTION**  
**LAST SIX FISCAL YEARS**  
**Table 16**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Governmental Activities:</b>						
General Government	90	90	89	87	77	74
Public Safety:						
Police	49	53	52	50	49	53
Fire - Emergency Management Services	69	68	69	67	64	61
Corrections	37	38	42	42	41	42
Animal Services	11	11	8	8	10	10
Public Works	87	91	85	79	61	51
Health	1	1	1	1	1	1
Social Services	40	38	38	37	32	36
Parks (1)	39	40	38	38	20	20
Conservation of Natural Resources	3	3	3	3	3	3
Economic/Community Development	12	12	10	9	7	3
Total Governmental Activities	<u>438</u>	<u>445</u>	<u>435</u>	<u>421</u>	<u>365</u>	<u>354</u>
<b>Business-Type Activities:</b>						
Sanitary District	47	46	45	45	44	45
Bay Bridge Airport	3	3	3	3	3	3
Recreation (1)	-	-	-	-	4	3
Public Landings	3	3	3	3	3	3
Property Management	5	4	7	7	7	4
Total Business-Type Activities	<u>58</u>	<u>56</u>	<u>58</u>	<u>58</u>	<u>61</u>	<u>58</u>
<b>Component Unit:</b>						
Public Housing Authority	<u>10</u>	<u>11</u>	<u>11</u>	<u>11</u>	<u>6</u>	<u>9</u>
Total Full-Time County Employees	<u>506</u>	<u>512</u>	<u>504</u>	<u>490</u>	<u>432</u>	<u>421</u>

NOTES:

(1) Due to the County's reorganization, Parks and Recreation are reported separately starting in fiscal year 2011. 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. County employees include the Public Housing Authority but exclude other component units. Therefore, no employees are listed for the Education or Library functions, which relate to the Board of Education and the Queen Anne's County Free Library component units, respectively. As data becomes available in future years, this Table will be updated to include data for up to ten fiscal years.

Source: Queen Anne's County Finance Office.

QUEEN ANNE'S COUNTY, MARYLAND  
 OPERATING INFORMATION  
 OPERATING INDICATORS BY FUNCTION  
 LAST TEN FISCAL YEARS  
 Table 17

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
General Government:										
Planning & Zoning:										
Number of commercial permits issued	219	295	272	256	235	23	40	35	27	99
Number of residential permits issued:										
Single Family Permits	326	271	247	224	160	138	90	153	106	119
Multi Family Permits	36	-	1	-	-	-	13	28	4	20
Renovations and Additions Permits	678	745	680	608	541	539	324	304	295	207
Total residential permits issued	<u>1,040</u>	<u>1,016</u>	<u>928</u>	<u>832</u>	<u>701</u>	<u>677</u>	<u>427</u>	<u>485</u>	<u>405</u>	<u>346</u>
Public Safety:										
Fire and Rescue:										
Number of volunteer members	650	649	630	630	600	663	663	689	689	689
Police:										
Uniformed Police Officers	47	50	49	49	49	53	54	54	55	59
Number of law violations:										
Physical arrests	1,021	1,112	1,536	1,115	1,413	1,373	1,429	917	1,216	848
Traffic violations	2,322	4,363	5,307	4,962	5,310	5,745	8,276	6,183	5,760	5,818
Detention Center:										
Detention Center Officers	29	32	30	31	33	35	37	39	40	38
Average yearly prison population	92	92	96	99	113	112	97	102	103	86
Public Works:										
Wastewater Treated - Daily (mgd)	1.6	1.5	1.5	1.5	1.5	1.6	1.7	2.1	1.7	1.9
Education:										
Number of Personnel										
Teachers	458	459	479	496	501	522	528	533	530	537
Administrators	39	39	39	39	40	40	38	37	37	39
Support	303	302	321	318	327	338	338	336	310	300
Other	46	43	53	59	55	77	76	76	64	47
Number of Students	7,457	7,530	7,649	7,162	7,774	7,790	7,774	7,723	7,722	7,757
Number of High School Graduates	N/A	N/A	N/A	514	563	560	590	562	566	598

NOTES:  
 N/A - Data not readily available, or not available in a manner consistent with this display.  
 Source: Various County departments.

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
Public Safety:										
Fire and Rescue:										
Number of volunteer stations	9	9	10	10	10	10	10	10	10	10
Equipment:										
Engines	13	16	17	17	16	16	16	17	17	17
Tankers	8	7	7	7	9	9	9	9	9	9
Aerial Units	3	4	4	4	4	4	4	5	5	5
Rescue Units	5	5	5	5	5	6	6	7	7	7
Brush Units	7	7	7	7	8	8	8	8	8	8
Air Units (MD State Police)	8	8	1	1	1	3	3	-	-	-
Boats	5	5	5	5	3	1	1	5	5	5
Ambulance/Medic Units	15	15	15	18	20	16	16	17	17	17
Cars/Other	15	20	20	20	16	17	17	22	22	22
Police:										
Number of Stations	1	1	1	1	1	1	1	1	1	1
Number of Vehicles										
Patrol	48	58	43	34	54	57	64	60	53	62
Other	21	6	15	26	15	7	13	17	21	3
Detention Center										
Capacity	104	104	104	104	104	104	104	148	148	148
Public Works:										
County Maintained Roads and Streets										
Paved (miles)	524	522	524	534	536	530	539	540	540	540
Unpaved (miles)	12	13	13	13	12	15	12	12	12	12
County Owned Water and Wastewater Facilities										
Water										
Miles of Mains	38	47	47	49	51	56	57	58	59	59
Water Treatment Plants	10	10	10	10	10	11	11	11	11	11
Booster Stations	2	2	2	2	2	2	2	2	2	2
Wastewater										
Miles of Mains	97	105	105	107	109	114	116	117	118	118
Wastewater Treatment Plants	1	1	1	1	1	1	1	1	1	1
Wastewater Collection, Lift, and Pumping Stations	28	29	29	29	29	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	3	3	3	3	4	4	4	4
Elementary Schools	7	7	8	8	8	8	8	8	8	8
Parks and Recreation:										
Parks	24	24	24	28	29	32	33	33	33	33
Park Acreage	2,022	2,024	2,024	2,579	2,572	2,633	2,633	2,915	2,915	2,915
Public Landings	22	22	21	21	21	21	20	20	21	21
Library:										
Number of Libraries	3	3	3	3	3	3	3	3	3	3

NOTES:  
 Source: Various County departments.



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