

Attachment 1: Special Community Benefit District General Information

A Special Community Benefit District (SCBD) is a geographic district of the County established by legislation of the County Council to provide public benefits to properties that would not otherwise receive these benefits. These can be formed for a variety of purposes, including maintenance of community property and private roads, special security or special police protection, improvements to community facilities, and insect and pest control. The following attachment provides an overview of the distribution timeline, County contact information, applicable law & regulations, and frequently asked questions (FAQs).

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1. County Contact Information

The following are the SCBD County contacts and a brief description of their role in the process:

- The **Office of the Budget (Budget)** is responsible for administration of the SCBDs. Budget guides administering entities through the budget process and assists them in determining if a potential expenditure is acceptable based on the purposes of that SCBD. Budget assists with the drafting of any legislation when County Council approval is required, including legislation for creating a SCBD, changing the purposes for a SCBD, increasing appropriations during the year, and approving loans pledging SCBD revenues.
 - Budget Contact: Janae Moulden, Management Assistant
 - bumoul22@aacounty.org
 - (410) 222-1222
- The **Office of Finance (Finance)** is responsible for the collection, distribution, and accounting for tax revenues and to ensure the SCBD properly bonded its officers. Each year, in August, Finance sends the administering entity a spreadsheet of the County's SCBD financial activity for the prior fiscal year. Insurance certificates documenting insurance of the SCBD officers should be sent directly from the insurance company to Finance.
 - Finance Contact: Burt Gatdula, Accountant
 - fngatd23@aacounty.org
 - (410) 222-2366

- The **Office of the County Auditor (County Auditor)** is responsible for ensuring that the SCBDs comply with the state's financial reporting and audit requirements.
 - County Auditor Contact: Lisa Heinecke, Legislative Management Assistant
 - oca-scbd@aacounty.org
 - (410) 222-1138

2. Distribution Timeline

The following is the annual timeline, and corresponding due dates, for the distribution of SCBD funds:

- Financial reports received and accepted prior to **September 28th** will be included in the **November** distribution.
- Financial reports received and accepted prior to **December 31st** will be included in the **February** distribution.
- Financial reports received and accepted prior to **April 1st** will be included in the **June** distribution.
- Financial reports received and accepted after **April 1st** will be included in the next fiscal year's **November** distribution.

For the most efficient processing of financial report submissions and subsequent distributions of funds, it is important to submit financial reports by **September 28th**, the state mandated filing deadline.

There are multiple steps and County offices involved in the distribution process and the following are the most common reasons for a hold on the distribution:

- Finance may place a hold on the distribution if there is not sufficient bond insurance for the SCBD's Officers and Directors. This hold could be due to lack of certification from the insurer, an expired certification, or insufficient insurance. Finance can assist with resolving this issue.
- Budget will ask Finance to place a SCBD's funds on hold if the entity administering the SCBD is not in good standing with the State of Maryland (e.g., if the entity has not filed its personal property tax return). Budget can assist with resolving this issue.
- The County Auditor will ask Finance to place a SCBD's funds on hold if the SCBD has not complied with the financial reporting requirements. The County Auditor can assist with resolving this issue.

3. Laws and Regulations

The SCBDs are impacted by a number of pertinent laws and regulations. Each SCBD is required to understand and abide by both the County and state laws and regulations that oversee its governance, including the following:

- Anne Arundel County Code (Code)
 - § 4-7-103(a): The administering entity must prepare the SCBD's proposed annual budget and submit it to the property owners for their comments by December 31 of each year. The administering entity must submit the final budget request to Budget on or before January 31 of each year and conform to the requirements of Budget.
 - §§ 4-7-102 and 4-7-204: Monies received from taxes collected in the SCBDs shall be spent in the SCBD from which the taxes were collected for the purposes of the SCBD and for the purposes for which appropriations have been made in the budget adopted by the County Council. Note: The Office of Law has determined that an administering entity (e.g., community association) may not expend SCBD funds on corporate matters, including tax preparation or filing fees of any kind including fees to prepare and file personal property tax returns or income tax returns on behalf of an administering entity. This section also states that the total annual expenditures may not exceed the total annual budget appropriation.
 - § 4-7-103(b): Each budget request shall provide a detailed listing of the purposes to which the funds are to be applied, for the County's collection of the applicable administrative charge, for the appropriation of the unencumbered or unexpended surplus of the SCBD's taxing district accounts, and the rate of the SCBD tax.
- Anne Arundel County Charter
 - § 715: The SCBD must have an appropriation to spend any of its community-held, surplus tax funds. Appropriation authority is obtained by budget submission to Budget and the County Council approval of the budget. If the administering entity executes a written loan instrument pledging future SCBD tax revenues for the repayment of the debt, then the loan must be approved by the County Council by ordinance.
 - § 718(a): The administering entity must deposit SCBD tax revenues into a "special fund" account, separate from all other sources of funding. The administering entity may not deposit SCBD tax revenues into the same bank account as the community association or other non-SCBD funds. Any funds deposited into an account used for SCBD tax revenues and expenditures become SCBD revenue subject to the conditions and restrictions of SCBD funds.

