

**THE COUNTY COMMISSIONERS  
OF CHARLES COUNTY  
Charles County, Maryland**

**FINANCIAL STATEMENTS  
June 30, 2008**

## Independent Auditor's Report

The County Commissioners of Charles County  
La Plata, 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 The County Commissioners of Charles County (the County), as of and for the year ended June 30, 2008, 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 an opinion on these financial statements based on our audit. We did not audit the financial statements of the Board of Library Trustees for Charles County, Maryland, a discretely presented component unit, which represents 0.07 percent of the assets and 0.41 percent of the revenues of the total reporting entity. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion on the financial statements, insofar as they relate to the amounts included for the Board of Library Trustees for Charles County, Maryland are based solely on the report 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 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 statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable thereof, 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 a report dated November 28, 2008 on our consideration of the County's internal control over financial reporting and 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 Audit Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary information as listed on the table of contents and the schedule of employer contributions and schedule of funding progress for the sheriff's office retirement plan and schedule of employer contributions and schedule of funding progress for the county employees retirement plan included in note 6 and schedule of funding progress and schedule of employer contributions to the OPEB plan included in note 7 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. 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 County's basic financial statements. The other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Clifton Henderson LLP*

Calverton, Maryland  
November 28, 2008

## Charles County, Maryland Table of Contents

	<u>Page</u>
Report of Independent Certified Public Accountants	1 - 2
Management's Discussion and Analysis	3 - 16
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	17
Statement of Activities	18 - 19
Fund Financial Statements:	
Governmental Fund Financial Statements	
Balance Sheet	20
Reconciliation of Total Governmental Fund Balance to Net Assets of Governmental Activities	21
Statement of Revenues, Expenditures, and Changes in Fund Balance	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	23
Proprietary Fund Financial Statements	
Statement of Net Assets	24
Statement of Revenues, Expenses, and Changes in Net Assets	25
Statement of Cash Flows	26 - 27
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets	28
Statement of Changes in Fiduciary Net Assets	29
Component Units Financial Statements	
Combining Statement of Net Assets	30
Combining Statement of Activities	32 - 33
Notes to the Financial Statements Index	34 - 35
Notes to the Financial Statements	36 - 84
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual - General Fund	87
Other Supplementary Information	
Other Governmental Funds	
Combining Balance Sheet	90 - 93
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	94 - 97

Continued

**Charles County, Maryland**  
**Table of Contents**  
(CONTINUED)

	<u>Page</u>
Other Proprietary Funds	
Combining Statement of Net Assets	98 - 99
Combining Statement of Revenues, Expenses and Changes in Net Assets	100 - 101
Combining Statement of Cash Flows	102 - 105

## Management's Discussion and Analysis

Our discussion and analysis of the financial performance of The County Commissioners of Charles County, Maryland provides an overview of the County's financial activities for the Fiscal Year ended June 30, 2008. We encourage readers to use the information presented here in conjunction with the financial statements (beginning on page 17), and the accompanying notes to those financial statements (beginning on page 34).

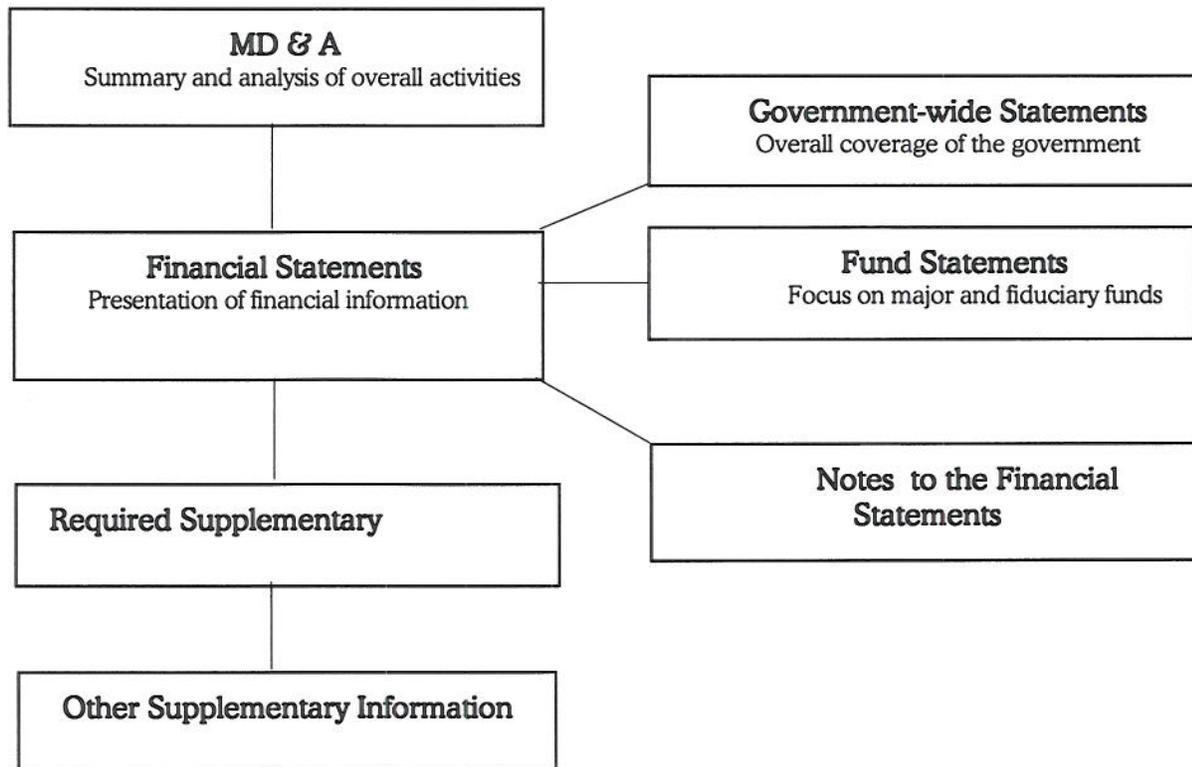
### Financial Highlights

- ★ The government-wide assets of Charles County exceeded liabilities at the close of the current fiscal year by \$401.3 million (*net assets*). A decrease in assets is primarily due to lower than expected income and recordation tax revenues. A slow down in the real estate market and in our overall growth rate effected both sources.
- ★ The County's change in net assets was a reduction of \$37.1 million.
- ★ As of the close of the current fiscal year, Charles County's governmental funds reported combined ending fund balances of \$95.7 million, a decrease of \$40.6 million from the prior year. Approximately 60% of this total amount, \$57.2 million, is available for spending at the government's discretion (*unreserved fund balance*).
- ★ Unreserved undesignated fund balance for the General Fund was \$38.9 million or 13% of General Fund expenditures at June 30, 2008.
- ★ The unreserved fund balance level of 13% for the General Fund exceeds our target of 8%. The long-term fiscal plan conveys that approximately \$17 million of current and future fund balance is reinvested over the course of the next five years to fund capital projects, debt service associated with new schools, and other minor equipment and vehicle purchases. Combined with modest estimated future operating surpluses, the fiscal plan projects that fund balance will return to the 8% target by FY2012.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's financial statements. Charles County's financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the financial statements themselves. The diagram below illustrates how each element of the statements can be used to enhance the overall understanding of the information presented.

## *Financial Statement Presentation*



### ***Government-wide financial statements (Reporting on the County as a Whole)***

The government-wide financial statements are designed to provide readers with a broad overview of Charles County Government's finances, in a manner similar to that of a private-sector business. The Statement of Net Assets and the Statement of Activities are prepared using the accrual basis of accounting.

The Statement of Net Assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Historical trending of the increases and decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The Statement of Activities presents information showing how the County'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 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 the County that are principally supported by taxes and intergovernmental revenues (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 the County include general government, public safety, education, highway and street maintenance, health, parks, and recreation. The business-type activities of the County include water and sewer services, solid waste management, environmental services (recycling) programs, golf course operation, recreation programs, vending, and development

services (plan review and inspection).

The government-wide financial statements include not only the operations of Charles County Government itself (known as the primary government), but also the legally separate organizations of the Board of Education of Charles County, Maryland, and the Board of Library Trustees for Charles County, Maryland (component units). The financial information for these component units is reported separately from the financial information presented for the primary government. The government-wide financial statements can be found on pages 17-19 of this report.

### ***Fund financial statements (Reporting on the County's Most Significant Funds)***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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, as well as on balances 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 more narrow 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 governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Charles County Government maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Capital Projects Fund, and the Debt Service Fund, which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation in the governmental fund financial statements. The governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary funds - Proprietary funds include internal service funds and enterprise funds. An internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. Charles County does not maintain any internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its water and sewer services, solid waste management, environmental services programs, golf course operations, recreation programs, vending and development services.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer Fund, which is considered to be a major fund of the County. The remaining six enterprise funds are combined into a single, aggregated presentation in the proprietary fund

financial statements. The proprietary fund financial statements can be found on pages 24-27 of this report.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. Fiduciary funds include four fund types - pension trust funds, investment trust funds, private-purpose trusts, and agency funds. The County does not maintain any investment trust funds, private-purpose trusts or agency funds. The two pension trust funds maintained by the County are the Sheriff's Office Retirement Plan and the County Employees Retirement Plan. The fiduciary fund financial statements can be found on pages 28-29 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to developing 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 36-84 of this report.

**Required supplementary information.** In addition to the financial statements and accompanying notes, this report presents certain required supplementary information that is not considered a part of the financial statements. Included in this section is a budgetary comparison for the General Fund, which demonstrates compliance with the annually adopted budget. This information can be found on page 87 of this report.

**Other supplementary information.** Other supplementary information includes the Combining Balance Sheet and the Combining Statement of Revenues, Expenditures and Changes in Fund Balance for other nonmajor governmental funds. Also presented here are the Combining Statement of Net Assets, the Combining Statement of Revenues, Expenses and Changes in Net Assets, and the Combining Statement of Cash Flows for the other nonmajor proprietary funds. These reports can be found on pages 90-105 of this report.

## **Government-wide Financial Analysis**

As noted earlier, trend analysis of net assets may serve as a useful indicator of a government's financial position. In Charles County, assets exceeded liabilities by \$401.3 million at the close of the most recent fiscal year, as shown in the summary schedule of net assets below.

By far the largest portion of Charles County's net assets, \$355.4 million (88%), reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment), less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to its citizens; consequently, these assets 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 this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets (11%) represents resources that are subject to external restrictions on how they may be used.

**Net Assets**  
**June 30, 2008 and 2007**  
(amounts expressed in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 232,830	\$ 225,026	\$ 37,576	\$ 37,429	\$ 270,406	\$ 262,455
Capital assets, net of depreciation	392,345	369,715	173,807	166,383	566,152	485,292
Total assets	<u>625,175</u>	<u>594,741</u>	<u>211,383</u>	<u>203,812</u>	<u>836,558</u>	<u>747,747</u>
Non-current liabilities	281,923	252,591	82,077	74,692	364,000	327,283
Other liabilities	61,075	53,011	10,171	9,511	71,246	62,522
Total liabilities	<u>342,998</u>	<u>305,602</u>	<u>92,248</u>	<u>84,203</u>	<u>435,246</u>	<u>389,805</u>
Net assets:						
Invested in capital assets, net of related debt	255,344	217,933	100,098	97,968	355,442	315,901
Restricted net assets	32,866	37,214	0	0	32,866	37,214
Unrestricted net assets	(6,032)	33,993	19,037	21,641	13,005	55,634
Total net assets	<u>\$ 282,178</u>	<u>\$ 289,140</u>	<u>\$ 119,135</u>	<u>\$ 119,609</u>	<u>\$ 401,313</u>	<u>\$ 408,749</u>

**Changes in Net Assets**  
**Years ended June 30, 2008 and 2007**  
(amounts expressed in thousands)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Program revenues:						
Charges for services	\$ 20,710	\$ 31,860	\$ 37,239	\$ 35,487	\$ 57,949	\$ 67,347
Operating grants	22,157	23,366	0	0	22,157	23,366
Capital grants	10,134	145	772	721	10,906	866
General revenues:						
Property taxes	161,344	144,342	0	0	161,344	144,342
Other taxes	112,276	124,178	0	0	112,276	124,178
Grants and contributions not restricted to specific programs	0	0	0	0	0	0
Other	13,649	16,815	1,735	4,593	15,384	21,408
Total revenues	<u>340,270</u>	<u>340,706</u>	<u>39,746</u>	<u>40,801</u>	<u>380,016</u>	<u>381,507</u>
Program expenses:						
General government	13,592	1,857	0	0	13,592	1,857
Public safety	87,502	77,007	0	0	87,502	77,007
Education	191,557	166,363	0	0	191,557	166,363
Judicial	4,198	3,931	0	0	4,198	3,931
Health	8,160	7,440	0	0	8,160	7,440
Social services	1,943	1,829	0	0	1,943	1,829
Community services	18,735	15,857	0	0	18,735	15,857
Economic development	1,623	1,571	0	0	1,623	1,571
Public facilities	31,504	24,252	0	0	31,504	24,252
Water and sewer	0	0	25,226	28,686	25,226	28,686
Other	18,598	16,977	14,479	14,599	33,077	31,576
Total expenses	<u>377,412</u>	<u>317,084</u>	<u>39,705</u>	<u>43,285</u>	<u>417,117</u>	<u>360,369</u>
Excess before transfers and extraordinary gain	(37,142)	23,622	41	(2,486)	(37,101)	21,136
Net transfers	515	527	(515)	(527)	0	0
Extraordinary gain	0	0	0	0	0	0
Change in net assets	(36,627)	24,149	(474)	(3,013)	(37,101)	21,136
Net assets restated - beginning of yr	318,805	264,991	119,609	122,622	438,414	387,613
Net assets - end of year	<u>\$ 282,178</u>	<u>\$ 289,140</u>	<u>\$ 119,135</u>	<u>\$ 119,609</u>	<u>\$ 401,313</u>	<u>\$ 408,749</u>

Overall, the financial position of Charles County remained relatively constant compared to last year. The change in net assets reflects a 2% decrease for governmental activities. Governmental expenditures exceeded revenue following a planned use of fund balance for capital projects and to supplement other tax revenue to fund school construction debt service. The business-type activities showed less than a half percent change in net assets. Both revenues and expenditures declined due to large meter replacement program in FY2007 that did not repeat in FY2008.

**Governmental activities.** To aid in the understanding of the Statement of Activities (pg 18), some additional explanation is given. Of particular interest is the format of this statement. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expenses)/Revenue and Changes in Net Assets. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues, or if the function is self-supporting through fees and grants. It is important to note that all taxes are classified as general revenue even if restricted for a specific purpose.

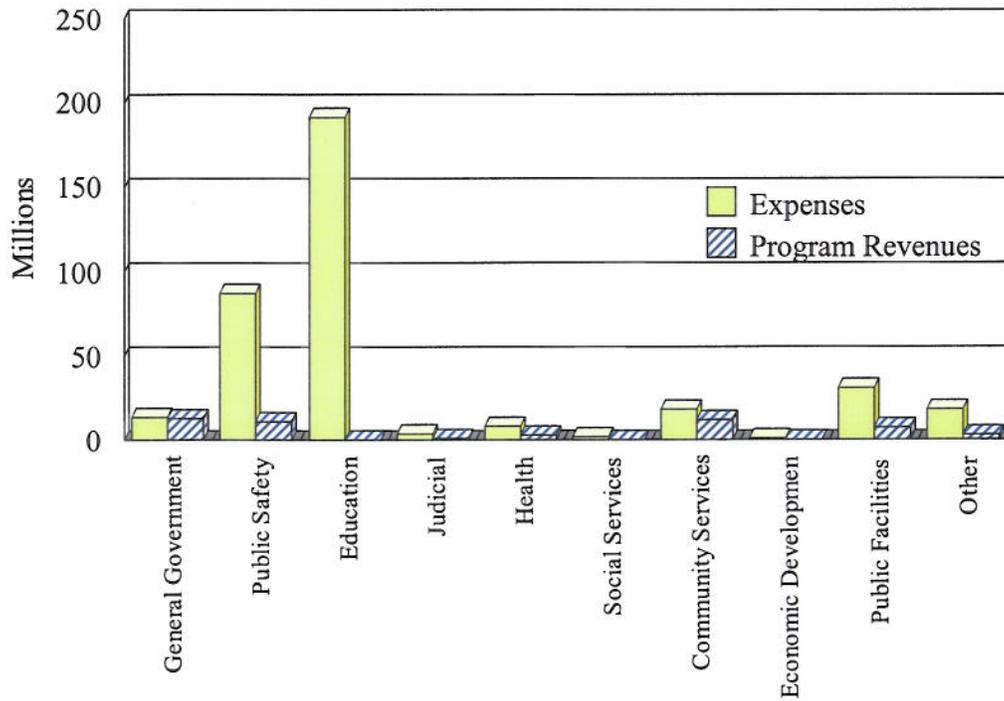
Property taxes increased by \$17 million (12%) during the year. Residential and commercial property value assessments increased by 19% compared to fiscal year 2007. The County granted property tax credits for owner occupied homes by limiting the property tax increase compared to the prior year to 7%. The tax credit known as "The Homestead Tax Credit" equaled nearly \$15 million in property tax credits to homeowners throughout Charles County. The rate limits a tax bill to an increase of no more than 7% over the prior year regardless of the growth in assessment value.

Recordation taxes, revenues received from transfer of property, decreased by 42% compared to Fiscal Year 2007. The cooling real estate market caused a revenue shortfall of \$5 million and contributed to our overall decrease in net assets as previously reported.

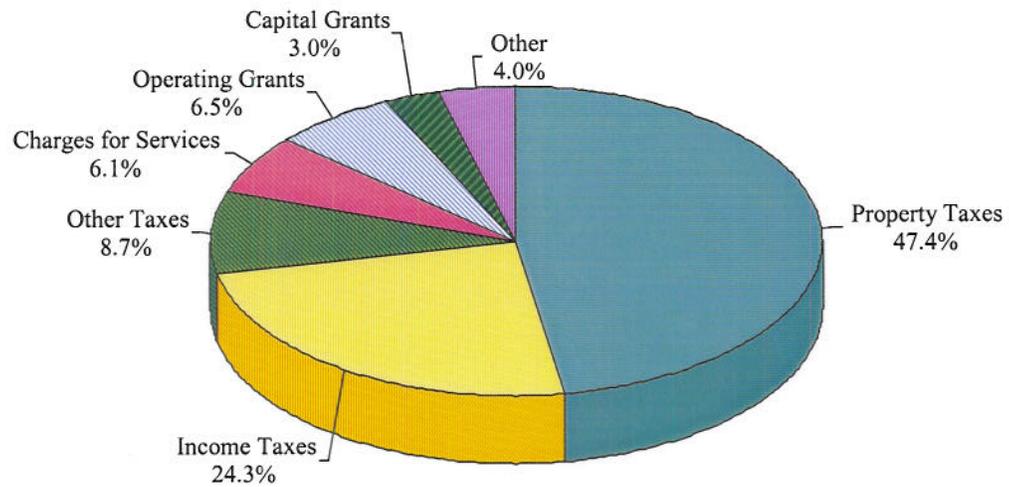
Income tax revenue had a budget shortfall of \$7 million. Although specific reasons have not been identified, the County did experience a high growth rate in deductions from adjusted gross income. Also, a mid-year legislative change by the State of Maryland, which increased personal exemptions, negatively impacted local governments' income tax revenue receipts.

Expenditures increased by \$56.7 million, a 15% increase compared to FY2007. Two of the highest priorities in the County's operating budget, Public Education and Public Safety received the largest increases of \$25.2 million and \$10.5 million, respectively. General Government increased significantly primarily due to a \$7 million expense to the debt service fund for school construction debt.

Expenses and Program Revenues - Governmental Activities (Year Ended June 30, 2008)



General Governmental Revenues by Source - Governmental Activities (Year Ended June 30, 2008)



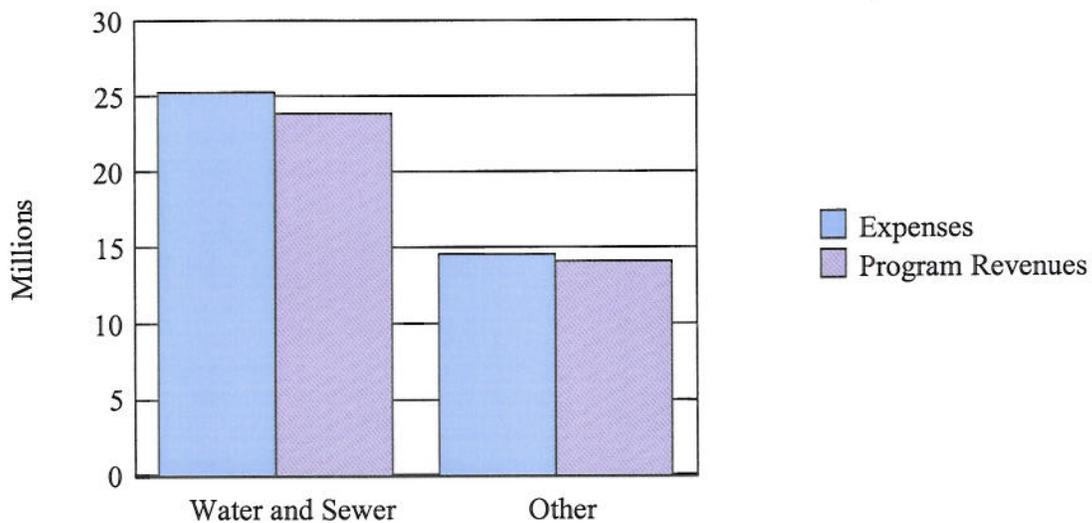
**Business-type activities.** The Water and Sewer Fund is considered a major fund for reporting purposes. For Fiscal Year 2008, the water user fee was increased by twenty-one cents per thousand gallons of water consumed, and the sewer user fee was increased by fifty-four cents per thousand gallons of water consumed, for a combined water and sewer user fee rate of \$7.15 per thousand gallons of water consumed. The combined rate increase was 10% and was needed to fund the increased costs for labor and other operating costs.

The County owns and operates a landfill. The primary source of revenue is derived from tipping fees. The fee of \$70 per ton for commercial and residential refuse was decreased by \$5 compared to FY2007. The fee was decreased in an effort to increase patronage at the landfill. The County recently completed its third expansion of the existing landfill site to accommodate local county waste.

