AGRICULTURAL LAND PRESERVATION PROGRAM
STATEMENT OF REVENUES,
EXPENDITURES AND FUND BALANCE
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Office of the County Auditor

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REVIEW OF REVENUES, EXPENDITURES AND FUND BALANCE
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INTRODUCTION AND SCOPE

In response to the State of Maryland Department of Agriculture requirement, our audit was conducted to determine the following:

- The fund balance of the Agricultural Land Preservation Fund
- The amount of Agricultural Tax Revenues collected by Howard County
- The amount of Agricultural Tax Revenues forwarded from Howard County to the State of Maryland
- The amount of funds expended from Agricultural Tax Revenues and the purpose of those expenditures
- Compliance with the State's "three year rule" relating to the expenditure of Agricultural Tax Revenues
- Adequacy of internal controls over the recognition and collection of Agricultural Tax Revenues

Howard County also designates 25% of its local Transfer Tax for Agricultural Preservation purposes and includes these amounts, along with the State Agricultural Transfer Tax Collections, in the County's Agricultural Land Preservation Fund. We therefore reviewed the collections and expenditures of the fund as a whole, and performed specific audit steps relating to the percentages and rules pertaining to State Agricultural Tax Revenues.

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REVENUES (Note 1)			
Local Transfer Taxes (Note 2)		$6,001,535	
State Agricultural Transfer Tax (Note 5)	$1,398,404		
Agricultural Transfer Tax Remitted to State Comptroller (Note 5)	(932,269)	466,135	
Sale of Agland Easements (Note 3)		42,828	
Interest Revenues (Note 4)		5,219,490	
			$11,729,988
EXPENDITURES			
Administration		$ 364,597	
Overhead		184,321	
Principal Payments on Development Rights Debt (Note 5)	$ 232,000		
Interest on Development Rights Debt	4,371,210	4,603,210	
			$ 5,152,128
Excess (Deficiency) of Revenues over Expenditures			$ 6,577,860
Fund Balance, June 30, 2007			$58,572,993
Fund Balance, June 30, 2008 (Note 6)			$65,150,853

The accompanying notes are an integral part of this financial statement.

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NOTES TO THE FINANCIAL STATEMENTS

1. The revenues accumulated in the Howard County Agricultural Fund represent receipts from both the State Agricultural Transfer Tax and a portion of the County's Local Transfer Tax. Also included in the revenues are interest related to the above taxes and application fees collected. The expenditures in this fund are charged against the accumulated revenues received and represent the expenditures of the Agricultural Land Preservation Program.

2. Howard County has designated 25% of its annual local Transfer Tax to the Agricultural Land Preservation Program.

3. There is a provision in the Agricultural Land Preservation Program which allows landowners to set aside up to one acre of land for each of their children so that they can build a house on that land. During FY 2008, five landowners exercised that option on land which had been put into the program and reimbursed the County.

4. Interest revenues of $5,219,490 includes both interest earned on investments of $2,864,331 and an unrealized gain on investments of $2,355,159 due to a GASB 31 adjustment.

5. In accordance with Article 13, Section 301-Agricultural Land Transfer tax, Tax Property Article of the Annotated Code of Maryland: the County Collected $1,398,404 of State Agricultural Transfer Tax during the year ended June 30, 2008. The activity specifically related to these State Agricultural Transfer Tax collections is summarized as follows:

Balance - June 30, 2007		$0
ADD:		
Revenue		
State Agricultural Transfer Tax:		
July 1, 2007 - June 30, 2008	$1,398,404	
TOTAL REVENUES THROUGH 6/30/08		$1,398,404
LESS:		
Expenditures		
Transfer Tax Remitted to State	$ 932,269	
Principal Payment of Development Rights Debt	$ 232,000	
Interest on Development Rights Debt	4,371,210	
TOTAL EXPENDITURES		$5,535,479
Balance - June 30, 2008 (cannot be less than zero)		$ 0

6. The Agricultural Land Preservation Program currently in effect in Howard County has been established to allow landowners to sell the development rights on their land to the County. The County gives the landowner an installment purchase agreement, which is in the form of a bond, whereby the County agrees to make semi-annual interest payments on the principal balance for thirty years. Most of the principal is paid in a balloon payment at the end of the thirty years. However, there are some relatively small principal payments made over the course of the thirty-year period because the Howard County Charter requires that principal payments must be made at least once every two years. The total principal debt amount at June 30, 2008 is $60,582,200. This is classified as a long-term debt of Howard County. When the agreement is approved, the County purchases a zero-coupon bond which will earn interest and grow until it is equal to the balloon payment when it matures in thirty years. The purchase price of the zero-coupon bonds and the amount of interest earned to date are both included in the Agricultural Land Preservation Program fund balance. The fund balance also includes some accrued interest payable on the installment purchase agreements since February 15, 2008, which becomes payable on August 15, 2008. The amounts in the $65,150,852 fund balance at June 30, 2008, which are committed to the holders of the installment purchase agreements are:

Zero-Coupon Bonds-Costs	$10,794,333
Unrealized gains on Zero-Coupon Bonds	12,785,579
Accrued Interest (Payable on 8/15/08, $2,043,712)	1,532,784
Total	$25,112,696

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