- Annotated Code of Maryland (Md. Ann. Code), Local Government Article
 - § 16-308
 - Each County shall adopt uniform rules and regulations for the auditing of the financial records of each SCBD that:
 - received money collected by the County from a County property tax imposed at the request of the SCBD;
 - has annual expenditures exceeding \$250,000; and
 - has money disbursed and expended independently of the County government.
 - The rules and regulations, at a minimum, shall require the audit to:
 - be conducted by:
 - a certified public accountant, or
 - an auditing committee approved by the official auditor of the County (see Attachments 2, 6, and 7);
 - determine if tax funds have been received, deposited, and disbursed in accordance with approved appropriations and state and County law (see Attachment 2);
 - include the following financial statements: a Balance Sheet; a Statement of Revenues, Expenditures and Encumbrances, and Changes in Fund Balance (see Attachments 4 and 5); and,
 - be completed and filed with the appropriate County officials not later than 90 days after the close of the fiscal year (by September 28).
 - For SCBDs with annual expenditures of less than \$250,000, the County shall require an annual financial report (see Attachments 2, 4, and 5) and an audit every four years unless the County determines that more frequent audits are required (see Attachments 2, 6, and 7).
 - If a SCBD does not file a financial report or audit report required by the County, the County may withhold the distribution of taxes imposed on behalf of the SCBD until the report is received and accepted.
 - The County shall file its audit report with the Maryland Legislative Auditor (as required by Md. Ann. Code § 16-306) including a copy of each financial report and audit report received from each SCBD and a report on the results of the County's review of each SCBD's compliance with this section. The Maryland Legislative Auditor shall review the reports submitted by the County and submit recommendations based on the results of the review.

- **Administering Entity's By-Laws:** The administering entity's by-laws may require additional member notifications or require member approvals for the budget, expenditure, and reporting process. For example, some by-laws require budgets to be approved by a set percentage of members or limit the over-expenditure of budgets on a line-item basis or require two directors to sign all checks. The administering entity's Board of Directors and community members are responsible for ensuring compliance with the administering entity's by-laws.

4. FAQs

- Who provides the budget request deadlines and copies of the SCBD's approved budget request form?
 - Budget can provide the budget request deadlines and copies of the SCBD's approved budget request form.
- Who provides a list of the properties within the SCBD and their current owners (i.e., SCBD mailing list)?
 - Budget can provide a list of the properties within the SCBD and their current owners.
- Whom do I contact with questions about the purposes for which our SCBD may spend SCBD revenue?
 - If the SCBD has not yet expended the SCBD funds and has a question on whether they may spend it for a particular purpose, please contact Budget for guidance.
 - If the SCBD has already spent the SCBD funds and has a question as to whether the expenditure was permissible or how to report the expenditure, please contact the County Auditor.
- Who do I contact with questions regarding the SCBD's tax distribution?
 - Finance is responsible for processing tax distributions and can answer questions regarding tax distributions. Finance typically distributes funds at the end of November, February, and June, as long as the SCBD financial report is received and accepted, and all other requirements are met, according to the deadlines included in Section 2 above (Distribution Timeline). The amount of the distribution is usually the lesser of:
 - Tax revenues collected to date but not distributed;
 - Total budget or appropriation authority approved by the County Council less distributions to date; or
 - Total bond insurance as supported by the current filed insurance certificate less cash on hand reported in the prior fiscal year financial statements and current fiscal year distributions to date.

- Who do I contact to get a copy of Finance’s statement that we need to prepare our financial statements?
 - Finance mails these spreadsheets to the SCBD address on record in mid to late August. Requests for an additional copy should be made to Finance.

- Can I get a list of independent certified public accountants that work on SCBD financial and audit reports?
 - The County is not able to provide this information, however, the County website has a list of community association points of contact that may be able to provide that information (<https://www.aacounty.org/departments/planning-and-zoning/forms-and-publications/index.html#development>). From the link, go to the report name, “Community Associations in Anne Arundel County”. The community associations that administer SCBDs are specified in the Code.

- Who do I contact with questions regarding the audit requirements, audit committee requirements, and audit committee approvals?
 - Attachment 2: Financial Reporting Requirements provides detailed information about these requirements. If the SCBD has additional questions, the Office of the County Auditor can assist with audit related questions.