In conjunction with the landfill operation, the County also operates recycling and environmental programs. The recycling operation helps keep reusable items out of the landfill, thus extending the life, which, in turn, defrays the cost of the landfill and defers the need for additional sites. The recycling and environmental programs are funded by an annual user fee of \$65 assessed on each improved property in the County, an increase of \$3 compared to fiscal year 2007. Additional revenue is generated from the sale of recyclable materials.

The Board of County Commissioners are committed to maintaining low tax rates and adjusting fees for services to preserve a self-supporting level. User fees are reviewed and changes are recommended on a regular basis during the County's budgeting process. There are many factors that affect user fee revenue, ranging from weather conditions to citizen participation. For example, unseasonably dry weather creates a greater demand for water, which in turn increases user fee revenue.

Expenses and Program Revenues - Business-type Activities (Year Ended June 30, 2008)



## Financial Analysis of the County's Funds

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$95.7 million, a decrease of \$40.6 million in comparison with the prior year. Approximately 60% of this total (\$57.2 million) constitutes unreserved fund balance, which is available for spending at the county's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) to fund the purchase of capital assets (\$162,176), (2) to fund capital projects(\$28.6 million), (3) to perform services as provided by grants and contributions (\$8.2 million), and (4) for inventories (\$1.6 million).

The General Fund is the chief operating fund of the Charles County Government. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$52.3 million, while total fund balance was \$54.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 18% of the total General Fund expenditures, while total fund balance represents 19% of that same amount.

The fund balance of the County's General Fund decreased by \$18 million during the current fiscal year. Approximately \$16 million of the decrease was a planned (intentional) use of fund balance. The County invested \$7 million of the fund balance in a transfer to the Capital Project Fund to pay for various infrastructure improvements, including roads, schools, and parks. Another \$7 million was transferred to the Debt Service Fund to supplement a shortage of excise tax revenue collected to pay for the debt service associated with new school construction.

The fund balance of the County's Capital Projects Fund decreased by \$23.7 million during the current fiscal year. The decrease in fund balance is the result of expenditures exceeding revenues as prior year bond proceeds are used for current year capital project costs.

The fund balance of the County's Debt Service Fund increased by \$1.8 million during the current fiscal year. This increase is due to transfers related to the Excise Tax debt service subsidy from the General Fund and the certain timing of debt payments with the receipt of related notes receivables.

**Proprietary funds.** Charles County's proprietary fund statements provide the same type of information found in the government-wide financial statements, only in more detail.

Unrestricted net assets of the Water and Sewer Fund at the end of the year amounted to \$11.4 million. Unrestricted net assets of all other proprietary funds were \$7.6 million. There was a total decrease in net assets for all proprietary funds in the amount of \$474,000. Other factors concerning the finances of all these funds have already been addressed in the discussion of the County's business-type activities.

## General Fund Budgetary Highlights

The General Fund Operating Budget was adopted at \$302 million with budget amendments approved during the year of \$11 million that increased the budget to \$313 million. Approximately \$16 million in Fund Balance appropriations were approved to balance the FY2008 operating budget. Approximately \$14 million of the fund balance appropriations were used to fund capital projects, major capital repairs or new school construction debt service, \$1 million to fund various one-time costs such as equipment purchases, and the balance to fund various unexpected expenditures. These appropriations are consistent with the County's philosophy of reinvesting surplus for one-time costs.

Actual revenues fell short of budget by \$13 million primarily in four categories: Income Tax, Recordation Tax, Interest Income, and Highway User Tax. These four revenue sources combined to fall short of budget by nearly \$14.6 million. Property Tax revenue exceeded budget by \$1 million, and increased by 12% compared to FY2007. Recordation Tax revenue was greatly effected by the downturn in the real estate market, falling short by \$5 million. Lower interest rates and a greater use of fund for capital projects caused a shortfall in the Interest Income of approximately \$1 million. Higher gasoline prices resulted in lower demand causing a decrease in Highway User tax revenue of \$350,000 less than FY2007 and a budget shortfall of nearly \$1 million. The State of Maryland enacted a legislative change which resulted in lower local income tax revenue. The change was unexpected and contributed to the overall shortfall of \$7 million.

Expenditure savings of \$10 million partially offset the revenue shortfalls previously noted. A budget reduction plan was established during the year to counter the revenue shortfalls, therefore, savings were achieved throughout County government. The County also delayed a planned contribution of \$4 million to an Other Post Employment Benefit (OPEB) trust fund, presently being finalized in the current fiscal year, due to declining revenues from Recordation taxes, which was identified as the funding source for this contribution. The impact of this decision will be realized with the next actuarial valuation which can be expected to reflect a higher Net OPEB obligation.

## Capital Asset and Debt Administration

**Capital assets.** The County's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounts to \$566.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, vehicles, and infrastructure. The total increase in the County's investment in capital assets for the current fiscal year was slightly over 5% (a 6% increase for governmental activities and a 4% increase for business-type activities).

**Capital Assets**  
**(net of depreciation)**  
**June 30, 2008 and 2007**  
**(amounts expressed in thousands)**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
Land (not depreciated)	\$ 45,877	\$ 45,877	\$ 1,983	\$ 1,983	\$ 47,860	\$ 47,860
Construction in progress (not depreciated)	204,993	180,917	68,607	71,319	252,236	252,236
Land improvements	5,022	2,008	5,054	906	10,076	2,764
Infrastructure	93,293	96,466	82,256	75,808	175,549	172,274
Buildings and improvements	31,190	32,663	11,067	10,844	42,257	43,507
Machinery and equipment	4,783	5,289	3,404	4,076	8,187	9,365
Vehicles	7,188	6,495	1,437	1,447	8,625	7,942
<b>Total</b>	<b>\$ 392,346</b>	<b>\$ 369,715</b>	<b>\$ 173,808</b>	<b>\$ 166,383</b>	<b>\$ 566,154</b>	<b>\$ 535,948</b>

Additional information on the County's capital assets can be found in Note 3 on pages 51-53 of this report.

**Long-term debt.** At the end of the current fiscal year, the County had notes and bonds outstanding of \$320 million, which are backed by the full faith and credit of the County.

**Outstanding Debt**  
**General Obligation Bonds and Notes Payable**  
**June 30, 2008 and 2007**  
**(amounts expressed in thousands)**

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$250,842	\$ 235,896	\$ 53,663	\$ 48,173	\$ 304,505	\$ 284,069
Notes payable	2,146	2,614	13,827	13,402	15,973	16,016
<b>Total</b>	<b>\$ 252,988</b>	<b>\$ 238,510</b>	<b>\$ 67,490</b>	<b>\$ 61,575</b>	<b>\$ 320,478</b>	<b>\$ 300,085</b>

The County's total debt increased by \$20 million during the current fiscal year. The issuance of bonds at favorable interest rates combined with the County's strategic long term financial policy of 15-year

bond terms resulting in rapid pay down of debt, has provided the County with the ability to issue new debt without a large negative fiscal impact.

During the year, the County issued \$47 million of general obligation bonds, of which \$20 million is taxable.

The County continues to maintain an "AA" rating from Standard & Poor's, an "AA+" from Fitch Investors Service and an "Aa2" from Moody's Investors Service.

The County may issue general obligation and revenue bonds under existing authority conferred by the Maryland General Assembly. As a Code Home Rule county, the County has also enacted public local laws authorizing the issuance of general obligation bonds. The County currently has \$118,241,100 of general obligation bond authority.

State statutes limit the amount of general obligation debt a governmental entity may issue for water, sewer, and solid waste infrastructure to ten percent of its total assessed valuation. This debt is typically backed first by revenue bonds from the various enterprise funds and secondly by the full faith and credit of the County. The current debt limitation for Charles County is \$1.2 billion, which significantly exceeds the County's current outstanding general obligation debt related to revenue bonds. Additional information on the County's long-term debt can be found in Note 3 on pages 59-63 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- ★ Overall property tax revenue is estimated to increase by 14% due to the rise in real property value coupled with a strong growth in new construction. Also, the State allowed local county governments the option to levy taxes on power generating utilities at 65% of the full property value instead of the previous 50%. The County exercised this option for FY09 which will generate additional property tax revenue. The local tax rates remained the same.
- ★ Income tax revenue is budgeted flat compared to FY2008 due to the revenue shortfall experienced in the current year and from the full year effect of State legislative changes related to an increase in personal exemptions from income taxes. The local tax rate remained the same.
- ★ Decrease in funding pay-as-you-go capital projects and a lower contingency budget will keep the overall General Fund appropriations to a 3.4% increase. A decrease in the use of Fund Balance of \$4 million, the loss of a State utility grant for electricity deregulation of \$2.5 million, and an adjustment to Recordation Tax revenues due to the slower real estate market moderates operating revenue to a 3.4% growth.

These factors, as well as many others, were considered in preparing the County's budget for Fiscal Year 2009.

During Fiscal Year 2008, unreserved fund balance in the General Fund decreased to \$52.4 million. The County has appropriated \$2.8 million of this amount for spending in Fiscal Year 2009.

## Requests for Information

This financial report is designed to provide a general overview of Charles County's finances for all those with an interest in the County's finances. Questions concerning any information provided in this report should be addressed to:

Director of Fiscal and Administrative Services  
Charles County Government  
P.O. Box 2150  
La Plata, MD 20646

Please visit our website at [www.charlescounty.org](http://www.charlescounty.org)

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total Primary Government	Component Units
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 14,956,984	\$ 253,501	\$ 15,210,485	\$ 43,839,940
Short-term investments	116,996,900	0	116,996,900	532,919
Other receivables	51,004,315	4,799,489	55,803,804	8,585,373
Notes receivable	0	389,819	389,819	0
Excise tax receivable	25,526,448	0	25,526,448	0
Taxes receivable	1,747,415	0	1,747,415	0
Internal balances	(31,280,366)	31,280,366	0	0
Inventory	1,556,961	694,347	2,251,308	995,425
Other current assets	248,653	41,135	289,788	3,673,242
Restricted assets	52,072,609	117,371	52,189,980	0
Capital assets, net of accumulated depreciation:				
Land	45,876,869	1,982,631	47,859,500	15,280,185
Construction in progress	204,993,310	68,606,802	273,600,112	32,614,047
Land improvements	5,022,040	5,054,259	10,076,299	2,058,806
Infrastructure	93,293,322	82,256,213	175,549,535	0
Buildings and improvements	31,189,713	11,067,173	42,256,886	209,234,008
Machinery and equipment	4,783,229	3,403,807	8,187,036	9,183,036
Vehicles	7,187,399	1,436,859	8,624,258	0
Total assets	<u>625,175,801</u>	<u>211,383,773</u>	<u>836,559,574</u>	<u>325,996,981</u>
<b>LIABILITIES:</b>				
Accounts payable	16,177,480	4,901,137	21,078,617	9,681,594
Accrued expenses	2,791,139	1,226,137	4,017,276	26,155,559
Net deferred bond issue premiums	5,220,195	1,024,450	6,244,645	0
Unearned revenue	29,893,873	340,908	30,234,781	3,687,547
Other liabilities	6,993,218	2,679,237	9,672,455	159,449
Noncurrent liabilities:				
Due within one year	25,426,591	5,917,986	31,344,577	1,500,000
Due in more than one year	256,495,758	76,158,812	332,654,570	31,484,269
Total liabilities	<u>342,998,254</u>	<u>92,248,667</u>	<u>435,246,920</u>	<u>72,668,418</u>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	255,344,078	100,098,580	355,442,658	265,870,082
Restricted for:				
Capital projects	25,360,050	0	25,360,050	0
Public housing	4,005,351	0	4,005,351	0
Public safety	1,666,869	0	1,666,869	0
Other purposes	1,834,358	0	1,834,358	0
Unrestricted	(6,033,159)	19,036,528	13,003,369	(12,541,519)
Total net assets	<u>\$ 282,177,547</u>	<u>\$ 119,135,108</u>	<u>\$ 401,312,655</u>	<u>\$ 253,328,563</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>				
Governmental activities:				
Legislative	\$ 2,027,389	\$ 0	\$ 0	\$ 0
Judicial	4,198,286	254,840	827,094	0
Law	869,395	0	0	0
General government	13,591,909	10,753,735	2,467,701	0
Elections	808,229	6,504	0	0
Public safety	87,502,195	7,286,631	4,461,200	0
Planning and growth management	4,036,674	723,722	93,455	2,629,310
Health	8,160,231	47,861	3,325,512	0
Social services	1,943,168	0	0	0
Community services	18,734,675	881,080	10,879,050	383,094
Public facilities	31,504,139	641,037	0	7,121,111
Economic development	1,623,306	114,366	53,048	0
Education	191,557,369	0	0	0
Conservation of natural resources	590,681	0	49,982	0
Interest expense on long term debt	10,264,554	0	0	0
<b>Total governmental activities</b>	<b>377,412,201</b>	<b>20,709,776</b>	<b>22,157,042</b>	<b>10,133,515</b>
Business-type activities:				
Water and sewer	25,226,246	23,179,800	0	745,478
Inspection and review	3,424,829	3,252,495	0	0
County parks	946,765	852,421	0	0
Recreation	3,495,983	2,760,280	0	26,102
Solid waste	3,383,287	3,863,111	0	0
Environmental services	3,108,793	3,210,401	0	0
Vending machines	118,637	120,935	0	0
<b>Total business-type activities</b>	<b>39,704,540</b>	<b>37,239,443</b>	<b>0</b>	<b>771,580</b>
<b>Total primary government</b>	<b>\$ 417,116,741</b>	<b>\$ 57,949,218</b>	<b>\$ 22,157,042</b>	<b>\$ 10,905,095</b>
<b>COMPONENT UNITS:</b>				
Board of Education of Charles County, Maryland	350,195,074	7,224,622	70,447,615	36,767,828
Board of Library Trustees for Charles County	4,193,562	168,640	8,917	0
<b>Total component units</b>	<b>\$ 354,388,636</b>	<b>\$ 7,393,262</b>	<b>\$ 70,456,532</b>	<b>\$ 36,767,828</b>

General revenues:

Taxes:

Local property taxes

Other local

Income taxes

State shared

County and state appropriations

Other income

Interest and investment earnings

Donations - noncash transactions

Net transfers

Total general revenues and transfers

Change in net assets

Net assets - beginning of year, as restated

Net assets - end of year

See accompanying notes.

Net (Expenses)Revenues and Changes in Net Assets

Primary Government			
Governmental Activities	Business- type Activities	Total	Component Units
\$ (2,027,389)	\$ 0	\$ (2,027,389)	\$ 0
(3,116,352)	0	(3,116,352)	0
(869,395)	0	(869,395)	0
(370,473)	0	(370,473)	0
(801,725)	0	(801,725)	0
(75,754,364)	0	(75,754,364)	0
(590,187)	0	(590,187)	0
(4,786,858)	0	(4,786,858)	0
(1,943,168)	0	(1,943,168)	0
(6,591,451)	0	(6,591,451)	0
(23,741,991)	0	(23,741,991)	0
(1,455,892)	0	(1,455,892)	0
(191,557,369)	0	(191,557,369)	0
(540,699)	0	(540,699)	0
(10,264,554)	0	(10,264,554)	0
<u>(324,411,868)</u>	<u>0</u>	<u>(324,411,868)</u>	<u>0</u>
			0
0	(1,300,968)	(1,300,968)	0
0	(172,334)	(172,334)	0
0	(94,344)	(94,344)	0
0	(709,601)	(709,601)	0
0	479,824	479,824	0
0	101,608	101,608	0
0	2,298	2,298	0
<u>0</u>	<u>(1,693,517)</u>	<u>(1,693,517)</u>	<u>0</u>
<u>(324,411,868)</u>	<u>(1,693,517)</u>	<u>(326,105,385)</u>	<u>0</u>
0	0	0	(235,755,009)
0	0	0	(4,016,005)
0	0	0	(239,771,014)
161,343,642	0	161,343,642	0
20,522,655	0	20,522,655	0
82,610,436	0	82,610,436	0
9,142,897	0	9,142,897	0
0	0	0	246,245,667
3,661,909	310,906	3,972,815	170,914
8,914,827	453,435	9,368,262	1,209,070
1,072,491	970,448	2,042,939	0
515,496	(515,496)	0	0
<u>287,784,352</u>	<u>1,219,293</u>	<u>289,003,645</u>	<u>247,625,651</u>
(36,627,516)	(474,224)	(37,101,740)	7,829,779
<u>318,805,063</u>	<u>119,609,334</u>	<u>438,414,397</u>	<u>245,498,784</u>
<u>\$ 282,177,547</u>	<u>\$ 119,135,110</u>	<u>\$ 401,312,657</u>	<u>\$ 253,328,563</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2008

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 11,168,063	\$ 0	\$ 0	\$ 3,788,921	\$ 14,956,984
Investments	116,996,900	0	0	0	116,996,900
Other receivables	42,286,810	4,907,991	87,091	3,722,423	51,004,315
Excise tax receivable	0	0	25,526,448	0	25,526,448
Taxes receivable	1,747,415	0	0	0	1,747,415
Due from other funds	0	44,207,852	0	6,282,236	50,490,088
Inventory	1,556,961	0	0	0	1,556,961
Other assets	248,105	0	0	548	248,653
Restricted assets	2,457,125	0	49,615,484	0	52,072,609
<b>Total assets</b>	<b><u>\$ 176,461,380</u></b>	<b><u>\$ 49,115,843</u></b>	<b><u>\$ 75,229,023</u></b>	<b><u>\$ 13,794,128</u></b>	<b><u>\$ 314,600,373</u></b>
<b>LIABILITIES AND FUND BALANCES:</b>					
Accounts payable	\$ 1,836,768	\$ 12,527,748	\$ 0	\$ 1,812,964	\$ 16,177,480
Accrued expenditures	2,226,618	0	0	0	2,226,618
Deferred revenue	32,415,727	2,556,370	75,137,640	1,628,215	111,737,952
Due to other funds	80,649,620	0	660,733	460,102	81,770,455
Other liabilities	2,140,686	0	0	2,386,271	4,526,957
Payable from restricted assets	2,466,261	0	0	0	2,466,261
<b>Total liabilities</b>	<b><u>121,735,680</u></b>	<b><u>15,084,118</u></b>	<b><u>75,798,373</u></b>	<b><u>6,287,552</u></b>	<b><u>218,905,722</u></b>
<b>Fund balances:</b>					
Reserved fund balance	2,341,477	28,585,793	0	7,506,576	38,433,846
Unreserved:					
Designated fund balance	12,815,378	5,445,932	0	0	18,261,310
Undesignated fund balance (deficit)	39,568,845	0	(569,350)	0	38,999,495
<b>Total fund balances (deficit)</b>	<b><u>54,725,700</u></b>	<b><u>34,031,725</u></b>	<b><u>(569,350)</u></b>	<b><u>7,506,576</u></b>	<b><u>95,694,651</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 176,461,380</u></b>	<b><u>\$ 49,115,843</u></b>	<b><u>\$ 75,229,023</u></b>	<b><u>\$ 13,794,128</u></b>	<b><u>\$ 314,600,373</u></b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE  
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2008

Total Governmental Fund Balance	\$	95,694,651
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		392,345,882
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable		(250,841,807)
Loans and notes payable		(92,282)
Capital leases payable		(5,178,942)
Landfill closure costs		(2,053,885)
Health insurance claims		(564,521)
Net pension obligation		(443,484)
Net OPEB obligation		(11,770,824)
Unearned revenue		81,844,080
Unamortized deferred charges		(5,220,195)
Compensated absences which are not due and payable in the current period and therefore are not reported in the funds		<u>(11,541,126)</u>
Net assets of Governmental Activities	\$	<u>282,177,547</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	General Fund	Capital Projects	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes - local property	\$ 150,828,923	\$ 0	\$ 0	\$ 10,514,719	\$ 161,343,642
Taxes - income	81,823,096	0	0	0	81,823,096
Taxes - other local	17,357,682	0	3,164,973	0	20,522,655
Taxes - state shared	9,142,897	0	0	0	9,142,897
Charges for services	10,199,724	4,668,230	0	4,628,385	19,496,339
Intergovernmental	5,076,504	19,106,692	0	16,987,672	41,170,868
Interest income	5,499,165	0	3,174,224	241,438	8,914,827
Other income	207,255	0	3,128,990	325,664	3,661,909
<b>Total revenues</b>	<b>280,135,245</b>	<b>23,774,922</b>	<b>9,468,187</b>	<b>32,697,878</b>	<b>346,076,233</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Education	146,861,269	30,716,830	0	1,481,848	179,059,947
Public safety	69,917,889	600,138	0	13,409,617	83,927,644
Other general government	18,628,435	0	0	0	18,628,435
Public facilities	16,348,377	54,890,033	0	0	71,238,410
Financial administration	8,061,548	0	0	0	8,061,548
Community services	4,378,098	900,502	0	14,058,621	19,337,221
Judicial	2,917,133	1,748,911	0	1,186,251	5,852,295
Planning and growth management	3,312,307	2,884,144	0	639,495	6,835,946
Health	3,316,818	210,761	0	3,366,529	6,894,108
Economic development	1,395,032	0	0	250,268	1,645,300
Social services	1,161,981	0	0	781,187	1,943,168
Legislative	1,789,283	0	0	15,232	1,804,515
Law	824,957	0	0	0	824,957
Conservation of natural resources	593,574	0	0	0	593,574
Elections	813,294	0	0	0	813,294
<b>Debt service:</b>					
Principal	0	0	10,122,812	0	10,122,812
Interest	5,782,678	0	4,481,876	0	10,264,554
<b>Total expenditures</b>	<b>286,102,673</b>	<b>91,951,319</b>	<b>14,604,688</b>	<b>35,189,048</b>	<b>427,847,728</b>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,967,428)</u>	<u>(68,176,397)</u>	<u>(5,136,501)</u>	<u>(2,491,170)</u>	<u>(81,771,495)</u>
<b>Other financing sources (uses):</b>					
Issuance of debt	2,548,291	37,500,001	0	0	40,048,292
Premium on issuance of debt	623,446	0	0	0	623,446
Transfers in	799,802	6,950,490	6,896,982	2,712,879	17,360,153
Transfers out	(16,637,540)	0	0	(207,117)	(16,844,657)
<b>Total other financing sources (uses)</b>	<b>(12,666,001)</b>	<b>44,450,491</b>	<b>6,896,982</b>	<b>2,505,762</b>	<b>41,187,234</b>
Net change in fund balance	(18,633,429)	(23,725,906)	1,760,481	14,592	(40,584,262)
Fund balance (deficit) - beginning of year	73,359,129	57,757,631	(2,329,831)	7,491,984	136,278,913
<b>Fund balance (deficit) - end of year</b>	<b>\$ 54,725,700</b>	<b>\$ 34,031,725</b>	<b>\$ (569,350)</b>	<b>\$ 7,506,576</b>	<b>\$ 95,694,651</b>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

