

**ANNAPOLIS ROADS
SPECIAL COMMUNITY BENEFIT DISTRICT**

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

ANNAPOLIS ROADS SPECIAL COMMUNITY BENEFIT DISTRICT

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Independent Auditors' Report

Board of Directors
Annapolis Roads Special Community
Benefit District
Annapolis, MD 21403

We have audited the accompanying balance sheets of Annapolis Roads Special Community Benefit District as of June 30, 2010 and 2009 and the related statements of revenues, expenses and changes in fund balances for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits. Our audit scope included procedures designed to determine whether tax funds have been received, deposited and disbursed in accordance with approved appropriations and state and local law.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 statements presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Annapolis Roads Special Community Benefit District as of June 30, 2010 and 2009, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

CLARK AND ANDERSON, P.A.
Certified Public Accountants

September 15, 2010

ANNAPOLIS ROADS SPECIAL COMMUNITY BENEFIT DISTRICT

BALANCE SHEETS

JUNE 30, 2010 AND 2009

ASSETS

	2010	2009
Assets		
Cash and cash equivalents	\$ 56,418	\$ 51,146
Cash held by the County	1,094	26,288
Escrow - Ogleton Woods	83,067	83,006
Taxes receivable	<u>-</u>	<u>141</u>
Total Assets	<u>\$ 140,579</u>	<u>\$ 160,581</u>

LIABILITIES AND FUND BALANCE

Liabilities		
Accounts payable and accrued expenses	\$ 8,843	\$ 3,533
Due to Annapolis Roads Property Owners Association, Inc.	56,792	58,002
Taxes refundable	1,089	-
Key deposits	<u>935</u>	<u>935</u>
Total Liabilities	<u>67,659</u>	<u>62,470</u>
Fund Balance	<u>72,920</u>	<u>98,111</u>
Total Fund Balance	<u>72,920</u>	<u>98,111</u>
Total Liabilities and Fund Balance	<u>\$ 140,579</u>	<u>\$ 160,581</u>

-See independent auditors' report and accompanying notes-

ANNAPOLIS ROADS SPECIAL COMMUNITY BENEFIT DISTRICT

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010		
	Actual	Budget	(Over) Under
Revenue			
Property taxes	\$ 318,991	\$ 332,241	\$ 13,250
Miscellaneous income	<u>67</u>	<u>-</u>	<u>(67)</u>
Total Revenue	<u>319,058</u>	<u>332,241</u>	<u>13,183</u>
Expenditures			
Road repairs and maintenance	82,932	65,000	(17,932)
Insect and pest control	-	2,500	2,500
Land acquisition and maintenance	8,747	246,677	237,930
Bank notes	210,324	211,324	1,000
Security	24,274	20,000	(4,274)
Community recreation activities	4,281	5,000	719
Legal and governmental	9,696	35,000	25,304
Community administration	1,995	10,000	8,005
County administrative fee	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Expenditures	<u>344,249</u>	<u>597,501</u>	<u>253,252</u>
Excess of Expenditures over Revenues	<u>(25,191)</u>	(265,260)	(240,069)
Fund Balance Beginning of Year	<u>98,111</u>		
Fund Balance End of Year	<u>\$ 72,920</u>		

-See independent auditors' report and accompanying notes-

2009		
<u>Actual</u>	<u>Budget</u>	<u>(Over) Under</u>
\$ 326,012	\$ 302,484	\$ (23,528)
<u>588</u>	<u>-</u>	<u>(588)</u>
<u>326,600</u>	<u>302,484</u>	<u>(24,116)</u>
68,015	85,000	16,985
-	2,500	2,500
131,227	134,758	3,531
189,266	168,270	(20,996)
21,035	27,000	5,965
4,816	5,000	184
49,128	50,000	872
5,962	10,000	4,038
<u>2,000</u>	<u>2,000</u>	<u>-</u>
<u>471,449</u>	<u>484,528</u>	<u>13,079</u>
<u>(144,849)</u>	<u>(182,044)</u>	<u>(37,195)</u>
<u>242,960</u>		
<u>\$ 98,111</u>		

ANNAPOLIS ROADS SPECIAL COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 1 – Basis of Presentation

The accompanying financial statements include only those transactions of the Annapolis Roads Special Community Benefit District, which is one of several funds of the Annapolis Roads Property Owners Association, Inc. No other funds or activities of the Association are included herein.