Net change in fund balance - Governmental Funds	\$ (40,584,262)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.	
	35,299,549
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the cost of the assets disposed less accumulated depreciation.	
	(118,731)
Governmental funds report the issuance of debt as income and the repayment of debt as expenditures. However, in the government-wide statements, debt and repayment of debt is reported as a reduction of a long-term liability. Also, Governmental funds costs associated with the issuance of debt as revenues and expenditures. However, in the government-wide statements, these revenues and expenses are amortized in the statement of activities.	
	(15,544,047)
Governmental funds report revenues based on the availability of the funds. However, in the government-wide statements revenues are recorded based on collectibility.	
	9,861,458
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Depreciation expense	(12,550,038)
Amortization of deferred charges	(77,776)
Compensated absences	(1,245,864)
Net pension obligation	28,749
Net OPEB obligation	(11,770,824)
Health insurance IBNR charges	74,271
	(11,770,824)
Change in Net Assets of Governmental Activities	\$ (36,627,516)

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2008

	Business-type activities		
	Water and Sewer Fund	Other Proprietary Funds	Total
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 200	\$ 253,301	\$ 253,501
Other receivables	4,302,494	496,995	4,799,489
Notes receivable	389,819	0	389,819
Due from other funds	16,897,668	16,496,877	33,394,545
Inventory	644,172	50,175	694,347
Other current assets	15,100	26,035	41,135
Total current assets	<u>22,249,453</u>	<u>17,323,383</u>	<u>39,572,836</u>
Noncurrent assets:			
Net capital assets	148,754,780	25,052,965	173,807,745
Restricted assets	0	117,371	117,371
Total noncurrent assets	<u>148,754,780</u>	<u>25,170,336</u>	<u>173,925,116</u>
Total assets	<u>171,004,233</u>	<u>42,493,719</u>	<u>213,497,952</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	3,797,141	1,103,996	4,901,137
Accrued expenses	1,014,192	211,945	1,226,137
Due to other funds	0	2,114,178	2,114,178
Net deferred bond issue premiums	869,405	155,045	1,024,450
Unearned revenue	6,501	334,407	340,908
Current portion of long-term debt	5,207,324	710,662	5,917,986
Total current liabilities	<u>10,894,563</u>	<u>4,630,233</u>	<u>15,524,796</u>
Noncurrent liabilities:			
Other liabilities	2,561,117	118,120	2,679,237
Bonds payable	40,444,295	8,820,078	49,264,373
Long-term debt	13,949,015	5,139,534	19,088,549
Net pension obligation	101,613	41,080	142,693
Net OPEB obligation	1,448,836	523,585	1,972,421
Capital lease obligation	5,569,069	121,707	5,690,776
Total noncurrent liabilities	<u>64,073,945</u>	<u>14,764,104</u>	<u>78,838,049</u>
Total liabilities	<u>74,968,508</u>	<u>19,394,337</u>	<u>94,362,845</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	84,644,592	15,453,988	100,098,580
Unrestricted	11,391,132	7,645,396	19,036,528
Total net assets	<u>\$ 96,035,724</u>	<u>\$ 23,099,384</u>	<u>\$ 119,135,108</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	Business-type activities		
	Water and Sewer Fund	Other Proprietary Funds	Total
Operating revenues:			
Charges for services	\$ 23,172,960	\$ 14,058,123	\$ 37,231,083
Other income	232,346	78,560	310,906
Total operating revenues	<u>23,405,306</u>	<u>14,136,683</u>	<u>37,541,989</u>
Operating expenses:			
Personnel services	10,310,936	6,050,834	16,361,770
Utilities	2,764,595	480,838	3,245,433
Repairs and maintenance	789,355	297,714	1,087,069
Insurance costs	262,970	41,855	304,825
Indirect costs	348,400	186,000	534,400
Supplies	1,714,540	984,777	2,699,317
Contract services	1,053,500	3,971,011	5,024,511
Other operating costs	403,294	684,845	1,088,139
Depreciation	5,349,069	1,376,159	6,725,228
Total operating expenses	<u>22,996,659</u>	<u>14,074,033</u>	<u>37,070,692</u>
Operating income (loss)	<u>408,647</u>	<u>62,650</u>	<u>471,297</u>
Nonoperating revenues (expenses):			
Interest income	46,968	406,467	453,435
Intergovernmental	745,478	26,102	771,580
Interest expense	(2,229,587)	(404,261)	(2,633,848)
Gain on disposal of capital assets	6,840	1,520	8,360
Total nonoperating revenues (losses)	<u>(1,430,301)</u>	<u>29,827</u>	<u>(1,400,473)</u>
Income before transfers	(1,021,654)	92,477	(929,177)
Donations - noncash transactions	970,448	0	970,448
Transfers in	33,633	50,671	84,304
Transfers out	0	(599,800)	(599,800)
Change in net assets	(17,573)	(456,652)	(474,225)
Net assets - beginning of year	<u>96,053,297</u>	<u>23,556,037</u>	<u>119,609,334</u>
Net assets - end of year	<u>\$ 96,035,724</u>	<u>\$ 23,099,384</u>	<u>\$ 119,135,108</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	Business-type activities		
	Water and Sewer Fund	Other Proprietary Funds	Total
Cash flows from operating activities:			
Cash received from customers	\$ 23,814,806	\$ 14,412,796	\$ 38,227,602
Cash paid to suppliers	(5,874,037)	(5,955,579)	(11,829,616)
Cash paid to employees	(10,105,367)	(6,047,715)	(16,153,082)
Net cash provided by operating activities	<u>7,835,402</u>	<u>2,409,502</u>	<u>10,244,904</u>
Cash flows from investing activities:			
Interest received	46,968	406,467	453,435
Net cash provided by investing activities	<u>46,968</u>	<u>406,467</u>	<u>453,435</u>
Cash flows from noncapital financing activities:			
Intergovernmental	745,478	26,102	771,580
Transfers in (out)	33,633	(549,129)	(515,496)
Receipts from interfund loans	0	4,135,346	4,135,346
Repayments of interfund loans	(5,357,850)	0	(5,357,850)
Net cash used by (used in) noncapital financing activities	<u>(4,578,739)</u>	<u>3,612,319</u>	<u>(966,420)</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of bonds	7,746,554	400,000	8,146,554
Proceeds from new loan	2,071,033	26,369	2,097,402
Principal payments on bonds payable	(782,565)	(256,038)	(1,038,603)
Principal payments on capital lease obligations	(2,457,682)	(550,779)	(3,008,461)
Principal payments on loans	(296,532)	0	(296,532)
Interest paid	(2,229,587)	(404,263)	(2,633,850)
Proceeds from disposal of assets	6,840	1,520	8,360
Cash paid for capital expenses	(7,752,167)	(5,540,504)	(13,292,671)
Net cash used in capital and related financing activities	<u>(3,694,106)</u>	<u>(6,323,695)</u>	<u>(10,017,801)</u>
Net increase in cash and cash equivalents	(390,475)	104,593	(285,882)
Cash and cash equivalents - beginning of year	390,675	148,708	539,383
Cash and cash equivalents - end of year	<u>\$ 200</u>	<u>\$ 253,301</u>	<u>\$ 253,501</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CASH FLOWS (continued)  
PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2008

	Business-type activities		
	Water and Sewer Fund	Other Proprietary Funds	Total
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	\$ 408,646	\$ 62,650	\$ 471,296
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	5,349,069	1,376,159	6,725,228
Increase (decrease) in compensation-related liabilities included in long-term debt	47,697	9,504	57,201
(Increase) decrease in other receivables	358,323	281,403	639,726
(Increase) decrease in notes receivable	52,195	0	52,195
(Increase) decrease in inventories	118,518	(8,578)	109,940
(Increase) decrease in other current assets	(5,020)	(1,983)	(7,003)
(Increase) decrease in restricted assets	0	(5,094)	(5,094)
(Increase) decrease in deferred bond issue costs	(156,506)	0	(156,506)
Increase (decrease) in accounts payable	(201,330)	136,607	(64,723)
Increase (decrease) in accrued expenses	157,872	(6,387)	151,485
Increase (decrease) in other liabilities	156,506	5,843	162,349
Increase (decrease) in Net Pension Obligation	101,613	41,080	142,693
Increase (decrease) in Net OPEB Obligation	1,448,836	523,585	1,972,421
Increase (decrease) in deferred revenue	(1,017)	(5,287)	(6,304)
Net cash provided by operating activities	<u>\$ 7,835,402</u>	<u>\$ 2,409,502</u>	<u>\$ 10,244,904</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Water and Sewer Fund	Other Proprietary Funds	Total
Borrowing under capital lease	3,255,000	26,369	3,281,369
Contributions of capital assets from government	970,448	0	970,448
Purchase of equipment on account	0	0	0

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008

	<u>Pension Trust Funds</u>
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 4,284,140
Interest receivable	<u>110,875</u>
Total current assets	<u>4,395,015</u>
Investments at fair value:	
Bond mutual funds	49,774,046
Equity securities	<u>128,411,821</u>
Total investments	<u>178,185,867</u>
Total assets	182,580,882
LIABILITIES:	
Accrued expenses	<u>(41,412)</u>
NET ASSETS:	
Held in trust for pension benefits	<u>\$ 182,539,470</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED JUNE 30, 2008

	<u>Pension Trust Funds</u>
ADDITIONS:	
Contributions:	
Employer contributions	\$ 10,560,002
Employee contributions	3,851,178
Total contributions	<u>14,411,180</u>
Investment earnings:	
Interest	3,172,854
Net decrease in fair value of investments	<u>(10,535,641)</u>
Total investment earnings	(7,362,787)
Less investment expenses	<u>(78,946)</u>
Net investment earnings	<u>(7,441,733)</u>
Total additions	<u>6,969,447</u>
DEDUCTIONS:	
Benefits paid to members	6,460,105
Administrative costs	<u>757,549</u>
Total deductions	<u>7,217,654</u>
Changes in net assets	(248,207)
Net assets - beginning of year	<u>182,787,677</u>
Net assets - end of year	<u>\$ 182,539,470</u>

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET ASSETS  
 COMPONENT UNITS  
 JUNE 30, 2008

	Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 43,781,332	\$ 58,608	\$ 43,839,940
Short-term investments	0	532,919	532,919
Accounts receivable	8,580,942	4,431	8,585,373
Inventory	995,425	0	995,425
Other assets	3,636,879	36,363	3,673,242
Capital assets			
Land	15,280,185	0	15,280,185
Construction in progress	32,614,047	0	32,614,047
Land improvements	2,058,806	0	2,058,806
Buildings	209,234,008	0	209,234,008
Machinery and equipment	8,624,271	558,765	9,183,036
Total assets	<u>324,805,895</u>	<u>1,191,086</u>	<u>325,996,981</u>
<b>LIABILITIES:</b>			
Accounts payable	9,643,244	38,350	9,681,594
Accrued expenses	25,487,140	668,419	26,155,559
Unearned revenue	3,683,442	4,105	3,687,547
Other liabilities	159,449	0	159,449
Non-current liabilities:			
Due within one year	1,500,000	0	1,500,000
Due in more than one year	31,484,269	0	31,484,269
Total liabilities	<u>71,957,544</u>	<u>710,874</u>	<u>72,668,418</u>
Invested in capital assets, net of related debt	265,311,317	558,765	265,870,082
Unrestricted assets	(12,462,966)	(78,553)	(12,541,519)
Total net assets	<u>\$ 252,848,351</u>	<u>\$ 480,212</u>	<u>\$ 253,328,563</u>

See accompanying notes.

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THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF ACTIVITIES  
 COMPONENT UNITS  
 YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
COMPONENT UNITS:				
Board of Education of Charles County, MD	\$ 350,195,074	\$ 7,224,622	\$ 70,447,615	\$ 36,767,828
Board of Library Trustees for Charles County	4,193,562	168,640	8,917	0
Total component units	<u>\$ 354,388,636</u>	<u>\$ 7,393,262</u>	<u>\$ 70,456,532</u>	<u>\$ 36,767,828</u>

General revenues:

- County and state appropriations
- Other income
- Interest and investment earnings
- Miscellaneous
- Total general revenues and transfers

Change in net assets

- Net assets - beginning of year, as restated
- Net assets - end of year

See accompanying notes.

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Board of Education of Charles County, Maryland	Board of Library Trustees for Charles County	Total
\$ (235,755,009)	\$ 0	\$ (235,755,009)
0	(4,016,005)	(4,016,005)
(235,755,009)	(4,016,005)	(239,771,014)
242,598,818	3,646,849	246,245,667
0	0	0
1,182,623	26,447	1,209,070
128,335	17,721	170,914
243,909,776	3,691,017	247,625,651
8,154,767	(324,988)	7,829,779
244,693,584	805,200	245,498,784
\$ 252,848,351	\$ 480,212	\$ 253,328,563

See accompanying notes.

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2008

INDEX

		<u>Page</u>
NOTE 1	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	36
	A. Reporting Entity	36
	B. Basic Financial Statements	37
	Government-wide Statements	37
	Fund Financial Statements	38
	C. Basis of Accounting and Measurement Focus	39
	Basis of Accounting	39
	Measurement Focus	40
	D. Financial Statement Amounts	40
NOTE 2	STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	44
	A. Budgets and Budgetary Accounting	44
	B. Deficit Fund Equity	44
NOTE 3	DETAILED NOTES ON ALL FUNDS	45
	A. Cash Deposits and Investments	45
	B. Receivables	48
	C. Property Taxes Receivable	48
	D. Notes Receivable	49
	E. Capital Assets	51
	F. Interfund Receivables, Payables, and Transfers	56
	G. Leases	57
	H. Long-Term Debt	59
	I. Restricted Assets	64
	J. Fund Balance Analysis	65
NOTE 4	RISK MANAGEMENT	66
NOTE 5	COMMITMENTS AND CONTINGENCIES	67
	A. Contingencies Under Grant Provisions	67

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008

INDEX  
(continued)

	<u>Page</u>	
NOTE 6	PENSION PLANS	67
	A. Sheriff's Office Retirement Plan	70
	B. County Employees Retirement Plan	75
	C. Length of Service Award Program (LOSAP) for Volunteer Firemen and Rescue Squadmen	81
NOTE 7	OTHER EMPLOYMENT BENEFITS	81
	A. Deferred Compensation Plan	82
	B. Other Post-Employment Benefits	82
NOTE 8	CLOSURE AND POST-CLOSURE CARE COSTS	83
	A. Pisgah Landfill	83
	B. Charles County Landfill	84
NOTE 9	PRIOR PERIOD ADJUSTMENT	84

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Charles County, Maryland (the County) was created by order of council on May 10, 1658. The County operates under the Maryland Code Home Rule form of Government. Both the executive and the legislative functions of the County are vested in the elected five-member Board of Commissioners of Charles County, Maryland (County Commissioners). The County provides various services to its citizens including public safety, health and social services, parks and recreation, public transportation, public works and general administrative services. In addition, the County owns and operates a water and sewer system, a landfill and recycling center, a public golf course, and various recreational centers, including the latest addition this past fiscal year, the Southern Maryland Baseball and Entertainment Complex.

The County's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. The more significant accounting policies established in GAAP and used by the County are discussed below.

In June 1999, the Governmental Accounting Standards Board unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (GASB 34). Some of the significant changes in the Statement include (1) the addition of a Management's Discussion and Analysis (MD&A) section providing an analysis of the County's overall financial position and results of operations; (2) the addition of financial statements prepared using full accrual accounting for all of the County's activities, including infrastructure; and (3) a change in the fund financial statements to focus on the major funds. These and other changes are reflected in the accompanying financial statements (including Notes to the Financial Statements).

**A. Reporting Entity**

The financial statements of the reporting entity include those of Charles County Government (the primary government) and its component units. Component units are legally separate entities that are included in the County's reporting entity because of the significance of their operating or financial relationships with the County. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement 14 *The Financial Reporting Entity* and modified by GASB Statement 39 *Determining Whether Certain Organizations are Component Units*, include whether:

- the organization is legally separate
- the County Commissioners appoint a voting majority of the organization's board
- the County Commissioners have the ability to impose their will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- the organization is fiscally dependent on the County

Based on the application of these criteria, the following organizations are considered component units of Charles County Government. Their financial data is discretely presented in a separate column in the government-wide financial statements. A Combining Statement of Net Assets and a Combining Statement of Activities for the component units are also provided. All discretely presented component units have a June 30 year end.

The Board of Education of Charles County, Maryland (the Board of Education) is a legally separate organization created by Maryland state law to operate the County's public school system. Management of the County's schools is under the control of the Board of Education, with the final decision-making authority held by the State Board of Education. The members of the Board of Education are elected by the residents of Charles County. The Board of Education is financially accountable to the Charles County Government because the Board of Education's annual budget is subject to the approval of the County Commissioners. The Board of Education is presented as a governmental fund type. The County provided \$135,535,000 in operating funds and \$30,293,077 in capital funding to the Board of Education during Fiscal Year 2008.

The Board of Library Trustees for Charles County, Maryland (the Library) is a legally separate entity under Maryland state law. The Library's Trustees are appointed by the Governor of the State of Maryland and oversee the day-to-day management of the Library. The Library's budget is subject to the approval of the County Commissioners. The Library is presented as a governmental fund type. The County provided \$1,924,866 in operating funds to the Library during Fiscal Year 2008.

Complete financial statements of the discretely presented component units can be obtained directly from their respective administrative offices:

Board of Education of Charles County, Maryland  
5980 Radio Station Road  
La Plata, MD 20646

Board of Library Trustees for Charles County, Maryland  
2 Garrett Avenue  
La Plata, MD 20646

## B. Basic Financial Statements

The County's basic financial statements include government-wide financial statements (reporting on the County as a whole), fund financial statements (reporting on the County as a whole with an emphasis on the most significant funds), and fiduciary financial statements (reporting on the County's pension funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities are normally supported by taxes and intergovernmental revenues. The County's public safety, public transportation, health and social services, some parks and recreation activities, public works and general administrative services are classified as governmental activities. Business-type activities rely significantly on fees and charges for support. The County's water and sewer operation, solid waste management operations, environmental services (recycling), vending commissions, white plains golf course, recreation and development services are classified as business-type activities.

### Government-wide Statements

The government-wide financial statements (i.e. the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements focus more on the sustainability of the County as an entity and the change in the County's net assets resulting from the current year's activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported using the economic resources measurement focus and the accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. Net assets should be reported as restricted when constraints placed on the net asset's use are either externally imposed by

creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

The net assets restricted for other purposes result from special revenue funds and the restrictions on their net asset use. When both restricted and unrestricted resources are available for use, the County utilizes restricted resources to finance qualifying activities first, then unrestricted resources as they are needed.

The government-wide Statement of Activities reports both the gross and net cost of each of the County's functions and business-type activities. The functions are also supported by general government revenues (property tax, income tax, certain intergovernmental revenues, fines, permits, and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating grants and capital grants. 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 or segment. Program revenues must be directly associated with the function of a business-type activity. The operating grants column includes operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenues (property tax, income tax, intergovernmental revenues, interest income, etc.), which are not properly included among program revenues.

The County has an indirect cost allocation plan authorized under OMB Circular A-87, which it uses (when applicable and allowed) to charge costs to special revenue (grant) programs and proprietary funds. The federal guidelines state that indirect costs are eligible for reimbursement provided they are necessary for the efficient conduct of the grant or contract and provided specific costs identified are not restricted by federal law or regulations. As required, the County received an annual central services allocation plan and indirect cost rate proposal as prepared for the past fiscal year by Cost Plans Plus, LLC. As a result, the County uses that plan in developing cost-based fees, rates, user charges and overhead recoveries from other taxing entities, authorities and enterprise funds.

### Fund Financial Statements

The financial transactions of the County are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB 34 sets forth minimum criteria for the determination of major funds. The criteria used by the County is the percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental and enterprise funds combined. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. Nonmajor funds by category are summarized into a single column.

#### **1. Governmental Funds:**

The measurement focus of the governmental fund financial statements is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon change in fund balance. The following is a description of the governmental funds of the County:

- a. **General Fund** is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is considered a major fund.

- b. **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue Funds of the county are non-major funds.
- c. **Debt Service Fund** is used to account for the accumulation of funds for the periodic payment of principal and interest on long-term debt. The Debt Service Fund is a major fund.
- d. **Capital Projects Fund** is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds). The Capital Projects Fund is a major fund.

## 2. Proprietary Funds:

The focus of proprietary fund measurement is based upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the County:

**Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges, or (c) establishes fees and charges based on a pricing policy designed to cover similar costs. Only the Water and Sewer Fund is considered a major fund and is presented separately. All other enterprise funds are non-major and their data is combined into a single aggregated presentation.

## 3. Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus for fiduciary funds is on net assets and changes in net assets, and accounting principles used are similar to proprietary funds.

The County's two pension trust funds account for the retirement benefits for the Charles County Maryland Sheriff's Office Retirement Plan and the Charles County Pension Plan. Since, by definition, these assets are held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements. They are presented in the fiduciary fund financial statements.

### C. Basis of Accounting and Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. The measurement focus identifies which transactions should be recorded.

#### Basis of Accounting

- a. **Accrual Basis** - Both governmental and business-type activities are presented using the accrual basis of accounting in the government-wide financial statements and the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for 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.

- b. **Modified Accrual Basis** - The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means knowing or able to reasonably estimate the amount. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end. Property taxes, income taxes, highway user taxes, excise taxes and interest associated the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures (including capital outlay) are recorded when the related liability is incurred. However, debt service expenditures (principal and interest), as well as expenditures related to compensated absences and claims and judgments, are recorded only when due.

### Measurement Focus

In the government-wide financial statements, both governmental and business-type activities are presented using the economic resources measurement focus as defined below in item b.

In the governmental fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **D. Financial Statement Amounts**

#### **1. Cash and Cash Equivalents:**

The County has defined cash and cash equivalents to include cash on hand, petty cash, demand deposits, and short-term securities and certificates of deposit with an original maturity of three months or less at time of purchase.

#### **2. Investments:**

Investments held by the County, including the pension funds, are stated at fair value. Fair value is based on quoted market prices at year-end or best available estimate. All investments not required to be reported at fair value are stated at cost or amortized cost.

### 3. Receivables:

All trade, excise and property tax receivables are reported at their fair value. Estimated unbilled revenues from the Water and Sewer Fund are recognized at the end of each fiscal year on a pro-rata basis. The estimated amount is based on billings during the month following the close of the fiscal year. Taxes, special assessments, utility charges and accrued interest are deemed collectible in full. Property taxes attach as an enforceable lien when levied on July 1 of each fiscal year. The taxes are payable without interest by September 30.

All property tax revenue is recognized in compliance with NCGAI-3 (Revenue Recognition-Property Taxes), which states that such revenue is recorded when it becomes measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period. Revenue relating to receivables which have not been collected within sixty days after the year-end has been reclassified from property tax revenues to deferred revenues.

### 4. Interfund Transactions:

The following is a description of the basic types of interfund transactions made during the year and related accounting policies:

- a. Transactions for services rendered or facilities provided - these transactions are recorded as revenues in the receiving fund and expenditures in the disbursing fund.
- b. Transactions to reimburse a fund for expenditures made by it or for the benefit of another fund - these transactions are recorded as expenditures in the disbursing fund and as reductions of expenditures in the receiving fund.
- c. Transactions to shift revenues or contributions from the fund budgeted to receive them to the fund budgeted to expend them - these transactions are recorded as transfers in and out.

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due (to) from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances" and are eliminated.

### 5. Inventories:

Inventories of the County, consisting of expendable supplies held for the County's use, are valued at the lower of cost or market using the First-In / First-Out Method. Inventories in all funds are initially recorded in the inventory account and recognized as expenditures/expenses when consumed.

### 6. Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the allocation method.

### 7. Restricted Assets:

Cash deposits held for construction escrow bonds, inmates at the Detention Center, a State's Attorney Restitution bank account, and various lease deposits held are all restricted and being held in Governmental Funds. In addition, certain debt proceeds and certain resources set aside for their repayment in the Debt Service Fund, are classified as restricted assets on the balance sheet because their use is limited and they are maintained in separate accounts. In the Solid Waste Management fund, bonds are held for commercial credit customers of the landfill operation in an interest-bearing bank account.

## 8. Capital Assets:

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, and similar items), are reported in applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an original, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Both the Board of Education and the Library (component units) define capital assets as assets having an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. For the Library, books and audio visual materials with a useful life greater than one year are capitalized and are valued and depreciated using the group method. For the primary government and component units, donated capital assets are recorded at estimated fair market value at the date of donation. Normal maintenance and repair costs that do not add to the value of the assets or materially extend assets' lives are not capitalized by the County or the component units.

Significant outlays for capital assets and improvements are capitalized as Construction in Progress while projects are being constructed. Projects are not depreciated until completed or substantially completed and available for use.

Property, plant and equipment of the primary government and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Charles County Government</u>	
Buildings	30 years
Improvements	10-30 years
Water and sewer systems	30-50 years
Infrastructure	10-50 years
Machinery and equipment	5-10 years
Vehicles	5 years
Computers & software	3-5 years
Other infrastructure	10-50 years
<u>The Board of Education</u>	
Buildings and improvements	30 years
Land improvements	10 years
Furniture and equipment	5 - 10 years
<u>The Library</u>	
Leasehold improvements	15 - 39 years
Furniture and equipment	7 years
Vehicles	5 years
Computer equipment	5 years
Books and audio visual materials	3 years

## 9. Net Assets / Fund Equity:

In the government-wide financial statements, equity is classified as net assets and is displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets, including restricted 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 assets.

- b. Restricted net assets - consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund financial statements, equity is classified as fund balance for governmental funds. Further classifications are as follows:

- a. Reserved fund balance - this represents amounts that have been legally restricted by outside parties for specific purposes and are not available for appropriation.
- b. Unreserved fund balance - represents amounts available for budgeting future operations.
  - 1. Designated fund balance - represents tentative management plans for utilizing resources in the subsequent year's budget for financing specific activities and to fund deficits in other funds. These designations are subject to change.
  - 2. Undesignated fund balance - represents the remaining fund balance that is available for use.

Equity in the proprietary fund statements is classified the same as in the government-wide statements.

#### **10. Compensated Absences:**

Employees of the County earn annual leave, compensatory time and sick leave in varying amounts. It is the County's policy to permit employees to accumulate earned but unused annual leave, compensatory time, and sick pay benefits. Upon separation of service with the County, noncritical employees are reimbursed for accumulated annual leave up to a maximum of 45 days and accumulated compensatory time up to 240 hours. Sworn Officers, Corrections Officers, and certain critical employees of the Sheriff's Office are reimbursed for accumulated annual leave up to a maximum of 720 hours. Sworn Officers can be reimbursed up to 480 hours of compensatory time. There is no liability recorded for unpaid accumulated sick leave since the County does not have a policy to pay any of these amounts when employees separate from service.

The County accrues the value of the accumulated unpaid annual leave, compensatory time and associated employee-related costs when incurred in the government-wide and proprietary fund financial statements. Only the amount of unused annual leave and compensatory pay that is expected to be liquidated with expendable available financial resources (amount estimated to be used within 60 days of year-end) is recorded as an expenditure and a liability in the governmental fund that will pay it. The noncurrent portion for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

#### **11. 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

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 debt service expenditures. Capital leases are recorded in the same manner.

## **12. Revenues, Expenditures, and Expenses:**

Property taxes and interest assessed in the current fiscal period are accrued and are recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be earned and therefore recognizable as revenue of the current period.

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities. In the fund financial statements, expenditures are classified by character.

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing goods in connection with the proprietary fund's principal operations. Operating revenues include user fees and charges. Operating expenses 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 nonoperating revenues and expenses.

## **13. Accounting Estimates:**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

## **NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

### **A. Budgets and Budgetary Accounting**

Formal budgetary accounting is employed as a management control for all funds of the County, except the two pension trust funds. However, a legal budget is adopted only for the General Fund. Thus, the budgetary financial statement included in this report as required supplementary information does not include Special Revenue Funds, Debt Service Funds, Capital Projects Fund, Proprietary Funds or Fiduciary Funds. The basis for budgeting is the modified accrual basis. All annual appropriations lapse at fiscal year-end. Project-length budgets are adopted for the Capital Projects Fund which is projected in five year increments.

The legal level of budgetary control (that is, the level at which expenditures cannot exceed budgeted appropriations) is at the program level. However, with proper approval by the County Commissioners, budget transfers can be made. The budgeted financial statements represented in this report reflect the final budget authorization, including all amendments made by the County Commissioners. There were no material violations of the annual appropriated budget for the fiscal year ended June 30, 2008.

### **B. Deficit Fund Equity**

The Debt Service Fund had a deficit fund balance of \$569,350 as of June 30, 2008. The fund incurred a net operating loss in the current fiscal year due to the timing of the County's bond issue in March 2008, the current year's debt payment activity, and the related note repayment schedules for the Nursing Home, Hospital, and ACPT, as adjusted by any new debt issues.

The Recreation Fund had a deficit fund balance of \$927,071 as of June 30, 2008. The deficit balance resulted from the second full year costs associated with an indoor recreation complex. This operation was acquired by the County in May 2006. A contract was awarded to Rink Management Services for the operation of this facility and that commenced on July 5, 2008. In conjunction with that, the operation for the facility will be removed from the Recreation Fund and reported on it's own beginning with the financial statements ending June 30, 2009.

The Golf Course Fund had a deficit fund balance of \$6,421 as of June 30, 2008. This was the result of recording the County's OPEB liability share to the operation at year end, which was a surplus fund balance prior to this adjustment.

### **NOTE 3. DETAILED NOTES ON ALL FUNDS**

#### **A. Cash Deposits and Investments**

Article 95, Section 22 of the Annotated Code of Maryland states that local governments are authorized to invest in the instruments specified in the State Finance and Procurement Article, Section 6-222 of the Code. In addition, Article 95, Section 22 requires that local government deposits with financial institutions be fully collateralized and that the collateral be of types specified in the State Finance and Procurement Article, Section 6-202. The County Treasurer is charged with the responsibility for selecting depositories and investing idle funds as directed by the State and County Codes. The County Treasurer is further restricted as to the types of deposits and investments in accordance with the County's investment policy. Depository institutions must be Maryland banks and must be approved for use by the County Commissioners.

#### Cash Deposits

At year-end, the carrying amount of the County's deposits was \$12,740,175 and the bank balances were \$13,898,473. Of the bank balance, \$480,506 was covered by Federal depository insurance and \$13,417,967 was collateralized with securities held by the pledging financial institution's trust department or agent in the County's name.

At year-end, the carrying amount of the deposits of the Board of Education, a discretely presented component unit, was \$11,295,297 and the bank balance was \$9,774,150. Of the bank balance, \$597,070 was covered by Federal depository insurance and \$9,177,080 was covered by collateral held in either the pledging bank's trust department or by the pledging bank's agent.

At year-end, the carrying amount of the deposits of the Library, a discretely presented component unit, was \$57,778 and the bank balance was \$61,861. The bank balance was covered by Federal depository insurance.

#### Investments

Statutes authorize the County Treasurer to invest in short-term U.S. government securities or repurchase agreements fully secured by the United States government if the funds are not needed for immediate disbursement. The stated maturities of the investments may not exceed 270 days. Statutes also authorize the Treasurer to invest in the local government investment pool established by state law. Investments are subject to approval of the County Commissioners as to the amount available for investment and the acceptable securities or financial institutions used.

At year-end, the County's cash and investment balances were as follows:

Cash on hand	\$12,414,109
U.S. government securities:	
Treasuries	14,881,192
Agencies	14,851,520
Repurchase agreements (sweep)	5,000,000
Money market	300,324
Certificates of deposit	25,000,000
Maryland local government pool	61,963,864
Total governmental cash and investments	<u>\$ 134,411,009</u>
Pension investments:	
Sheriff's office retirement plan	
Money market	383,305
Guaranteed investment contracts	5,434,034
Mutual funds	96,714,164
County employees retirement plan	
Money market	3,900,835
Guaranteed investment contracts	18,181,315
Mutual funds	57,856,355
Total governmental and fiduciary cash and investments	<u>\$ 316,881,017</u>

At year-end, the Board of Education's cash and investment balances were as follows:

Cash on hand and deposits	\$289,536
Repurchase agreements	8,500,352
Maryland local government pool	34,991,444
Total cash and investments	<u>\$ 43,781,332</u>

At year-end, the Library's cash and investment balances were as follows:

Cash on hand and deposits	\$58,608
Maryland local government pool	532,919
Total cash and investments	<u>\$ 591,527</u>

Investments in the Maryland Local Government Investment Pool (MLGIP) are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The State Treasurer of Maryland exercises oversight responsibility over the MLGIP. A single financial institution is contracted to operate the Pool. In addition, the State Treasurer has established an advisory board composed of Pool participants to review the activities of the contractor quarterly and provide suggestions to enhance the return on investments. The MLGIP maintains an AAAM credit quality rating from Standard and Poor's. The MLGIP uses the amortized cost method to compute unit value rather than market value to report net assets. Accordingly, the fair value of the position in the MLGIP is the same as the value of the MLGIP shares.

Investments made by the County under Agencies consists of several instruments backed by either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation organizations, and are held in a custodial account along with Treasuries. These agency investments are implicitly guaranteed by the U.S. government.

### **Interest Rate Risk**

As a means of limiting its exposure to fair value losses stemming from rising interest rates, the County's investment policy prohibits the investment of operating funds in securities maturing more than 270 days from the date of purchase.

### **Custodial Credit Risk**

For an investment, custodial credit risk is the risk that, in the event of failure of the counter party, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, or not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent, but not in the government's name. County and State statutes require that securities underlying all certificates of deposit, repurchase agreements and reverse repurchase agreements have a market value of at least 102 percent of the cost plus accrued interest of the investment. County policies require that a third party custodian hold investment securities and the collateral underlying all investments, in the governments' name. At June 30, 2008, the County's investments were not exposed to custodial credit.

## B. Receivables

Receivables as of year-end for the County's individual major funds and nonmajor funds in the aggregate were as follows:

	General	Capital Projects	Debt Service	Water and Sewer Fund	Nonmajor Funds	Total
Receivables:						
Interest	\$ 409,981	\$ 0	\$ 0	\$ 7,273	\$ 0	\$ 417,254
Taxes	32,270,727	0	25,526,448	0	0	57,797,175
Accounts	11,011,639	4,907,991	77,443	4,324,493	3,355,848	23,677,414
Special assessments	0	0	9,648	360,547	0	370,195
Intergovernmental	341,878	0	0	0	863,571	1,205,449
Total receivables	<u>\$ 44,034,225</u>	<u>\$4,907,991</u>	<u>\$25,613,539</u>	<u>\$ 4,692,313</u>	<u>\$ 4,219,418</u>	<u>\$ 83,467,486</u>

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

	Unearned	Unavailable	Total
Delinquent property taxes receivable (General Fund)	\$ 0	\$ 57,650,209	\$ 57,650,209
Agricultural preservation taxes	1,280,076	0	1,280,076
Special assessments not yet due	0	9,648	9,648
School construction impact fees	2,556,370	0	2,556,370
Grant draw-downs prior to meeting all eligibility requirements	343,411	0	343,411
Other unearned revenue	282,754	0	282,754
Loans receivable (Debt Service Fund)	0	49,615,484	49,615,484
Total unearned revenue for governmental funds	<u>\$ 4,462,611</u>	<u>\$ 107,275,341</u>	<u>\$ 111,737,952</u>

## C. Property Taxes Receivable

The County levies a property tax each July 1 on the assessed value of all taxable real property located within the County on that date. Assessed values are established by the Maryland Department of Assessments and Taxation at assessed market value. A reassessment of all property is required to be completed every three years. The rates of the levy cannot exceed the constant yield tax rate furnished by the Maryland State Department of Assessments and Taxation without public notice and only after public hearings. The real

property tax rate during the year ended June 30, 2008 remained constant at \$0.962 per \$100 of assessed value. Property taxes attach as an enforceable lien on the property when levied on July 1 of each year. The taxes are payable without interest by September 30.

Revenue relating to property taxes receivable, which have not been collected within sixty days after year-end, have been reclassified from property tax revenues to deferred revenues in governmental funds.

#### D. Notes Receivable

During the fiscal year, the County entered into its fifth financing agreement with American Community Property Trust (ACPT) in the amount of \$3,000,000 to finance certain road, water and sewer projects within the County. The note receivable was funded through issuance of \$3,000,000 taxable general obligation bonds. Also as part of the taxable general obligation bond issue in March 2008, the County financed the one-third share of MD Baseball, LLC's obligation to the So. MD Baseball and Entertainment Complex in the grand total of \$9,248,200.

The following is a schedule of the notes receivable balances:

<u>Loan &amp; Year</u>	<u>Total Borrowed</u>	<u>Term &amp; Rate</u>	<u>Principal Balance 6/30/08</u>
Nursing Home 1992	\$ 2,300,000	15 years, 5%-8.375%	\$ 0
Nursing Home 1995	200,000	15 years, 5.05%-7%	26,676
Nursing Home 2000	500,000	15 years, 3.13%	225,000
Nursing Home 2001	250,000	15 years, 2.55%	133,333
Nursing Home 2002	100,000	15 years, 2.83%	60,000
Nursing Home 2003	150,000	15 years, 3.28%	97,500
Nursing Home 2005	100,000	15 years, 2.67%	77,777
Nursing Home 2006	400,000	15 years, 2.24%	337,778
Subtotal: Nursing Home	4,000,000		958,064
Hospital 2004	15,000,000	15 years, 3.04831%	13,162,451
ACPT 2004	8,000,000	15 years, 4%-5%	6,310,000
ACPT 2005	6,000,000	15 years, 5%-5.125%	5,002,500
ACPT 2006	10,000,000	15 years, 5.125%-8%	8,927,500
ACPT 2007	3,000,000	15 years, 5.25%-5.75%	2,825,000
ACPT 2008	3,000,000	15 years, 4.90%-5.25%	2,961,562
So. MD Baseball LLC	9,248,200	15 years, 4.90%-5.25%	8,631,653
CSM	1,000,000	15 years, 3.67%	836,753
Total notes receivable	<u>\$ 59,248,200</u>		<u>\$ 49,615,483</u>

A first lien security interest on all the Hospital's receipts secures their loan. A first lien security interest on the Nursing Home building and facilities secures the Nursing Home loans. ACPT's loan is collateralized by one letter of credit held by Citibank, N.A. and three others held by Deutsche Bank. These restricted assets are recorded in the Debt Service Fund. Principal and interest payments on the related bonds from these restricted resources are also accounted for in the same fund.

The future minimum note payments receivable for the year ended June 30, 2008 are as follows:

	Nursing Home	Hospital	ACPT	So. MD Baseball LLC	CSM	Total
2009	\$ 159,123	\$ 1,247,234	\$ 2,927,008	\$ 894,000	\$ 86,791	\$ 5,314,156
2010	159,123	1,247,234	2,906,649	894,000	86,791	5,293,797
2011	139,156	1,247,234	2,896,677	894,000	86,791	5,263,858
2012	139,156	1,247,234	2,896,637	894,000	86,792	5,263,819
2013	139,156	1,247,233	2,889,697	894,000	86,792	5,256,878
2014 - 2018	477,970	6,236,169	14,404,554	4,470,000	433,956	26,022,649
2019 - 2023	110,608	3,429,893	6,931,036	3,576,000	166,371	14,213,908
Subtotal	1,324,292	15,902,230	35,852,258	12,516,000	1,034,283	66,629,063
Less: interest	(366,228)	(2,739,779)	(9,825,697)	(3,884,347)	(197,530)	(17,013,580)
Total future minimum note payments receivable	<u>\$ 958,064</u>	<u>\$ 13,162,451</u>	<u>\$ 26,026,561</u>	<u>\$ 8,631,653</u>	<u>\$ 836,753</u>	<u>\$ 49,615,483</u>

## E. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

### Primary Government

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 45,876,869	\$ 0	\$ 0	\$ 45,876,869
Construction in progress	180,917,007	30,176,230	(6,099,927)	204,993,310
Total capital assets, not depreciated	226,793,876	30,176,230	0	250,870,179
Capital assets, depreciated:				
Land improvements	3,106,119	3,374,786	0	6,480,905
Infrastructure	230,804,248	3,419,182	0	234,223,431
Buildings and improvements	80,736,137	353,618	0	81,089,755
Machinery and equipment	14,379,445	1,034,231	(115,584)	15,298,092
Vehicles	17,490,203	3,041,429	(1,726,785)	18,804,847
Total capital assets, depreciated	346,516,152	11,223,246	(1,842,369)	355,897,030
Less: accumulated depreciation for:				
Land improvements	(1,098,107)	(360,758)	0	(1,458,865)
Infrastructure	(134,338,273)	(6,591,835)	0	(140,930,109)
Buildings and improvements	(48,073,273)	(1,826,768)	0	(49,900,041)
Machinery and equipment	(9,090,415)	(1,540,363)	115,915	(10,514,863)
Vehicles	(10,994,858)	(2,230,313)	1,607,723	(11,617,448)
Total accumulated depreciation	(203,594,926)	(12,550,038)	1,723,638	(214,421,327)
Total capital assets, depreciated,	142,921,226	(1,326,792)	(118,731)	141,475,703
Governmental activities capital assets, net	<u>\$ 369,715,102</u>	<u>\$ 28,849,438</u>	<u>\$ (118,731)</u>	<u>\$ 392,345,882</u>

<b>Business-type Activities</b>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets, not depreciated:				
Land	\$ 1,982,631	\$ 0	\$ 0	\$ 1,982,631
Construction in progress	71,318,675	12,509,596	(15,221,470)	68,606,801
Total capital assets, not depreciated	73,301,306	12,509,596	(15,221,470)	70,589,432
Capital assets, depreciated:				
Land improvements	5,463,365	4,307,436	0	9,770,801
Infrastructure	168,623,149	11,217,281	0	179,840,430
Buildings and improvements	13,226,357	683,791	0	13,910,148
Machinery and equipment	9,037,713	209,741	(13,760)	9,233,694
Vehicles	4,336,378	450,002	(185,160)	4,601,220
Total capital assets, depreciated	200,686,962	16,868,250	(198,920)	217,356,292
Less: accumulated depreciation for:				
Land improvements	(4,557,418)	(159,125)	0	(4,716,543)
Infrastructure	(92,815,297)	(4,768,920)	0	(97,584,217)
Buildings and improvements	(2,381,643)	(461,332)	0	(2,842,975)
Machinery and equipment	(4,962,074)	(874,808)	6,995	(5,829,887)
Vehicles	(2,888,708)	(461,044)	185,392	(3,164,360)
Total accumulated depreciation	(107,605,140)	(6,725,229)	192,387	(114,137,982)
Total capital assets, depreciated, net	93,081,822	10,143,022	(6,533)	103,218,311
Business-type activities capital assets, net	<u>\$ 166,383,128</u>	<u>\$ 22,652,618</u>	<u>\$ (15,228,003)</u>	<u>\$ 173,807,743</u>

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

**Governmental Activities:**

General Government	\$ 57,465
Public Safety	2,929,282
Legislative	165,073
Judicial	74,537
Financial Administration	117,228
Law	2,751
Planning and Growth	67,092
Health	178,044
Community Services	359,261
Public Facilities	8,495,968
Education	103,334
Total depreciation expense - Governmental Activities	<u>\$ 12,550,038</u>

**Business-type Activities:**

Water and Sewer	\$ 5,349,069
Solid Waste	619,559
Recycling/Environmental Service	334,830
Parks	69,897
Recreation	335,337
Inspection	16,536
Total depreciation expense - Business-type Activities	<u>\$ 6,725,228</u>

## Construction Commitments

The County has active construction projects as of June 30, 2008. The projects include widening and reconstruction of existing streets and bridges, maintenance of existing roads, landfill expansion, construction of a baseball stadium/entertainment complex, and the improvement and expansion of existing water and sewer facilities. At year-end, the County's project commitments are as follows:

<u>Division / Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Transportation		
Road and bridge expansions	\$ 94,699,486	\$ 69,161,441
Other transportation projects	3,468,077	710,932
General government		
Courthouse expansion	4,748,022	12,265,558
Baseball Stadium & Entertainment Complex	25,677,806	963,364
Buildings and improvements	17,808,072	36,747,508
Other general government projects	8,236,993	7,552,517
Water and sewer		
Expansions and improvements	42,270,573	73,798,271
Bio-nutrient removal project	26,454,388	3,107,722
Parks		
Expansions and improvements	3,359,316	12,645,694
Environmental service		
Various environmental service projects	6,774,655	6,809,345
Total	<u>\$ 233,497,388</u>	<u>\$ 223,762,352</u>

Most construction projects are financed, in part or in full, by general obligation bonds. Road and bridge expansions are also financed by off-site road fees and transfers of existing resources from the General Fund. Water and sewer expansions are financed by general obligation bonds, the state, and property owners.