The Annapolis Roads Special Community Benefit District is a legally sanctioned entity of Anne Arundel County, Maryland and was created for the purpose of maintenance and improvement of community property including administrative costs for insurance and front foot assessments.

Note 2 – Significant Accounting Policies

The Annapolis Roads Special Community Benefit District's policy is to prepare its financial statements on the accrual basis of accounting.

Tax revenues are recorded in the fiscal year in which the tax is levied by Anne Arundel County, Maryland. The amount of the tax levy is determined as a result of the approved budgeted needs of the Annapolis Roads Special Community Benefit District.

Budgeted expenses are subject to Anne Arundel County approval and must fall into the legally mandated categories as set forth in the Anne Arundel County Code Section 17-702.

Note 3 – Escrow Ogleton Woods

Through a grant from the Bay Ridge Trust, the Annapolis Roads Property Owners Association, Inc. purchased abounding property for preservation. The Annapolis Roads Special Community Benefit District assessment includes provisions for payment of the interest on a \$2,800,000 loan on the property held with Sandy Spring Bank. The loan originated in August of 2005 and payments of principal in the amount of \$131,557 and \$106,705, respectively were made during the fiscal years ended June 30, 2010 and 2009. Payments of interest only in the amount of \$78,767 and \$82,561 were made during the fiscal years ended June 30, 2010 and 2009, respectively. The monies to cover mortgage payments on the loan are held in a separate escrow account with Sandy Spring Bank.

The balance of the mortgage on June 30, 2010 and 2009 amounted to \$2,561,738 and \$2,693,295, respectively.

ANNAPOLIS ROADS SPECIAL COMMUNITY BENEFIT DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

Note 4 – Accounts Payable

<u>Vendor</u>	<u>0-30- Days</u>	<u>31-60 Days</u>	<u>61-90 Days</u>	<u>Over 90</u>	<u>Total Due</u>
BGE	\$ 114	\$ -	\$ -	\$ -	\$ 114
Corey Van Alen	960	-	-	-	960
Richard Mauk	800	-	-	-	800
Schiff Hardin, LLP	4,205	-	-	-	4,205
Steve Stroetzel	1,250	-	-	1,083	2,333
United States Post Office	-	-	-	176	176
Bay Area Disposal, LLC	200	-	-	-	200
Anne Arundel County	<u>55</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55</u>
Total	<u>\$7,584</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,259</u>	<u>\$8,843</u>

Note 5 – Concentration of Credit Risk

The Annapolis Roads Special Community Benefit District maintains deposits with financial institutions, which at times may exceed federally insured limits. The Annapolis Roads Special Community Benefit District has not experienced any losses in such accounts. The Annapolis Roads Special Community Benefit District believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 6 – Due to Annapolis Roads Property Owners’ Association, Inc.

At the end of fiscal years 2010 and 2009, Annapolis Roads Property Owners’ Association, Inc. had advanced monies to Annapolis Roads Community Benefit District in the amount of \$56,792 and \$58,002, respectively. The advance will be repaid upon receipt of the monies held by the County. There is no written loan instrument pledging that the loan will be repaid from tax district revenues in subsequent years.

Note 7 – Subsequent Events

In preparing these financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through September 15, 2010, the date the financial statements were available to be issued.

Independent Auditors' Report on Compliance

Board of Directors
Annapolis Roads Special Community
Benefit District
Annapolis, MD 21403

We have examined management's assertion about the Annapolis Roads Special Community Benefit District's compliance with state and local law in the receipt, deposit and disbursement of tax revenues during the years ended June 30, 2010 and 2009 included in the accompanying report on the receipt, deposit and disbursement of county tax funds for the years ended June 30, 2010 and 2009. Management is responsible for compliance with these requirements by the Annapolis Roads Special Community Benefit District. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Annapolis Roads Special Community Benefit District's compliance with these requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Annapolis Roads Special Community Benefit District's compliance with specified requirements.

In our opinion, management's assertion that Annapolis Roads Special Community Benefit District has received, deposited and disbursed county tax funds in accordance with state and local law, for the years ended June 30, 2010 and 2009 is fairly stated, in all material respects except for monies disbursed for private security instead of special officers prior to May of 2010.

CLARK AND ANDERSON, P.A.
Certified Public Accountants

September 15, 2010