## Discretely Presented Component Units

Capital asset activity for the Board of Education for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated:				
Land	\$ 13,094,385	\$ 2,185,800	\$ 0	\$ 15,280,185
Construction in progress	31,161,542	35,465,010	(34,012,505)	32,614,047
Total capital assets, not depreciated	<u>44,255,927</u>	<u>37,650,810</u>	<u>(34,012,505)</u>	<u>47,894,232</u>
Capital assets, depreciated:				
Buildings	335,643,023	34,199,589	0	369,842,612
Land improvements	6,678,556	692,586	0	7,371,142
Furniture and equipment	24,679,435	2,062,925	(1,540,691)	25,201,669
Total capital assets, depreciated	<u>367,001,014</u>	<u>36,955,100</u>	<u>(1,540,691)</u>	<u>402,415,423</u>
Less accumulated depreciation for:				
Buildings	(150,989,690)	(9,618,914)	0	(160,608,604)
Land improvements	(5,079,292)	(233,044)	0	(5,312,336)
Furniture and equipment	(15,788,095)	(2,260,271)	1,470,968	(16,577,398)
Total accumulated depreciation	<u>(171,857,077)</u>	<u>(12,112,229)</u>	<u>1,470,968</u>	<u>(182,498,338)</u>
Total capital assets, depreciated, net	<u>195,143,937</u>	<u>24,842,871</u>	<u>(69,723)</u>	<u>219,917,085</u>
Board capital assets, net	<u>\$ 239,399,864</u>	<u>\$ 62,493,681</u>	<u>\$ (34,082,228)</u>	<u>\$ 267,811,317</u>

Capital asset activity for the Library for the year ended June 30, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, depreciated:				
Furniture and equipment	\$ 513,762	\$ 42,883	\$ (2,800)	\$ 553,845
Library books and AV material	1,392,549	255,647	(612,632)	1,035,564
Total capital assets, depreciated	<u>1,906,311</u>	<u>298,530</u>	<u>(615,432)</u>	<u>1,589,409</u>
Less accumulated depreciation	<u>(1,341,620)</u>	<u>(304,456)</u>	<u>615,432</u>	<u>(1,030,644)</u>
Library capital assets, depreciated, net	<u>\$ 564,691</u>	<u>\$ (5,926)</u>	<u>\$ 0</u>	<u>\$ 558,765</u>

## F. Interfund Receivables, Payables, and Transfers

The General Fund is the main fund used to collect, invest, and disburse monies for governmental and proprietary funds. This creates temporary interfund balances. The composition of interfund balances as of June 30, 2008, is as follows:

Due (to) from other funds:	Governmental Activities	Business-type Activities
General Fund	\$ (80,649,619)	\$ 0
Capital Projects Fund	44,207,852	0
Debt Service Fund	(660,734)	0
Water and Sewer Fund	0	16,897,668
Other Nonmajor Funds	5,822,134	14,382,698
Total	<u>\$ (31,280,366)</u>	<u>\$ 31,280,366</u>

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The following is a schedule of interfund transfers:

Transfers Out	Transfers In						Total
	General Fund	Capital Projects Fund	Debt Service Fund	Water and Sewer Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	
General Fund	\$ 0	\$ 6,950,490	\$6,896,982	\$ 33,633	\$ 2,712,879	\$ 50,671	\$ 16,644,655
Nonmajor Governmental Funds	200,002	0		0	0	0	200,002
Nonmajor Enterprise Funds	599,800	0		0	0	0	599,800
Total Transfers In:	<u>\$799,802</u>	<u>\$ 6,950,490</u>	<u>\$6,896,982</u>	<u>\$ 33,633</u>	<u>\$ 2,712,879</u>	<u>\$ 50,671</u>	<u>\$ 17,444,457</u>

## G. Leases

### Capital Leases

The County has entered into several lease agreements as lessee for financing the acquisition of various machinery and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception dates. Information on each of the various lease agreements is as follows:

- Fiscal Year 2003 - Various equipment for the General Fund, Water and Sewer Fund, Environmental Service Fund, Parks Fund, and Inspection Fund - semiannual payments of \$295,345 over five years ending August 2007, including interest at a rate of 2.98%, equipment capitalized at \$2,725,000.
- Fiscal Year 2004 - Various equipment for the General Fund, Water and Sewer Fund, Environmental Service Fund, Parks Fund, and Inspection Fund - semiannual payments of \$130,695 over five years ending August 2008, including interest at a rate of 2.39%, equipment capitalized at \$1,225,000.
- Fiscal Year 2004 - Equipment for the Southern Maryland Criminal Justice Academy - semiannual payments of \$5,475 over five years ending April 2009, including interest at rate of 2.94%, equipment capitalized at \$50,575.
- Fiscal Year 2005 - Various equipment for the General Fund, Water and Sewer Fund, Environmental Service Fund, Parks Fund, and Inspection Fund - semiannual payments of \$159,787 over five years ending August 2009, including interest at a rate of 2.96%, equipment capitalized at \$1,475,000.
- Fiscal Year 2006 - Various equipment for the General Fund, Water and Sewer Fund, Environmental Service Fund and I-Net Fund, - semiannual payments of \$205,840 over five years ending July 2010, including interest at a rate of 4.63%, equipment capitalized at \$1,900,000.
- Fiscal Year 2006 - Equipment for Charles County Sheriff's Office - semiannual payments of \$60,269 over five years ending November 2010, including interest at a rate of 3.398%, equipment capitalized at \$550,000.
- Fiscal Year 2007 - Various equipment for the General Fund, Inspection Fund, Parks Fund, and Water and Sewer Fund - semiannual payments of \$238,797 over five years ending August 2011, including interest at a rate of 6.10%, equipment capitalized at \$2,150,000.
- Fiscal Year 2007 - Meter Replacement Lease for the Water and Sewer Fund - semiannual payments starting at \$132,965 and increasing to \$569,142 over fifteen years ending February 2022, including interest at a rate of 6.47%, various components expended at \$5,862,900.
- Fiscal Year 2008 - Various equipment for the General Fund, Water and Sewer Fund and Environmental Service Fund - semiannual payments of \$221,025.27 over five years ending August 2012, including interest at a rate of 3.72%, equipment capitalized at \$2,000,000.
- Fiscal Year 2008 - Public Safety Portable Radios - semiannual payments of \$98,905.39 over five years ending January 2013, including interest at a rate of 3.50%, equipment capitalized at \$900,160.00.

The assets acquired through capital leases and still in use are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Building & Improvements	\$ 90,906	\$ 0
Machinery and equipment	6,807,959	1,546,523
Vehicles	5,097,301	2,538,462
Total capital assets	<u>11,996,166</u>	<u>4,084,985</u>
Less accumulated depreciation:		
Building & Improvements	(37,444)	0
Machinery and equipment	(3,733,314)	(1,206,805)
Vehicles	(3,098,143)	(1,698,696)
Total accumulated depreciation	<u>(6,868,901)</u>	<u>(2,905,501)</u>
Total capital assets, net	<u>\$ 5,127,265</u>	<u>\$ 1,179,484</u>

The future minimum obligations and the net present value of the minimum lease payments as of June 30, 2008, were as follows:

	Governmental Activities	Business-type Activities	Total
2009	\$ 1,735,622	\$ 810,636	\$ 2,546,258
2010	1,530,909	752,601	2,283,510
2011	1,168,159	703,677	1,871,836
2012	758,278	623,299	1,381,577
2013	380,665	543,847	924,512
2014 -2018	0	2,665,242	2,665,242
2019 - 2022	0	2,164,096	2,164,096
Subtotal	<u>5,573,633</u>	<u>8,263,398</u>	<u>13,837,031</u>
Interest	<u>(394,691)</u>	<u>(2,044,223)</u>	<u>(2,438,914)</u>
Present value of minimum lease payments	<u>\$ 5,178,942</u>	<u>\$ 6,219,175</u>	<u>\$ 11,398,117</u>

## H. Long-Term Debt

### General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years was \$468,853,000. During the year ended June 30, 2008, general obligation bonds totaling \$47,000,000 were issued for consolidated public improvement, of which \$20,000,000 were taxable.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. In the past these bonds have been generally issued as 15-year serial bonds with equal amounts of principal maturing each year. Over the past six years, the County has issued 10 year bonds as part of it's overall debt issuance as it pertains to the Excise Tax collections assessed annually on new homeowner's tax bills for school construction. The County's General obligation bonds currently outstanding are as follows:

Bond Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/2008
Consolidated Public Improvement Bonds of 1998	\$5,400,000	15 years, 4.125% - 4.6%	1,994,752
Consolidated Public Improvement Bonds of 1999	\$8,000,000	15 years, 3.875% - 4.4%	3,737,481
Consolidated Public Improvement Bonds of 2000	\$11,150,000	15 years, 4.8% - 5.625%	3,871,554
Consolidated Public Improvement Bonds of 2001	\$11,700,000	15 years, 4.125% - 4.7%	5,167,374
Consolidated Public Improvement and Refunding Bonds of 2002	\$26,860,000	15 years, 3% - 5%	8,135,473
Consolidated Public Improvement Bonds of 2003	\$22,090,000	15 years, 2% - 4%	9,418,749
Consolidated Public Improvement Bonds of 2003	\$6,910,000.00	10 years, 2% - 4%	3,680,000
Consolidated Public Improvement and Refunding Bonds of 2004	\$52,745,000	15 years, 2% - 4%	29,532,506
Consolidated Public Improvement and Refunding Bonds of 2004	\$31,500,000	10 years, 2% - 4%	19,770,000
Consolidated Public Improvement Bonds (Taxable) of 2004	\$8,000,000	15 years, 4% - 5%	6,310,000
Consolidated Public Improvement and Refunding Bonds of 2005	\$52,550,000	15 years, 3% - 4.5%	30,089,362
Consolidated Public Improvement and Refunding Bonds of 2005	\$10,160,000	10 years, 3% - 4.5%	7,535,000
Consolidated Public Improvement Bonds (Taxable) of 2005	\$6,000,000	15 years, 5% - 5.125%	5,085,000
Consolidated Public Improvement Bonds of 2006	\$26,880,000	15 years, 4% - 5%	20,806,198
Consolidated Public Improvement Bonds of 2006	\$16,120,000	10 years, 4% - 5%	13,320,000
Consolidated Public Improvement Bonds (Taxable) of 2006	\$10,000,000	15 years, 5.125% - 8%	9,055,000
Consolidated Public Improvement Bonds of 2007	\$33,700,000	15 years, 3.5% - 4%	18,068,358
Consolidated Public Improvement Bonds of 2007	\$16,300,000	10 years, 3.5% - 4%	14,905,000
Consolidated Public Improvement Bonds (Taxable) of 2007	\$3,000,000	15 years, 5.75% - 5.51%	2,860,000
Consolidated Public Improvement Bonds of 2008	\$25,400,000	15 years, 3% - 5%	15,900,000
Consolidated Public Improvement Bonds of 2008	\$1,600,000	10 years, 3% - 5%	1,600,000
Consolidated Public Improvement Bonds (Taxable) of 2008	\$20,000,000	15 years, 5% - 5.25%	20,000,000
Total bonds outstanding			<u>250,841,807</u>

Notes Payable

Loan Description and Year	Amount Borrowed	Term and Rate	Governmental Activities Balance 6/30/2008
FHA Loan 1973	\$250,000	40 years, 3.649%	92,282
MD Water Quality Revolving Loan Fund for Pisgah Landfill	\$7,838,664	15 years, 4.37%	2,053,885
Total loans outstanding			<u>2,146,167</u>
Total bonds & loans outstanding			<u>\$ 252,987,974</u>

Bond Description and Year	Amount Borrowed	Term and Rate	Business-type Activities Balance 6/30/2008
Consolidated Public Improvement Bonds of 1998	\$5,400,000	15 years, 4.125% - 4.6%	195,248
Consolidated Public Improvement Bonds of 1999	\$8,000,000	15 years, 3.875% - 4.4%	117,519
Consolidated Public Improvement Bonds of 2000	\$11,150,000	15 years, 4.8% - 5.625%	2,348,446
Consolidated Public Improvement Bonds of 2001	\$11,700,000	15 years, 4.125% - 4.7%	1,947,626
Consolidated Public Improvement and Refunding Bonds of 2002	\$26,860,000	15 years, 3% - 5%	2,164,527
Consolidated Public Improvement Bonds of 2003	\$22,090,000	15 years, 2% - 4%	6,386,251
Consolidated Public Improvement and Refunding Bonds of 2004	\$52,745,000	15 years, 2% - 4%	3,702,494
Consolidated Public Improvement and Refunding Bonds of 2005	\$52,550,000	15 years, 3% - 4.5%	10,165,638
Consolidated Public Improvement Bonds of 2006	\$26,880,000	15 years, 4% - 5%	3,258,802
Consolidated Public Improvement Bonds of 2007	\$33,700,000	15 years, 3.5% - 4%	13,876,642
Consolidated Public Improvement Bonds of 2008	\$25,400,000	15 years, 3% - 5%	9,500,000
Total bonds outstanding			<u>53,663,193</u>

Notes Payable

Loan Description and Year	Amount Borrowed	Term and Rate	Business-type Activities Balance 6/30/2008
MD Water Quality Revolving Loan Fund of 1996	\$1,512,911	15 years, 4.35%	382,248
MD Water Quality Revolving Loan Mattawoman BNR Upgrade	\$14,767,900	20 years, 1.200%	13,444,549
Total loans outstanding			<u>13,826,797</u>
Total bonds & loans outstanding			<u>\$ 67,489,990</u>

**MD Water Quality Revolving Loan**

In Fiscal Year 2004, the County entered into an agreement with the State of Maryland to borrow up to \$14,767,900 for partial funding of the Mattawoman Waste Water Treatment Plant Bio-Nutrient Removal upgrade. During the Fiscal Year 2008, the County requested funds in the amount of \$1,206,391, which exhausted the available balance for future drawdowns. As of June 30, 2008, the County has a related debt balance of \$13,444,549.

## Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 235,896,256	\$ 37,500,000	\$ (22,554,449)	\$ 250,841,807	\$ 23,536,320
Notes payable	2,614,352	0	(468,185)	2,146,167	468,185
Capital leases	4,112,261	2,548,291	(1,481,610)	5,178,942	351,361
Net Pension Obligation	472,232	0	(28,748)	443,484	0
Net OPEB Obligation	0	11,770,824	0	11,770,824	0
Compensated absences	10,295,262	1,245,864	0	11,541,126	1,070,725
<b>Governmental activities noncurrent liabilities</b>	<b>253,390,363</b>	<b>53,064,979</b>	<b>(24,532,992)</b>	<b>281,922,350</b>	<b>25,426,591</b>
<u>Business-type activities:</u>					
General obligation bonds	48,173,744	9,500,000	(4,010,551)	53,663,193	4,398,820
Notes payable	13,402,971	1,206,391	(782,565)	13,826,797	795,640
Capital leases	6,838,341	351,869	(971,035)	6,219,175	528,399
Landfill closure costs	4,687,288	29,802	0	4,717,090	0
Net Pension Obligation	158,560	0	(15,868)	142,692	0
Net OPEB Obligation	0	1,972,421	0	1,972,421	0
Compensated absences	1,432,303	103,777	(651)	1,535,429	195,127
<b>Business-type activities noncurrent liabilities</b>	<b>74,693,207</b>	<b>13,164,260</b>	<b>(5,780,670)</b>	<b>82,076,797</b>	<b>5,917,986</b>
<b>Total primary government noncurrent liabilities</b>	<b>\$ 328,083,570</b>	<b>\$ 66,229,239</b>	<b>\$ (30,313,662)</b>	<b>\$ 363,999,147</b>	<b>\$ 31,344,577</b>
<u>Component units:</u>					
Board of Education	\$ 10,266,172	\$ 22,718,097	\$ 0	\$ 32,984,269	\$ 1,500,000
Library	\$ 155,363	\$ 15,686	\$ 0	\$ 171,049	\$ 171,049

For the governmental activities, compensated absences are generally liquidated by the general fund and certain special revenue funds.

The annual requirements to amortize all debt outstanding as of June 30, 2008, including interest of \$89,122,241 and excluding compensated absences and landfill closure costs, are as follows:

Year ending June 30	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2009	\$ 26,128,753	\$ 11,069,354	\$ 5,734,007	\$ 2,676,338	\$ 45,608,452
2010	25,589,863	10,127,059	5,653,943	2,481,569	43,852,434
2011	25,406,969	9,045,309	5,656,170	2,265,367	42,373,815
2012	25,416,516	7,976,892	5,405,096	2,053,427	40,851,931
2013	23,865,210	6,875,389	5,144,616	1,850,511	37,735,726
2014-2018	92,269,592	20,496,771	26,274,582	6,280,262	145,321,207
2019-2023	39,490,013	4,196,297	17,394,854	1,668,761	62,749,925
2024-2028	0	0	2,445,897	58,935	2,504,832
	<u>\$ 258,166,916</u>	<u>\$ 69,787,071</u>	<u>\$ 73,709,165</u>	<u>\$ 19,335,170</u>	<u>\$ 420,998,322</u>

#### Conduit Debt

Charles County Government has issued five economic development revenue bonds for the express purpose of providing capital financing for specific third parties that are not a part of the Charles County Government's financial reporting entity. These bonds neither constitute an indebtedness nor do they represent a pledge of the full faith and credit of the Charles County Government and are not reported as liabilities on the accompanying financial statements. For these five issues, the aggregate principal amount outstanding at June 30, 2008 is \$23,643,047.

#### Special Assessment Debt

In prior years, the County has had requested and granted various special assessments on projects petitioned by citizens. These projects are performed by the County, but the cost is fully funded by the property owners. No debt has been issued for these projects to date, rather they have been funded on a pay-go basis.

## I. Restricted Assets

The details of the restricted assets are as follows:

### Governmental Activities

#### Cash and cash equivalents:

Inmate account (old)	\$	24,175	
Inmate account (new)		38,013	
SAO Restitution account		16,717	
Lease deposits		8,688	
Construction escrow		<u>2,369,532</u>	
Total cash and cash equivalents	\$		2,457,125

#### Notes receivable:

Nursing Home		958,064	
Civista		13,162,451	
ACPT		26,026,562	
So. MD Baseball LLC		8,631,653	
College of Southern Maryland		<u>836,753</u>	
Total notes receivable			<u>49,615,483</u>
Total Governmental Activities			52,072,608

### Business-type Activities

#### Cash and cash equivalents:

Landfill Bonds			117,371
TOTAL PRIMARY GOVERNMENT	\$		<u><u>52,189,979</u></u>

## J. Fund Balance Analysis

The following are the components of Fund Balance in the governmental funds:

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Fund balances:					
Reserved for:					
Inventory	\$ 1,556,961	\$ 0	\$ 0	\$ 0	\$ 1,556,961
Capital outlay	162,176	28,585,793	0	0	28,747,969
Economic development	622,340	0	0	0	622,340
Judicial grants	0	0	0	159,514	159,514
Transportation	0	0	0	749,936	749,936
Public safety	0	0	0	376,201	376,201
Community development grants	0	0	0	156,808	156,808
Housing	0	0	0	3,848,543	3,848,543
Animal control	0	0	0	81,165	81,165
Drug enforcement	0	0	0	590,369	590,369
Fire and rescue	0	0	0	619,134	619,134
Mental health	0	0	0	137,460	137,460
I-net technology	0	0	0	787,446	787,446
Total reserved	<u>2,341,477</u>	<u>28,585,793</u>	<u>0</u>	<u>7,506,576</u>	<u>38,433,846</u>
Unreserved:					
Designated for:					
Health insurance	1,535,416	0	0	0	1,535,416
Animal control	77,794	0	0	0	77,794
Housing	395,129	0	0	0	395,129
Infrastructure	0	5,229,398	0	0	5,229,398
Road improvements	0	216,534	0	0	216,534
Parks	10,839	0	0	0	10,839
CIP & operations	10,796,200	0	0	0	10,796,200
Total designated	<u>12,815,378</u>	<u>5,445,932</u>	<u>0</u>	<u>0</u>	<u>18,261,310</u>
Undesignated:					
Other undesignated	39,568,845	0	0	0	39,568,845
Debt Service	0	0	(569,350)	0	(569,350)
Total undesignated	<u>39,568,845</u>	<u>0</u>	<u>(569,350)</u>	<u>0</u>	<u>38,999,495</u>
Total fund balances (deficit)	<u>\$ 54,725,700</u>	<u>\$ 34,031,725</u>	<u>\$ (569,350)</u>	<u>\$ 7,506,576</u>	<u>\$ 95,694,651</u>

## NOTE 4. RISK MANAGEMENT

### Liability Insurance

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 County was unable to obtain general liability, public officials legal liability, police legal liability, business auto liability, and auto physical damage insurance from commercial insurance companies at a cost it considered to be economically justifiable. The County and other local governments throughout the State joined together to form the Local Government Insurance Trust (LGIT), a public entity risk pool. The County pays an annual premium to LGIT for its general insurance coverage. LGIT is self-sustaining through member premiums and will reinsure through commercial companies.

### Self-Insured Health Care

The County is self-insured for employee health insurance through agreements with CareFirst BlueCross BlueShield, CareFirst BlueChoice, and Delta Dental. Employees contribute 30% of the estimated cost of the plan, and the County contributes 70%. Certain outside agencies and some retirees are also covered under this agreement with varying contribution levels. The health insurance agreements are claims-made policies with administrative fees paid to all carriers. The policies include stop-loss provisions for claims in excess of \$100,000 per person/per year for CareFirst. Claims in excess of this limit are covered by the insurance carrier. Delta Dental does not have a stop-loss provision. At June 30, 2008, a liability of \$870,000 (\$564,521 in governmental-type funds and \$305,479 in business-type funds) was recorded for estimated claims incurred but not yet reported (IBNR), which represents the estimated run-out claims liability should the self-insurance agreement be terminated. Historical experience and actuarial assumptions were the basis used in estimating the liabilities for unpaid claims.

The changes in the County's claims liability are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year</u>	<u>Claims and Changes in Estimates</u>	<u>Payments</u>	<u>End of Year</u>
2003	\$ 700	\$ 50	\$ 0	\$ 750
2004	750	410	0	1,160
2005	1,160	600	0	1,760
2006	1,760	0	0	1,760
2007	1,760	(800)	0	960
2008	960	(90)	0	870

### Other Insurance

The County continues to carry commercial insurance for other risks of loss, including other general liability; earth movement; flood; employee health, dental, and life; worker's compensation, unemployment, and long-term disability insurance. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past four years.

## **NOTE 5. COMMITMENTS AND CONTINGENCIES**

### **A. Contingencies Under Grant Provisions**

The County participates in federal- and state-assisted programs and is a recipient of several grants. These programs and grants are subject to financial and compliance audits by the grantors or their representatives. Any liability for reimbursement that may arise as a result of these audits is not believed to be material. The County has experienced audits of a few programs during the year ended June 30, 2008, which have not resulted in any findings or liabilities. The County does not expect any disallowance of grant expenditures in the future.

## **NOTE 6. PENSION PLANS**

The County maintains two separate single-employer, defined benefit pension plans: one for Sheriff's Office and Communications employees and one for substantially all other full-time County employees. The two pension plans are maintained as Pension Trust Funds. The County does not produce separate comprehensive annual financial reports for the plans. Therefore, all required disclosures for the plans are included within this report. The following are the required statements for the County's Pension Trust Funds:

Combining Statement of Fiduciary Net Assets  
Pension Trust Funds  
June 30, 2008

	Sheriff's Office Retirement Plan	County Employees Retirement Plan	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 383,305	\$ 3,900,835	\$ 4,284,140
Interest receivable	110,875	0	110,875
Total current assets	494,180	3,900,835	4,395,015
Investments, at fair value:			
Bond mutual funds	35,601,147	14,172,899	49,774,046
Equity securities	66,547,050	61,864,771	128,411,821
Total investments	102,148,197	76,037,670	178,185,867
Total assets	102,642,377	79,938,505	182,580,882
Liabilities:			
Accrued expenses	0	(41,412)	(41,412)
Net assets:			
Held in trust for pension benefits	\$ 102,642,377	\$ 79,897,093	\$ 182,539,470

Combining Statement of Changes in Fiduciary Net Assets  
Pension Trust Funds  
Year ended June 30, 2008

	Sheriff's Office Retirement Plan	County Employees Retirement Plan	Total
ADDITIONS			
Contributions:			
Employer contributions	\$ 5,011,655	\$ 5,548,347	\$ 10,560,002
Employee contributions	1,993,501	1,857,677	3,851,178
Total contributions	<u>7,005,156</u>	<u>7,406,024</u>	<u>14,411,180</u>
Investment earnings:			
Interest	392,680	2,780,174	3,172,854
Net decrease in the fair value of investments	(4,705,651)	(5,829,990)	(10,535,641)
Total investment earnings	<u>(4,312,971)</u>	<u>(3,049,816)</u>	<u>(7,362,787)</u>
Less investment expense	(55,783)	(23,163)	(78,946)
Net investment earnings	<u>(4,368,754)</u>	<u>(3,072,979)</u>	<u>(7,441,733)</u>
Total additions	<u>2,636,402</u>	<u>4,333,045</u>	<u>6,969,447</u>
DEDUCTIONS			
Benefits paid to members	4,713,622	1,746,483	6,460,105
Administrative costs	158,768	598,781	757,549
Total deductions	<u>4,872,390</u>	<u>2,345,264</u>	<u>7,217,654</u>
Changes in net assets	(2,235,988)	1,987,781	(248,207)
Net assets - beginning of year	<u>104,878,365</u>	<u>77,909,312</u>	<u>182,787,677</u>
Net assets - end of year	<u>\$ 102,642,377</u>	<u>\$ 79,897,093</u>	<u>\$ 182,539,470</u>

## A. Sheriff's Office Retirement Plan

**Plan Description** - The Sheriff's Office Retirement Plan (SORP) is a single-employer defined benefit pension plan. The County administers the plan in accordance with Article 25, Section 3 (g-1) of the Annotated Code of Maryland. The County Commissioners have the power and authority to establish and amend the benefit provisions of the SORP. All full-time employees classified as sworn officers, correctional officers or communications employees are eligible to participate in this plan. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. Cost of living adjustments are also provided.

Membership in the plan consisted of the following at July 1, 2007, the date of the last actuarial valuation:

	<u>Sworn Officers</u>	<u>Correctional Officers</u>	<u>Communications Employees</u>
Active plan members	266	132	36
Retirees and beneficiaries receiving benefits	85	6	4
Disabled, receiving benefits	13	0	0
Vested termination	0	1	0
	<u>364</u>	<u>139</u>	<u>40</u>

Prior to July 1, 1995, the County contracted with an insurance company to provide the guaranteed payment of benefits for retirees of the SORP. Beginning July 1, 1995, the County enacted significant changes in the eligible classes of employees and in the investment policies. Currently, the insurance company has responsibility for payment of benefits only for those employees who retired before July 1, 1995. The funding of continued benefits for those pre-7/1/95 retirees comes from the County, based on quarterly calculations made by the insurance company. Assets held by the insurance company for payment of benefits total \$5,434,034 at June 30, 2008, and are classified as fixed income investments. Benefits paid by the insurance company for the year ended June 30, 2008 totaled \$1,080,932.

**Summary of Significant Accounting Policies: Basis of Accounting and Valuation of Investments** - The statement of plan net assets and the statement of changes in plan net assets are prepared on the accrual basis of accounting. SORP member contributions are recognized when due. The County's employer's contributions are recognized when due and a formal commitment to provide the contributions has been made. Employer-required contributions are calculated by an independent actuarial firm and are paid after formal approval by the County Commissioners. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Market quotations are used for investments traded in an active securities market, and contract values are used for unallocated insurance contracts. Investments are managed by an investment committee which includes an outside investment consultant. The plan is administered by a third-party administrator. Fund assets are held by a custodian. The County does not issue a stand-alone financial report for the Sheriff's Office Retirement Plan, nor is it included in the report of any other entity.

**Contributions and Reserves** - The County Commissioners have the power and authority to establish and carry out a funding policy and method consistent with the objectives of the Plan. Sworn officers are required to contribute 8% of their base earnings. Correctional officers and communications dispatchers are required to contribute 7% of their base earnings. Base earnings are the employee's earnings as of the first day of the County's fiscal year. Earnings for contribution purposes are adjusted annually, on July 1. The County makes the required employer contributions annually, as actuarially determined. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

*Investment Concentrations* - At June 30, 2008, net assets were invested in fixed income mutual funds (35%) and Equity mutual funds (65%).

*Plan Provisions* - The following are the plan provisions of the SORP:

<u>Normal Retirement Age:</u>	25 years of service, or age 60, if earlier. 20 years of service for Sworn Officers hired before 7-1-86.												
<u>Normal Form of Benefit:</u>	Single life annuity with death benefit of undistributed employee contributions plus accumulated interest at 3.0% compounded annually to date of retirement. Other forms are the actuarial equivalent.												
<u>Post-Retirement Cost of Living Increases:</u>	CPI index, but no more than 4% in a year.												
<u>Employee Contributions:</u>	8% of base earnings for Sworn Officers. 7% of base earnings for Correctional and Communications												
<u>Average Compensation:</u>	Three year average of base pay on July 1.												
<u>Benefit Formula:</u>	Sworn Officers - 3% for each of first 20 years and 2% thereafter, to a maximum of 80% of average compensation. Correctional Officers - 2.25 % per year to a maximum of 75% of average compensation. Communications Employees - 2.0% per year to a maximum of 75% of average compensation.												
<u>Service:</u>	Up to three years of military service counts for benefit, but not eligibility. Accumulated sick leave provides an increased benefit percentage of 1% for 500 hours and an additional 0.1% for each additional 100 hours to a maximum of 4.0%.												
<u>Early Retirement:</u>	With at least 20 years of service: <table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;"><u>Years early</u></th> <th style="text-align: left;"><u>Reduction</u></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>8.4%</td> </tr> <tr> <td>2</td> <td>16.8%</td> </tr> <tr> <td>3</td> <td>25.2%</td> </tr> <tr> <td>4</td> <td>32.4%</td> </tr> <tr> <td>5</td> <td>39.6%</td> </tr> </tbody> </table>	<u>Years early</u>	<u>Reduction</u>	1	8.4%	2	16.8%	3	25.2%	4	32.4%	5	39.6%
<u>Years early</u>	<u>Reduction</u>												
1	8.4%												
2	16.8%												
3	25.2%												
4	32.4%												
5	39.6%												
<u>Termination Prior to Retirement:</u>	Return of employee contributions with 3% interest.												
<u>Line of Duty Disability:</u>													
Total and Permanent:	66-2/3% average compensation reduced by 50% of Social Security benefits, 100% of Worker's Compensation benefits and LTD benefits, if any.												
Disability from Own Position:	A percentage of final 3 years average earnings, based on percentage disability as determined by the Disability Review Board, subject to: a) a minimum of 15% b) a maximum of 50% c) offset of 50% of Social Security d) offset of 100% of Workers Compensation e) offset by LTD benefits, if any. Communications Employees are not eligible for this benefit.												
<u>Non-Line of Duty Disability:</u>													
Total and Permanent:	5 Years of Service is required for this benefit. A percentage of final 3 years average earnings, based on percentage disability as determined by the Disability Review Board, subject to: a) a minimum of 15% b) a maximum of 40% c) offset of 50% of Social Security d) offset of 100% of Worker's Compensation												

e) no benefit until LTD benefits, if any, expire.

Disability from Own Position:

A percentage of final 3 years average earnings, based on percentage disability as determined by the Disability Review Board, subject to:

- a) a minimum of 15%
- b) a maximum of 40%
- c) offset of 50% of Social Security
- d) offset of 100% of Worker's Compensation
- e) no benefit until LTD benefits, if any, expire.

Disability must be catastrophic (loss of limb, loss of hearing, blindness). Communications Employees are not eligible for this benefit.

Pre-Retirement Spouse's Benefit:

Line of Duty Death Benefit:

66-2/3% of Participant's average compensation less any survivor benefits paid under Social Security.

Non-Line of Duty Death Benefit:

100% of the normal retirement benefit accrued to date of death, with reduction based on spouse's age.

Other Pre-Retirement Death Benefits:

A Beneficiary will receive employee contributions plus credited interest.

**Annual Pension Cost and Net Pension Obligation** - The annual pension cost for the year ended June 30, 2008 was equal to the amount of the Annual Required Contribution of \$4,955,872. There was no net pension obligation at June 30, 2008. The Annual Required Contribution for the current year was determined as part of the July 1, 2007 actuarial valuation. The actuarial assumptions and methods included:

Funding Method:

Projected unit credit with amortization of the unfunded accrued liability over a period of 20 years as level percentage of pay. Total payroll is assumed to increase 3.5% per year.

Asset Method:

Three-year averaging method. Returns on the average market value of assets above or below the assumed 8% return are gradually recognized over a three-year period.

Interest:

8% compounded annually.

Post Retirement COLA Increases:

3% compounded annually, no limit.

Mortality:

RP-2000 Blue Collar Mortality. A five-year set-forward is used for post-disability mortality.

Salary Increases:

5.5% compounded annually.

DROP Load Factor:

Retirement liabilities were loaded to reflect Sworn Officers electing a 5-year DROP. Sample rates are:

Sheriff's hired prior to 7/1/1986

Age	Years of Service		
	25	30	35
45	1.055	1.071	1.219
50	1.075	1.092	1.242
55	1.105	1.121	1.275

Sheriff's hired after to 7/1/1986

<u>Age</u>	<u>Years of Service</u>		
	<u>25</u>	<u>30</u>	<u>35</u>
45	1.000	1.071	1.219
50	1.000	1.092	1.242
55	1.000	1.121	1.275

These factors are based on Blue Collar Male Mortality at 8%. DROP account accrues interest at 7% per year and DROP credits increase each year by the COLA.

Disability:

Sample rates are:

<u>Age</u>	<u>Rate</u>
25	0.19%
35	0.28%
45	0.98%

Rates are reduced by 50% for corrections and communications employees.

Assumed Disability Benefit:

66-2/3% of average compensation reduced by \$5,000 per year to model the offsetting benefits.

Turnover:

Sample rates for those with 0-10 years of service are:

<u>Age</u>	<u>Sworn Officers</u>	<u>Corrections and Communications</u>
25	6.03%	15.45%
35	5.26%	13.72%
45	3.35%	10.33%

The turnover rates for those with 10-15 years of service are assumed to be 50% of those with 0-10 years of service. The rates for those with more than 15 years of service are assumed to be 10% of the base rates for the Deputy Sheriffs and 37.5% of the base rates for the Correctional Officers and Communications Employees.

Retirement:

Sheriffs hired prior to 7/1/1986

<u>Years of Service</u>	<u>% Retiring</u>
0-19	0%
20	50%
21+	20%

100% of participants are assumed to retire at age 60.

Sheriffs hired after to 7/1/1986

<u>Years of Service</u>	<u>% Retiring</u>
0-19	0%
20	10%
21-24	5%
25	50%
26-27	0%
28+	20%

100% of participants are assumed to retire at age 60.

Corrections & Communications

Age	Years of Service			
	0-19	20-24	25	26+
40	0.00%	12.23%	50.00%	20.00%
45	0.00%	10.33%	50.00%	20.00%
50	0.00%	7.23%	50.00%	20.00%
55	0.00%	2.74%	50.00%	20.00%
60	100%	100%	100%	100%

Sick Leave: Unused sick leave is assumed to increase 60 hours per year.

Military Service: Actual service.

Loading: A 0.5% expense loading is added to liabilities and normal cost.

Other Methods and Assumptions:

Cost and assets are measured separately for each of the three employee groups. If employees transfer between groups, assets are also transferred. The allocation between each group is intended to be an approximation of the cost and assets as if each had a separate plan. However, there is only one plan and trust fund.

Transferred and purchased service are tracked for each employee. All known and confirmed service is included in the current valuation. The value of remaining employee contributions to purchase service is included in the actuarial value of assets.

The July 2007 valuation determines the cost for fiscal year 2009.

The valuation cost is also the GASB 27 pension expense. The actuary believes that there is no past or current Net Pension Obligation (NPO).

The salary provided is as of July 1, 2007. It is assumed to be the salary for the next 12 months and not part of the accrued benefit when measuring projected benefits. Projected salary is limited to the current 401(a)(17) pay cap.

The Schedule of Employer Contributions and the Schedule of Funding Progress are as follows:

SCHEDULE OF EMPLOYER CONTRIBUTIONS  
SHERIFF'S OFFICE RETIREMENT PLAN

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual</u> <u>Required</u> <u>Contribution</u>	<u>Percentage of</u> <u>ARC</u> <u>Contribution</u>	<u>Net Pension</u> <u>Obligation</u>
6/30/02	\$ 3,752,651	100%	\$0
6/30/03	\$ 4,240,911	100%	\$0
6/30/04	\$ 4,100,000	100%	\$0
6/30/05	\$ 4,150,000	100%	\$0
6/30/06	\$ 4,451,597	100%	\$0
6/30/07	\$ 5,263,564	100%	\$0

**SCHEDULE OF FUNDING PROGRESS  
SHERIFF'S OFFICE RETIREMENT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a) / c)
<b>Deputy Sheriffs</b>						
7/1/02	\$ 56,052,019	\$ 72,438,135	\$ 16,386,116	77.4%	\$ 12,228,798	134.0%
7/1/03	\$ 58,578,432	\$ 77,141,215	\$ 18,562,783	75.9%	\$ 12,981,937	143.0%
7/1/04	\$ 63,700,221	\$ 82,011,919	\$ 18,311,698	77.7%	\$ 13,438,004	136.3%
7/1/05	\$ 71,281,359	\$ 91,951,068	\$ 20,670,709	77.5%	\$ 14,195,503	145.6%
7/1/06*	\$ 80,364,953	\$ 99,525,770	\$ 19,160,817	80.7%	\$ 15,923,523	120.3%
7/1/06	\$ 80,364,953	\$ 100,619,352	\$ 20,254,399	79.9%	\$ 15,923,523	127.2%
7/1/07**	\$ 90,764,831	\$ 108,715,685	\$ 17,950,854	83.5%	\$ 16,900,338	106.2%
7/1/07	\$ 90,764,831	\$ 111,427,411	\$ 20,662,580	81.5%	\$ 16,900,338	122.3%
<b>Corrections Officers</b>						
7/1/02	\$ 5,828,496	\$ 7,065,124	\$ 1,236,628	82.5%	\$ 3,913,499	31.6%
7/1/03	\$ 6,326,472	\$ 8,147,038	\$ 1,820,566	77.7%	\$ 4,323,886	42.1%
7/1/04	\$ 7,322,494	\$ 9,220,494	\$ 1,898,000	79.4%	\$ 4,612,304	41.2%
7/1/05	\$ 8,536,271	\$ 10,885,333	\$ 2,349,062	78.4%	\$ 5,219,549	45.0%
7/1/06*	\$ 9,974,590	\$ 12,679,170	\$ 2,704,580	78.7%	\$ 6,086,937	44.4%
7/1/06	\$ 9,974,590	\$ 12,841,699	\$ 2,867,109	77.7%	\$ 6,086,937	47.1%
7/1/07	\$ 11,894,146	\$ 14,773,914	\$ 2,879,768	80.5%	\$ 6,898,253	41.7%
<b>Communications Employees</b>						
7/1/02	\$ 2,464,952	\$ 2,654,277	\$ 189,325	92.9%	\$ 921,791	20.5%
7/1/03	\$ 2,506,049	\$ 2,880,964	\$ 374,915	87.0%	\$ 1,011,127	37.1%
7/1/04	\$ 2,674,056	\$ 3,180,222	\$ 506,166	84.1%	\$ 1,145,301	44.2%
7/1/05	\$ 2,998,552	\$ 3,496,802	\$ 498,280	85.8%	\$ 1,175,771	42.4%
7/1/06*	\$ 3,353,839	\$ 3,982,409	\$ 628,570	82.4%	\$ 1,481,266	42.4%
7/1/06	\$ 3,353,839	\$ 4,027,929	\$ 674,090	83.3%	\$ 1,481,266	45.5%
7/1/07	\$ 3,854,388	\$ 4,518,778	\$ 664,390	85.3%	\$ 1,698,330	39.1%
<b>Total</b>						
7/1/02	\$ 64,345,467	\$ 82,157,536	\$ 17,812,069	78.3%	\$ 17,064,088	104.4%
7/1/03	\$ 67,410,953	\$ 88,169,217	\$ 20,758,264	76.5%	\$ 18,316,950	113.3%
7/1/04	\$ 73,696,771	\$ 94,412,635	\$ 20,715,864	78.1%	\$ 19,195,609	107.9%
7/1/05	\$ 82,816,152	\$ 106,333,203	\$ 23,517,051	77.9%	\$ 20,590,823	114.2%
7/1/06*	\$ 93,693,382	\$ 116,187,349	\$ 22,493,967	80.6%	\$ 23,491,726	95.8%
7/1/06	\$ 93,693,382	\$ 117,488,980	\$ 23,795,598	79.7%	\$ 23,491,726	101.3%
7/1/07**	\$ 106,513,365	\$ 128,008,377	\$ 21,495,012	83.2%	\$ 25,496,921	84.3%
7/1/07	\$ 106,513,365	\$ 130,720,103	\$ 24,206,738	81.5%	\$ 25,496,921	94.9%

Note: \*Before mortality change.

\*\*Before plan change.

**B. County Employees Retirement Plan**

**Plan Description** - The County Employees Retirement Plan (the County Plan) is a single-employer defined benefit pension plan, established in accordance with Article 25, section 3(g) of the Annotated Code of Maryland. The County Commissioners have the power and authority to establish and amend the benefit provisions of the County Plan. All full-time employees not otherwise eligible for the SORP are eligible to participate in this plan. The plan provides retirement, disability, and death benefits to plan members and

beneficiaries. Cost of living adjustments are also provided.

Membership in the plan consisted of the following at July 1, 2007, the last date of the last actuarial valuation:

Active plan members	857*
Terminated, entitled to but not yet receiving benefits	90
Retirees and beneficiaries receiving benefits	<u>142</u>
* includes one inactive participant	<u><u>1,089</u></u>

**Summary of Significant Accounting Policies: Basis of Accounting and Investment Valuation** - The statement of plan net assets and the statement of changes in plan net assets are prepared on the accrual basis of accounting. Member contributions are recognized when due. Employer-required contributions are recognized upon formal approval by the County Commissioners. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Market quotations are used for investments traded in an active securities market, and contract values are used for unallocated insurance contracts. Investments are managed by an investment committee which includes an outside investment consultant. The plan is administered by a third-party administrator who also acts as custodian for the fund assets. The County does not issue a stand-alone financial report for the County Employees Retirement Plan, nor is it included in the report of any other entity.

**Contributions and Reserves** - The County Commissioners have the power and authority to establish and carry out a funding policy and method consistent with the objectives of the Plan. Active non-public safety plan members are required to contribute 4% of their base earnings to the Plan and no contributions are required after 31 years of credited service. Public safety plan members are required to contribute 7% of their base earnings. Base earnings are the employee's earnings as of the first day of the County's fiscal year. Earnings for contribution purposes are adjusted only once annually, on July 1. The County normally makes employer contributions annually as actuarially determined. For the year ended June 30, 2008, the County fully funded the ARC of \$5,527,452 to the Plan as recommended in the actuarial as of July 1, 2007. Administrative costs of the Plan are financed through investment earnings and additional contributions of the employer.

**Investment Concentrations** - At June 30, 2008, the County Plan's net assets were invested in the following types of investments:

Guaranteed Deposit	23%
Fixed Income - Domestic	17%
Large Cap Stock	29%
International Stock - Blend	12%
Special Equity - Real Estate Fund	5%
Mid Cap Stock	6%
Small Cap Stock	8%

**Plan Provisions** - The following are the plan provisions of the County Plan:

Normal Retirement Date: For non-public safety participants; the first day of the month coinciding with or next following the later of a participant's 62<sup>nd</sup> birthday or the completion of 5 years of service; for participants in the Plan prior to July 1, 1977, there is an elective normal retirement date of age 60. For public safety participants; the first day of the month coinciding with or next following the earlier of a participant's 60<sup>th</sup> birthday or 25 hypothetical years of service.

Income Payable: Amount described in (a) or (b) below, whichever applies:

- (a) If participant has a spouse as of his retirement date and does not elect otherwise, retirement income shall be paid on the basis of Joint and Survivor form, as stipulated by ERISA, and will be the amount determined under the benefit formula multiplied by the appropriate factor.
- (b) If participant either has no spouse as of his retirement date or elects to receive his income under the normal form, retirement income will be the amount determined under the benefit formula.

<u>Form of Annuity:</u>	Modified cash refund.
<u>Cost of Living Increases:</u>	Provides for an annual increase in the annuity benefit in proportion to the last annual increase in the Consumer Price Index. This increase shall not be in excess of 4% per year.
<u>Earnings:</u>	Basic compensation received from the employer excluding overtime payments, commissions, bonuses and any other additional compensation; subject to \$200,000 as indexed.
<u>Final Earnings:</u>	Highest average rate of earnings on any three consecutive July 1's during the last ten years before retirement date, early retirement, or termination of employment.
<u>Benefit Formula:</u>	<p>Employees are entitled to an annual retirement benefit payable monthly for life, calculated as follows:</p> <p style="padding-left: 40px;">For non-public safety participants;</p> <p style="padding-left: 40px;">Final average earnings X 1.5% X credited years of service 1-5</p> <p style="padding-left: 40px;">Final average earnings X 1.75% X credited years of service 5-10 <u>plus</u></p> <p style="padding-left: 40px;">Final average earnings X 2.0% X credited years of service 10-15 <u>plus</u></p> <p style="padding-left: 40px;">Final average earnings X 2.25% X credited years of service 15-20 <u>plus</u></p> <p style="padding-left: 40px;">Final average earnings X 2.5% X credited years of service in excess of 20</p> <p style="padding-left: 40px;">To a maximum benefit of 65% of final average earnings.</p> <p style="padding-left: 40px;">For public safety participants;</p> <p style="padding-left: 40px;">Final average earnings X 2.0% X credited years of service</p> <p style="padding-left: 40px;">To a maximum benefit of 75% of final average earnings.</p>
<u>Service:</u>	All years of service with the County from date of employment to early retirement, termination of employment, or retirement date.
<u>Credited Service:</u>	All years of service with the County while making contributions to the Plan, from the date of employment to early retirement, termination of employment, or retirement date except the first year of service is excluded for participants hired prior to July 1, 1968 if contributions were not made for the first year.
<u>Additional Credited Service:</u>	<p>For non-public participants; provides additional credited service due to earned but unused sick leave at the rate of 22 days of sick leave equals one month of additional credited service, provided the employee has a minimum of 5 years of service, with a maximum of 12 months additional credited service. Additional credited service for military service up to 5 years if earned during employment; if precedes employment, up to 3 years if non-military service is at least 10 years.</p> <p>For public safety participants; 1% of final average earnings for the first 500 hours of unused sick leave plus .1% final average earnings for every 100 hours above 500 up to a maximum additional 4% final average earnings. Additional credited service for military service up to 3 years; if precedes employment, up to 3 years if non-military service is at least 10 years.</p>
<u>Participation Eligibility:</u>	Making employee contributions to the plan.

<u>Early Eligibility:</u>	For non-public safety participants; ten years early with five years of service.  For public safety participants; twenty years of service.
<u>Early Benefit Amount:</u>	For non-public participants; normal retirement benefit accrued to early retirement, actuarially reduced for the number of months annuity commencement date precedes normal retirement date; if service is 20 years or greater, actuarial reduction is from age 60.  For public safety participants; the normal retirement benefit accrued to early retirement, actuarially reduced based on the years of service prior to normal retirement date.
<u>Vesting Schedule:</u>	For non-public safety participants; 25% after 2 years, 50% after 3 years, 75% after 4 years, and 100% after 5 years; normal retirement date equals 100% vesting. For employees hired on or after July 1, 1997, 100% after 5 years.  For public safety participants; 100% vesting after 20 years of service.
<u>Vested Benefit:</u>	Benefit accrued to date of termination adjusted by the appropriate vesting percentage.
<u>Employee Contributions:</u>	
Amount	For non-public safety participants: 4% of earnings; no contributions after 31 years of credited service.  For public safety participants: 7% of earnings.
Interest Credited	5% per annum.
Death or Termination Refund	Pre-retirement: Refund of employee contributions with interest to date of termination or death.  Post-retirement: Excess of employee contributions with interest over annuity payments made, unless another form of benefit becomes payable to the beneficiary.
<u>Disability:</u>	
Eligibility	For public safety participants; no eligibility requirement for line-of-duty; 5 years of service for non-line-of-duty.
Benefit Formula	Line-of-duty: Total disability = 66 2/3% final average earnings offset by other income; partial disability = 15% - 50% of final average earnings offset by other incomes.  Non-line-of-duty: 15% - 40% of final average earnings offset by other income.
<u>Pre-Retirement Spouse's Benefit:</u>	For non-public safety participants; Eligibility (A): Active and attained age 55 and completed five years of service; married one full year prior to death. Benefit Formula (A): 50% of the pension benefit accrued to date of death. Eligibility (B): After normal retirement date but before late retirement date and no optional form of payment in effect. Benefit Formula (B): Pension benefit accrued to date of death payable under the 100% contingent pensioner option.  For public safety participants; Eligibility (A): Active participant; married one full year prior to death. If no spouse available, benefit payable to dependent child.

Benefit Formula (A): On-duty death: 66 2/3% Final Average Earnings less Social Security benefits.  
 Not-on-duty death: 100 % of the pension benefit accrued to the date of death.

Eligibility (B): After normal retirement date but before late retirement date and no optional form of payment in effect.

Benefit Formula (B): Pension benefit accrued to date of death payable under the 100% contingent pensioner option.

Eligibility (C): Death while receiving disability benefits.

Benefit Formula (C): 50% of disability benefit payable to spouse or dependent child under age 18.

**Annual Pension Cost and Net Pension Obligation** - The annual pension cost for the year ended June 30, 2008 was slightly less than the Annual Required Contribution made of \$5,527,452, as shown in the historical chart that follows. As a result, the net pension obligation at June 30, 2008 was decreased to a balance of \$586,176. The Annual Required Contribution for the current year was determined as part of the July 1, 2007 actuarial valuation. The actuarial assumptions and methods included:

Funding Method: Frozen Entry Age Normal Actuarial Cost Method with amortization of the unfunded accrued liability using the level percent closed method over 15 years.

Asset Method: Five-year smoothed market effective July 1, 2000.

Investment Return: 8% compounded annually, net of investment and contract fees.

Post Retirement COLA Increases: 3.25% compounded annually.

Inflation: 3.25%

Mortality: The RP-2000 Mortality Table for males and the RP-2000 Mortality Table for females.

Salary Increases: 5.5% compounded annually.

Termination: For non-public safety participants; the probabilities that participants (male and female) at the indicated ages terminate within the upcoming year are based on the Crocker T-6 mortality table (with mortality removed); sample rates are as follows:

<u>Age</u>	<u>%</u>
20	7.94
25	7.72
30	7.40
35	6.86
40	6.11
45	5.16
50	3.62
55	1.37
60	0.13

For public safety participants, the probabilities that participants at the indicated ages terminate within the upcoming year are as follows:

For those with less than 10 years of services, sample rates are:

<u>Age</u>	<u>%</u>
25	15.4
35	13.7
45	10.3
55	02.7

For those with 10 or more but less than 15 years of services, the rates are assumed to be 50% of those with less than 10 years of services. For those with 15 or more years of service, the rates are 37.5% of the rate for those with less than 10 years of service.

Retirement Age:

For non-public safety participants; the earlier of (a) age 62 with 5 years of service or (b) age 60 with 20 years of service. For participants in the Plan prior to July 1, 1977 the retirement date is assumed to be age 60.

For public safety participants, the retirement date is assumed to be the earlier of age 60 or 25 hypothetical years of service.

Additional Credited Service:

For non-public safety participants; additional credited service at assumed retirement, due to unused sick leave is eight months.

For public safety participants; we assume 1,500 hours of unused sick leave at assumed retirement. Any military services that is provided to us is reflected in calculations.

Estimated Expenses:

Annual expenses expected to be paid from plan assets are assumed to be \$35,000.

Survivor Benefits:

It is assumed that husbands are 3 years older than wives.

For non-public safety participants; 90% of the male participants and 60% of the female participants who are or will become eligible for coverage under the survivor benefit will be survived by an eligible survivor.

For public safety participants; 100% of the participants who are or will become eligible for coverage under the survivor benefit will be survived by an eligible survivor; 5% of deaths would be in line-of-duty and the remainder would be non-services related.

Disability:

The 1952 Disability Study of the Society of Actuaries, Period 2, Benefit 5 rates were used. For public safety participants; 5% of disabilities would be in the line-of-duty and the remainder would be non-service related.

Calculation of Net Pension Obligation (NPO)

ARC	\$ 5,527,452
Interest on NPO	48,680
ARC Adjustment	(71,003)
Annual Pension Cost	5,505,129
Contribution made	(5,527,452)
Change in NPO	(22,323)
NPO Beginning of Year	608,499
NPO End of Year (6/30/08)	<u>\$ 586,176</u>

The Schedule of Employer Contributions and the Schedule of Funding Progress are as follows:

**SCHEDULE OF EMPLOYER CONTRIBUTIONS  
COUNTY EMPLOYEES RETIREMENT PLAN**

Fiscal Year <u>Ending</u>	Annual Required <u>Contribution</u>	Percentage of ARC <u>Contributed</u>	Net Pension <u>Obligation</u>
6/30/03	\$2,121,862	100.0%	\$3,820
6/30/04	\$2,777,724	75.6%	\$680,786
6/30/05	\$2,955,490	100.1%	\$486,180
6/30/06	\$3,911,688	100.0%	\$265,085
6/30/07	\$5,104,225	100.0%	\$608,499
6/30/08	\$5,527,452	100.0%	\$586,176

**SCHEDULE OF FUNDING PROGRESS  
COUNTY EMPLOYEES RETIREMENT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets * (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
6/30/03	\$45,648,581**	\$50,444,084	\$ 4,795,503	90.5%	\$27,315,742	17.6%
6/30/04	\$49,323,829**	\$55,688,894	\$ 6,365,065	88.6%	\$27,278,917	23.3%
6/30/05	\$54,479,225**	\$62,420,831	\$11,941,606	82.0%	\$31,571,806	37.8%
6/30/06	\$62,164,097**	\$79,752,141	\$17,588,044	77.9%	\$37,819,645	46.5%
6/30/07	\$73,598,316**	\$91,470,194	\$17,871,878	80.5%	\$41,645,118	42.9%
6/30/08	\$84,890,274**	\$102,535,244***	\$17,644,970***	82.8%***		

NOTES:

\* includes contributions received in July of that year if applicable to that plan year

\*\* based on a 5-year smoothed market method effective July 1, 2000

\*\*\* estimated

**C. Length of Service Award Program (LOSAP) for Volunteer Firemen and Rescue Squadmen**

In accordance with Article 9, Section 130 of the Charles County Code of Public Local Laws of Maryland, a retirement program has been established for qualified active volunteer members of the Charles County volunteer fire companies and volunteer rescue squads and is administered by the Charles County Commissioners. Beginning on January 1, 1974, any person who has reached the age of sixty and who has completed a minimum of twenty-five years of certified active volunteer service with any Charles County volunteer fire company or rescue squad shall receive benefits in the amount of \$100 per month for life. An additional payment of \$4 per month shall be added for each full year of volunteer service in excess of twenty-five years. Seventy-five percent of the volunteer's benefits shall accrue to his or her surviving spouse and shall terminate upon the death or remarriage of the spouse.

The pension contributions for this plan are not actuarially determined. An actuary was not used to determine the actuarial implications of using a nonactuarial method. The plan is funded from the revenue derived from one cent of the fire and rescue tax levied by the County in accordance with Section 123 of the Article noted above. Contributions made to the program for the year ended June 30, 2008 totaled \$603,600 from the 2007/08 tax levy. The County Commissioners are not obligated to fund the plan, only to administer it. Program assets are held in trust by a custodian. Investment decisions are made by an investment firm appointed by the Board of Fire and Rescue Commissioners. Assets are currently invested in various stocks, bonds and

mutual funds. The fair value of net assets available for plan benefits at June 30, 2008 was \$10,989,466 and are not included with the County's financial statement.

**NOTE 7. OTHER EMPLOYMENT BENEFITS**

**A. Deferred Compensation Plan**

The County offers its employees three deferred compensation plans, created in accordance with Internal Revenue Code Section 457. The plans are administered by Nationwide Retirement Solutions, Inc., Hartford Life Insurance Companies, and MetLife. The plans, available to all full-time and full-time-reduced-hours employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to these amounts, property, or rights are held in trust for the exclusive benefit of participants and their beneficiaries. Therefore, in accordance with GASB No. 32, the deferred compensation investments are not reported in the County's financial statements. The following schedule reflects the basic information regarding the County's program :

	Nationwide	Hartford	MetLife	Total
Participants	195	248	66	509
Plan Assets	\$8,586,058	\$3,764,778	\$1,838,850	\$14,189,686
Annual Employee Contribution	\$718,353	\$684,576	\$221,316	\$1,624,245

**B. Other Post-Employment Benefits**

Charles County provides medical, dental and vision benefits to eligible employees who retire from employment after meeting the minimum age and years of service requirements of the County Employees Retirement Plan under the following conditions:

- a) they have a minimum of 5 years of service, and
- b) they have passed their 52<sup>nd</sup> birthday, and
- c) a combination of age and years of service total a minimum of 70 years, and
- d) they have been enrolled in the Health Plan for the 3 plan years preceding retirement.

The County pays a portion of the participant's health care premium in accordance with the following schedule:

<u>Years of Service</u>	<u>% Paid by County</u>
5 years	2% per year (10% max)
Years 6-10	3% per year (max 25%)
Years 11-15	4% per year (max 45%)
Years 16-20	4.34% per year (max 66.75%)
Years 21 +	66.7%

For the year ended June 30, 2008, there were 229 former employees and family members with medical coverage, 250 with dental, and 245 with vision. For the fiscal year ended June 30, 2008, the County incurred and recorded \$1,418,755 in health care expenditures for these participants on the pay-go basis.

Annual OPEB Cost and Net OPEB Obligation

The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), in an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or excess)

over a period not to exceed thirty years. The following table shows the components of the County's annual OPEB cost for the year, the amount contributed on the pay-go basis, and changes in the County's net OPEB obligation:

Annual required contribution	\$ 15,162,000
Interest on OPEB obligation	-
Adjustments to annual required contribution	-
Annual OPEB cost (expense)	<u>\$ 15,162,000</u>
Pay-go contributions made	<u>\$ ( 1,418,755)</u>
Increase in net OPEB obligation	\$ 13,743,245
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 13,743,245</u>

The County has planned and budgeted to contribute to a trust in fiscal year 2009, but due to present budget constraints and the downturn in the economy, this has not been completed at the time of issuance of these financial statements. The schedule of funding progress as of the most recent actuarial valuation is as follows:

Schedule of Funding Progress  
Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b - a) / c)
7/1/08	\$ 0.00	\$ 159,294,000	\$ 159,294,000	n/a	\$ 61,311,371	259.81%

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2008 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB cost</u>	<u>% of Annual OPEB cost contributed</u>	<u>Net OPEB obligation</u>
June 30, 2008	\$ 15,162,000	9.35%	\$ 13,743,245

Actuarial Methods and Assumptions

In the effective June 30, 2008 actuarial valuation, the projected unit credit method, with linear proration to assumed benefit commencement was used. The actuarial assumptions included a 4% investment rate of return over the long term and a 4% per year on future salary increases. The asset valuation method used was the fair value. The annual healthcare cost trend rate of 10.5% initially, reduced by decrements to an ultimate rate of 5.50% after 3 years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008, was 29 years.

**NOTE 8. CLOSURE AND POST-CLOSURE CARE COSTS**

**A. Pisgah Landfill**

State and federal laws and regulations required the County to place a final cover on its Pisgah landfill site when it stopped accepting waste, and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Pisgah landfill stopped accepting waste in September 1994. The majority of closure costs related to the landfill were incurred during Fiscal Year 1997. The landfill was closed

in fiscal year 2000 with a final cost of \$6,841,885. Post-closure costs for fiscal year ended June 30, 2008 were \$56,121.

#### **B. Charles County Landfill**

State and federal laws and regulations require the County to place a final cover on the County landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The landfill is located on a 70 acre site, estimated to provide nearly 5.3 million cubic yards of landfill space. As of June 30, 2008, approximately 48% of this space remains available for future waste disposal. The County is developing the landfill in sections so that when one section closes another is ready to open. At the close of the fiscal year, the landfill had Phase I, IIA, and IIIA open. The \$4,717,090 reported as landfill closure and post-closure care liability at June 30, 2008, represents the cumulative amount reported to date of the estimated capacity of the sections that have been opened. The County will recognize the remaining estimated cost of closure and post-closure care as the remaining phases and capacity is filled. The actual costs may be higher due to inflation, changes in technology, or changes in regulations. The County has established a sinking fund reserve for landfill closure costs through the implementation of the user fee rates at the landfill. The County estimates the capacity of the landfill and the future date to begin closure with the assistance of computer models. Construction costs are estimated and a rate is adopted during the budget process to ensure funds are available when needed. Landfill closure costs recognized during the year amounted to \$29,802.

#### **NOTE 9 PRIOR PERIOD ADJUSTMENT**

In accordance with Statement No. 33 of the Government Accounting Standards Board, the County has restated Net assets as of July 1, 2007 in the Statement of Net Assets to reflect the income tax reserve held by the State of Maryland on behalf of Charles County in the amount of \$29,665,170. This restatement does not affect the General Fund Balance as the amount is reflected as a receivable and deferred revenue on the modified accrual basis.

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REQUIRED SUPPLEMENTARY INFORMATION

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET TO ACTUAL  
GENERAL FUND  
YEAR ENDED JUNE 30, 2008

	Budgeted amounts		Actual amounts budgetary basis	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes - local property	\$ 149,556,300	\$ 149,556,300	\$ 150,828,923	\$ 1,272,623
Taxes - income	88,744,400	88,744,400	81,823,096	(6,921,304)
Taxes - other local	22,554,300	22,554,300	17,357,682	(5,196,618)
Taxes - state shared	10,137,900	10,137,900	9,142,897	(995,003)
Charges for services	9,963,500	10,234,660	10,199,724	(34,936)
Intergovernmental	5,119,000	5,207,160	5,076,504	(130,656)
Interest income	6,760,000	6,760,000	5,499,165	(1,260,835)
Other income	200,000	293,200	207,254	(85,946)
Total revenues	<u>293,035,400</u>	<u>293,487,920</u>	<u>280,135,245</u>	<u>(13,352,675)</u>
<b>Expenditures:</b>				
Education	146,746,800	146,870,100	146,861,269	8,831
Public safety	71,222,800	72,343,370	69,917,889	2,425,481
General government (including contingencies)	20,597,100	20,385,640	18,628,435	1,757,205
Public facilities	16,265,200	16,875,770	16,348,377	527,393
Financial administration	8,242,400	8,335,930	8,061,548	274,382
Judicial	2,972,300	3,062,500	2,917,133	145,367
Planning and growth management	3,536,700	3,555,520	3,312,307	243,213
Community services	4,125,300	4,381,380	4,378,098	3,282
Health services	3,112,800	3,321,300	3,316,818	4,482
Economic development	1,615,700	1,668,570	1,395,032	273,538
Social services	1,150,600	1,160,800	1,161,981	(1,181)
Legislative	1,687,900	1,743,400	1,789,283	(45,883)
Law	903,000	903,820	824,957	78,863
Conservation of natural resources	603,400	603,400	593,574	9,826
Elections	838,900	880,480	813,294	67,186
<b>Debt service</b>				
Interest	5,787,600	5,787,600	5,782,678	4,922
Total expenditures	<u>289,408,500</u>	<u>291,879,580</u>	<u>286,102,673</u>	<u>5,776,907</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,626,900</u>	<u>1,608,340</u>	<u>(5,967,428)</u>	<u>(7,575,769)</u>
<b>Other financing sources (uses):</b>				
Proceeds from debt issues	1,664,600	2,564,760	2,548,291	(16,469)
Premium on issuance of debt	0	0	623,446	623,446
Transfers in	799,800	799,800	799,802	2
Transfers out	(12,919,500)	(21,272,340)	(16,637,540)	4,634,800
Total other financing sources (uses)	<u>(10,455,100)</u>	<u>(17,907,780)</u>	<u>(12,666,001)</u>	<u>5,241,779</u>
Net change in fund balance	(6,828,200)	(16,299,440)	(18,633,429)	(2,333,990)
Fund balance - beginning of year	73,359,129	73,359,129	73,359,129	0
Fund balance - end of year	<u>\$ 66,530,929</u>	<u>\$ 57,059,689</u>	<u>\$ 54,725,700</u>	<u>\$ (2,333,989)</u>

See independent auditor's report.

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## OTHER SUPPLEMENTARY INFORMATION

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Planning Grants	Judicial Grants	Transportation Grants	Public Safety Grants	Community Development Grants	Housing Assistance
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,785,471
Other receivables	23,750	138,709	1,479,472	287,134	376	52,085
Due (to) from other funds	0	0	335,321	0	156,432	5,293
Other assets	0	0	0	0	0	0
Restricted assets	0	0	0	0	0	0
Total assets	<u>\$ 23,750</u>	<u>\$ 138,709</u>	<u>\$ 1,814,793</u>	<u>\$ 287,134</u>	<u>\$ 156,808</u>	<u>\$ 3,842,849</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 8,746	\$ 13,140	\$ 1,063,337	\$ 35,941	\$ 0	\$ 79,098
Accrued expenditures	0	0	0	0	0	0
Deferred revenue	7,500	25,182	1,520	43,958	0	5,081
Due to other funds	7,504	100,387	0	207,235	0	0
Other liabilities	0	0	0	0	0	0
Total liabilities	<u>23,750</u>	<u>138,709</u>	<u>1,064,857</u>	<u>287,134</u>	<u>0</u>	<u>84,179</u>
<b>Fund balance:</b>						
Reserved fund balance	0	0	749,936	0	156,808	3,758,670
<b>Unreserved:</b>						
Designated fund balance	0	0	0	0	0	0
Total fund balance	<u>0</u>	<u>0</u>	<u>749,936</u>	<u>0</u>	<u>156,808</u>	<u>3,758,670</u>
Total liabilities and fund balance	<u>\$ 23,750</u>	<u>\$ 138,709</u>	<u>\$ 1,814,793</u>	<u>\$ 287,134</u>	<u>\$ 156,808</u>	<u>\$ 3,842,849</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other receivables	0	1,956	16,670	9,950	0
Due (to) from other funds	108,873	367,980	12,280	82,427	602,248
Other assets	0	0	0	0	0
Restricted assets	0	0	0	0	0
Total assets	<u>\$ 108,873</u>	<u>\$ 369,936</u>	<u>\$ 28,950</u>	<u>\$ 92,377</u>	<u>\$ 602,248</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 19,000	\$ 320	\$ 28,950	\$ 3,936	\$ 11,879
Accrued expenditures	0	0	0	0	0
Deferred revenue	0	0	0	4,729	0
Due to other funds	0	0	0	0	0
Other liabilities	0	0	0	2,547	0
Total liabilities	<u>19,000</u>	<u>320</u>	<u>28,950</u>	<u>11,212</u>	<u>11,879</u>
<b>Fund balance:</b>					
Reserved fund balance	89,873	369,616	0	81,165	590,369
<b>Unreserved:</b>					
Designated fund balance	0	0	0	0	0
Total fund balance	<u>89,873</u>	<u>369,616</u>	<u>0</u>	<u>81,165</u>	<u>590,369</u>
Total liabilities and fund balance	<u>\$ 108,873</u>	<u>\$ 369,936</u>	<u>\$ 28,950</u>	<u>\$ 92,377</u>	<u>\$ 602,248</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Agricultural Preservation	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 0	\$ 0	\$ 100	\$ 0	\$ 0
Other receivables	0	0	22,903	0	150,608
Due (to) from other funds	1,280,076	3,003,325	150,052	0	0
Other assets	0	0	0	0	0
Restricted assets	0	0	0	0	0
Total assets	<u>\$ 1,280,076</u>	<u>\$ 3,003,325</u>	<u>\$ 173,055</u>	<u>\$ 0</u>	<u>\$ 150,608</u>
<b>LIABILITIES AND FUND BALANCE:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 0	\$ 467	\$ 13,541	\$ 0	\$ 53,826
Accrued expenditures	0	0	0	0	0
Deferred revenue	1,280,076	0	0	0	94,397
Due to other funds	0	0	0	0	2,385
Other liabilities	0	2,383,724	0	0	0
Total liabilities	<u>1,280,076</u>	<u>2,384,191</u>	<u>13,541</u>	<u>0</u>	<u>150,608</u>
<b>Fund balance:</b>					
Reserved fund balance	0	619,134	159,514	0	0
<b>Unreserved:</b>					
Designated fund balance	0	0	0	0	0
Total fund balance	<u>0</u>	<u>619,134</u>	<u>159,514</u>	<u>0</u>	<u>0</u>
Total liabilities and fund balance	<u>\$ 1,280,076</u>	<u>\$ 3,003,325</u>	<u>\$ 173,055</u>	<u>\$ 0</u>	<u>\$ 150,608</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING BALANCE SHEET (continued)  
 OTHER GOVERNMENTAL FUNDS  
 JUNE 30, 2008

	Aging 43 fund	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
<b>ASSETS:</b>						
Cash and cash equivalents	\$ 0	\$ 500	\$ 2,850	\$ 0	\$ 0	\$ 3,788,921
Other receivables	38,191	1,700	672,348	682,493	144,078	3,722,423
Due (to) from other funds	0	10,334	37,165	130,430	0	6,282,236
Other assets	0	0	548	0	0	548
Restricted assets	0	0	0	0	0	0
Total assets	<u>\$ 38,191</u>	<u>\$ 12,534</u>	<u>\$ 712,911</u>	<u>\$ 812,923</u>	<u>\$ 144,078</u>	<u>\$ 13,794,128</u>
<b>LIABILITIES AND FUND BALANCE:</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 13,846	\$ 5,949	\$ 418,579	\$ 25,477	\$ 16,932	\$ 1,812,964
Accrued expenditures	0	0	0	0	0	0
Deferred revenue	0	0	156,872	0	8,900	1,628,215
Due to other funds	24,345	0	0	0	118,246	460,102
Other liabilities	0	0	0	0	0	2,386,271
Total liabilities	<u>38,191</u>	<u>5,949</u>	<u>575,451</u>	<u>25,477</u>	<u>144,078</u>	<u>6,287,552</u>
<b>Fund balance:</b>						
Reserved fund balance	0	6,585	137,460	787,446	0	7,506,576
<b>Unreserved:</b>						
Designated fund balance	0	0	0	0	0	0
Total fund balance	<u>0</u>	<u>6,585</u>	<u>137,460</u>	<u>787,446</u>	<u>0</u>	<u>7,506,576</u>
Total liabilities and fund balan	<u>\$ 38,191</u>	<u>\$ 12,534</u>	<u>\$ 712,911</u>	<u>\$ 812,923</u>	<u>\$ 144,078</u>	<u>\$ 13,794,128</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Planning Grants	Judicial Grants	Transportation Grants	Public Safety Grants	Community Development Grants	Housing Assistance
<b>REVENUES:</b>						
Taxes - local property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Charge for services	0	0	783,372	0	0	445,948
Intergovernmental	93,455	782,614	2,212,686	939,289	334,924	7,629,828
Interest income	0	1,334	0	0	0	21,771
Other income	54,000	779	195,690	500	0	0
<b>Total revenues</b>	<b>147,455</b>	<b>784,727</b>	<b>3,191,748</b>	<b>939,789</b>	<b>334,924</b>	<b>8,097,547</b>
<b>EXPENDITURES:</b>						
Education	0	0	0	0	0	0
Public safety	0	0	0	1,525,471	0	0
Community services	0	0	4,942,124	0	334,775	8,078,566
Judicial	0	1,061,113	0	0	0	0
Planning & growth mgmt.	147,455	0	0	0	0	0
Health	0	0	0	0	0	0
Economic development	0	0	0	0	0	0
Social services	0	0	0	0	0	0
Legislative	0	0	0	0	0	0
<b>Total expenditures</b>	<b>147,455</b>	<b>1,061,113</b>	<b>4,942,124</b>	<b>1,525,471</b>	<b>334,775</b>	<b>8,078,566</b>
Excess (deficiency) of revenues over (under) expenditures	0	(276,386)	(1,750,377)	(585,682)	149	18,981
<b>Other financing sources:</b>						
Issuance of debt	0	0	0	0	0	0
Transfers in	0	276,386	1,532,601	585,680	0	0
Transfers out	0	0	0	0	0	0
	0	276,386	1,532,601	585,680	0	0
Net change in fund balance	0	0	(217,776)	(2)	149	18,981
Fund balance - beginning of year	0	0	967,712	2	156,659	3,739,689
Fund balance - end of year	\$ 0	\$ 0	\$ 749,936	\$ 0	\$ 156,808	\$ 3,758,670

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE (continued)  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Housing Special Loans	Sheriff's Special Programs	Community Development	Animal Shelter/ Control	Drug Forfeitures	Agricultural Preservation
<b>REVENUES:</b>						
Taxes - local property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 415,761
Charge for services	412,870	276,656	0	87,717	232,326	0
Intergovernmental	0	0	299,572	4,971	0	0
Interest income	0	0	251	0	3,879	0
Other income	0	0	0	16,002	0	0
<b>Total revenues</b>	<b>412,870</b>	<b>276,656</b>	<b>299,823</b>	<b>108,689</b>	<b>236,205</b>	<b>415,761</b>
<b>EXPENDITURES:</b>						
Education	0	0	0	0	0	0
Public safety	0	226,712	0	112,577	200,917	0
Community services	600,553	0	102,603	0	0	0
Judicial	0	0	0	0	0	0
Planning & growth mgmt.	0	0	0	0	0	492,040
Health	0	0	0	0	0	0
Economic development	0	0	197,220	0	0	0
Social services	0	0	0	0	0	0
Legislative	0	0	0	0	15,232	0
<b>Total expenditures</b>	<b>600,553</b>	<b>226,712</b>	<b>299,823</b>	<b>112,577</b>	<b>216,149</b>	<b>492,040</b>
Excess (deficiency) of revenues over (under) expenditures	(187,683)	49,944	0	(3,887)	20,056	(76,279)
<b>Other financing sources:</b>						
Issuance of debt	0	0	0	0	0	0
Transfers in	0	0	0	0	0	76,279
Transfers out	0	0	0	0	(7,118)	0
	0	0	0	0	(7,118)	76,279
Net change in fund balance	(187,683)	49,944	0	(3,887)	12,938	0
Fund balance - beginning of year	277,556	319,672	0	85,052	577,432	0
Fund balance - end of year	\$ 89,873	\$ 369,616	\$ 0	\$ 81,165	\$ 590,370	\$ 0

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE (continued)  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	Fire and Rescue	Law Library	Tourism Grants	Aging 40 fund	Aging 43 fund
<b>REVENUES:</b>					
Taxes - local property	\$ 10,098,958	\$ 0	\$ 0	\$ 0	\$ 0
Charge for services	0	76,267	0	0	431,995
Intergovernmental	237,652	44,481	53,048	300,525	0
Interest income	196,387	602	0	0	0
Other income	0	1,040	0	48,666	0
<b>Total revenues</b>	<b>10,532,997</b>	<b>122,390</b>	<b>53,048</b>	<b>349,192</b>	<b>431,995</b>
<b>EXPENDITURES:</b>					
Education	0	0	0	0	0
Public safety	10,483,404	0	0	0	0
Community services	0	0	0	0	0
Judicial	0	125,138	0	0	0
Planning & growth mgmt.	0	0	0	0	0
Health	0	0	0	0	0
Economic development	0	0	53,048	0	0
Social services	0	0	0	349,192	431,995
Legislative	0	0	0	0	0
<b>Total expenditures</b>	<b>10,483,404</b>	<b>125,138</b>	<b>53,048</b>	<b>349,192</b>	<b>431,995</b>
Excess (deficiency) of revenues over (under) expenditures	49,593	(2,749)	0	0	0
<b>Other financing sources:</b>					
Issuance of debt	0	0	0	0	0
Transfers in	153,714	0	0	0	0
Transfers out	0	0	0	0	0
	153,714	0	0	0	0
Net change in fund balance	203,307	(2,749)	0	0	0
Fund balance - beginning of year	415,827	162,263	0	0	0
Fund balance - end of year	<b>\$ 619,134</b>	<b>\$ 159,514</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCE (continued)  
 OTHER GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2008

	So MD Justice Academy	Human Services	Cable Franchise	Emergency Management	Total
<b>REVENUES:</b>					
Taxes - local property	\$ 0	\$ 0	\$ 0	\$ 0	\$ 10,514,719
Charge for services	25,055	0	1,856,179	0	4,628,385
Intergovernmental	64,000	3,340,516	0	650,111	16,987,672
Interest income	0	17,214	0	0	241,438
Other income	1,063	7,924	0	0	325,664
<b>Total revenues</b>	<b>90,118</b>	<b>3,365,654</b>	<b>1,856,179</b>	<b>650,111</b>	<b>32,697,878</b>
<b>EXPENDITURES:</b>					
Education	0	0	1,481,845	0	1,481,845
Public safety	119,206	0	0	741,330	13,409,617
Community services	0	0	0	0	14,058,621
Judicial	0	0	0	0	1,186,251
Planning & growth mgmt.	0	0	0	0	639,495
Health	0	3,366,529	0	0	3,366,529
Economic development	0	0	0	0	250,268
Social services	0	0	0	0	781,187
Legislative	0	0	0	0	15,232
<b>Total expenditures</b>	<b>119,206</b>	<b>3,366,529</b>	<b>1,481,845</b>	<b>741,330</b>	<b>35,189,045</b>
Excess (deficiency) of revenues over (under) expenditures	(29,088)	(875)	374,334	(91,219)	(2,491,167)
<b>Other financing sources:</b>					
Issuance of debt	0	0	0	0	0
Transfers in	32,000	0	0	56,219	2,712,879
Transfers out	0	0	(200,000)	0	(207,118)
	32,000	0	(200,000)	56,219	2,505,761
Net change in fund balance	2,912	(875)	174,334	(35,000)	14,594
Fund balance - beginning of year	3,673	138,335	613,112	35,000	7,491,984
<b>Fund balance - end of year</b>	<b>\$ 6,585</b>	<b>\$ 137,460</b>	<b>\$ 787,446</b>	<b>\$ 0</b>	<b>\$ 7,506,578</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET ASSETS  
 OTHER PROPRIETARY FUNDS  
 JUNE 30, 2008

	Inspections and Review	County Parks Operations	Recreation Programs	Solid Waste Management
<b>ASSETS:</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 0	\$ 73,970	\$ 129,082	\$ 800
Other receivables	103,724	5,323	12,386	352,532
Due (to) from other funds	3,067,758	0	0	12,336,960
Inventory	0	50,175	0	0
Other current assets	0	0	26,035	0
<b>Total current assets</b>	<b>3,171,482</b>	<b>129,468</b>	<b>167,503</b>	<b>12,690,292</b>
<b>Noncurrent assets:</b>				
Net capital assets	41,648	362,235	9,297,654	12,376,201
Restricted assets	0	0	0	117,371
<b>Total noncurrent assets</b>	<b>41,648</b>	<b>362,235</b>	<b>9,297,654</b>	<b>12,493,572</b>
<b>Total assets</b>	<b>3,213,130</b>	<b>491,703</b>	<b>9,465,158</b>	<b>25,183,864</b>
<b>LIABILITIES:</b>				
<b>Current liabilities:</b>				
Accounts payable	302,491	22,295	122,457	574,135
Accrued expenses	6,893	18,745	115,251	21,832
Due to other funds	0	154,149	1,959,117	0
Net bond issue premiums	0	(2,786)	134,311	(5,441)
Unearned revenue	32,766	0	301,641	0
Current portion of long-term debt	24,017	45,005	472,291	18,542
<b>Total current liabilities</b>	<b>366,167</b>	<b>237,407</b>	<b>3,105,069</b>	<b>609,068</b>
<b>Noncurrent liabilities:</b>				
Other liabilities	0	0	0	118,120
Bonds payable	0	145,209	7,188,205	0
Long-term debt	89,116	45,825	57,307	4,852,533
Net pension obligation	10,328	3,943	6,789	13,772
Net OPEB obligation	122,269	43,574	34,859	231,378
Capital lease obligation	24,626	22,166	0	0
<b>Total noncurrent liabilities</b>	<b>246,339</b>	<b>260,717</b>	<b>7,287,160</b>	<b>5,215,803</b>
<b>Total liabilities</b>	<b>612,506</b>	<b>498,124</b>	<b>10,392,229</b>	<b>5,824,871</b>
<b>NET ASSETS:</b>				
Invested in capital assets, net of related debt	7,593	156,264	1,642,670	12,376,201
Unrestricted	2,593,031	(162,685)	(2,569,741)	6,982,792
<b>Total net assets</b>	<b>\$ 2,600,624</b>	<b>\$ (6,421)</b>	<b>\$ (927,071)</b>	<b>\$ 19,358,993</b>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF NET ASSETS  
 OTHER PROPRIETARY FUNDS (continued)  
 JUNE 30, 2008

	Environmental Services	Vending Machines	Total
<b>ASSETS:</b>			
Current assets:			
Cash and cash equivalents	\$ 0	\$ 49,449	\$ 253,301
Other receivables	23,030	0	496,995
Due (to) from other funds	1,092,159	0	16,496,877
Inventory	0	0	50,175
Other current assets	0	0	26,035
Total current assets	<u>1,115,190</u>	<u>49,449</u>	<u>17,323,383</u>
Noncurrent assets:			
Net capital assets	2,975,227	0	25,052,965
Restricted assets	0	0	117,371
Total noncurrent assets	<u>2,975,227</u>	<u>0</u>	<u>25,170,336</u>
Total assets	<u>4,090,417</u>	<u>49,449</u>	<u>42,493,719</u>
<b>LIABILITIES:</b>			
Current liabilities:			
Accounts payable	82,618	0	1,103,996
Accrued expenses	49,224	0	211,945
Due to other funds	0	912	2,114,178
Net bond issue premiums	28,961	0	155,045
Unearned revenue	0	0	334,407
Current portion of long-term debt	150,807	0	710,662
Total current liabilities	<u>311,610</u>	<u>912</u>	<u>4,630,233</u>
Noncurrent liabilities:			
Other liabilities	0	0	118,120
Bonds payable	1,486,664	0	8,820,078
Long-term debt	94,753	0	5,139,534
Net pension obligation	6,248	0	41,080
Net OPEB obligation	91,505	0	523,585
Capital lease obligation	74,915	0	121,707
Total noncurrent liabilities	<u>1,754,085</u>	<u>0</u>	<u>14,764,104</u>
Total liabilities	<u>2,065,695</u>	<u>912</u>	<u>19,394,337</u>
<b>NET ASSETS:</b>			
Invested in capital assets, net of related debt	1,271,260	0	15,453,988
Unrestricted	753,462	48,537	7,645,396
Total net assets	<u>\$ 2,024,722</u>	<u>\$ 48,537</u>	<u>\$ 23,099,384</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET ASSETS  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Inspections and Review	County Parks Operations	Recreation Programs	Solid Waste Management
Operating revenues:				
Charge for services	\$ 3,252,495	\$ 852,421	\$ 2,760,280	\$ 3,863,111
Other income	0	681	68,589	4,290
Total operating revenue	<u>3,252,495</u>	<u>853,102</u>	<u>2,828,869</u>	<u>3,867,401</u>
Operating expenses:				
Personnel services	1,190,543	607,131	1,446,272	1,842,359
Utilities	0	45,091	370,625	43,874
Repairs and maintenance	4,651	35,936	54,292	79,398
Insurance costs	5,465	5,749	0	12,249
Indirect costs	19,100	0	0	166,900
Supplies	25,000	150,080	337,156	217,530
Contract services	2,150,765	1,854	582,128	71,655
Other operating costs	11,340	21,689	46,174	320,308
Depreciation	16,536	69,897	335,337	619,559
Total operating expenses	<u>3,423,401</u>	<u>937,427</u>	<u>3,171,986</u>	<u>3,373,832</u>
Operating income (loss)	<u>(170,906)</u>	<u>(84,325)</u>	<u>(343,117)</u>	<u>493,569</u>
Nonoperating revenues (expenses)				
Interest income	0	435	942	393,776
Intergovernmental	0	0	26,102	0
Interest expense	(1,428)	(9,338)	(323,997)	(9,455)
Gain on disposal of capital assets	0	0	0	0
Total nonoperating revenue (expenses)	<u>(1,428)</u>	<u>(8,903)</u>	<u>(296,953)</u>	<u>384,321</u>
Income (loss) before transfers	<u>(172,334)</u>	<u>(93,228)</u>	<u>(640,070)</u>	<u>877,890</u>
Transfers in	0	50,671	0	0
Transfers out	0	0	0	(599,800)
Change in net assets	<u>(172,334)</u>	<u>(42,557)</u>	<u>(640,070)</u>	<u>278,090</u>
Net assets - beginning of year	<u>2,772,958</u>	<u>36,136</u>	<u>(287,001)</u>	<u>19,080,903</u>
Net assets - end of year	<u>\$ 2,600,624</u>	<u>\$ (6,421)</u>	<u>\$ (927,071)</u>	<u>\$ 19,358,993</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF REVENUES, EXPENSES  
 AND CHANGES IN NET ASSETS (continued)  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Environmental Services	Vending Machines	Total
Operating revenues:			
Charge for services	\$ 3,208,881	\$ 120,935	\$ 14,058,123
Other income	5,000	0	78,560
Total operating revenue	<u>3,213,881</u>	<u>120,935</u>	<u>14,136,683</u>
Operating expenses:			
Personnel services	964,528	0	6,050,834
Utilities	21,247	0	480,838
Repairs and maintenance	123,437	0	297,714
Insurance costs	18,392	0	41,855
Indirect costs	0	0	186,000
Supplies	255,010	0	984,777
Contract services	1,164,609	0	3,971,011
Other operating costs	166,697	118,637	684,845
Depreciation	334,830	0	1,376,160
Total operating expenses	<u>3,048,750</u>	<u>118,637</u>	<u>14,074,034</u>
Operating income (loss)	<u>165,131</u>	<u>2,298</u>	<u>62,650</u>
Nonoperating revenues (expenses)			
Interest income	11,312	0	406,467
Intergovernmental	0	0	26,102
Interest expense	(60,043)	0	(404,261)
Gain on disposal of capital assets	1,520	0	1,520
Total nonoperating revenue (expenses)	<u>(47,211)</u>	<u>0</u>	<u>29,828</u>
Income (loss) before transfers	<u>117,920</u>	<u>2,298</u>	<u>92,477</u>
Transfers in	0	0	50,671
Transfers out	0	0	(599,800)
Change in net assets	<u>117,920</u>	<u>2,298</u>	<u>(456,652)</u>
Net assets - beginning of year	<u>1,906,802</u>	<u>46,239</u>	<u>23,556,037</u>
Net assets - end of year	<u>\$ 2,024,722</u>	<u>\$ 48,537</u>	<u>\$ 23,099,384</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Inspections and Review	County Parks Operations	Recreation Programs	Solid Waste Management
Cash flows from operating activities:				
Cash received from customers	\$ 3,334,590	\$ 853,065	\$ 2,812,066	\$ 4,082,964
Cash paid to suppliers	(1,914,587)	(215,573)	(1,385,990)	(191,145)
Cash paid to employees	(1,191,647)	(609,137)	(1,446,965)	(1,848,187)
Net cash provided by (used in) operating activities	<u>228,356</u>	<u>28,355</u>	<u>(20,889)</u>	<u>2,043,632</u>
Cash flows from investing activities:				
Interest received	0	435	942	393,776
Net cash provided by investing activities	<u>0</u>	<u>435</u>	<u>942</u>	<u>393,776</u>
Cash flows from noncapital financing activities:				
Intergovernmental	0	0	26,102	0
Transfers in (out)	0	50,671	0	(599,800)
Receipts from interfund loans	0	17,151	814,468	2,844,703
Repayment of interfund loans	(221,119)	0	0	0
Net cash provided by (used in) noncapital financing activities	<u>(221,119)</u>	<u>67,822</u>	<u>840,570</u>	<u>2,244,903</u>
Cash flows from capital and related financing activities:				
Proceeds from issuance of bonds	0	0	0	0
Proceeds from new loans	0	0	0	0
Principal payments on bonds payable	0	(21,301)	0	(161,500)
Principal payments on capital lease obligations	(12,843)	(25,370)	(459,371)	0
Principal payments on loans	0	0	0	0
Interest paid	(1,428)	(9,338)	(323,997)	(9,455)
Proceeds from disposal of assets	0	0	0	0
Cash (paid) received for capital expenses	7,034	29,532	(12,995)	(4,511,356)
Net cash used in capital and related financing activities	<u>(7,237)</u>	<u>(26,477)</u>	<u>(796,363)</u>	<u>(4,682,311)</u>
Net increase (decrease) in cash and cash equivalents	0	70,135	24,260	0
Cash and cash equivalents - beginning of year	0	3,835	104,822	800
Cash and cash equivalents - end of year	<u>\$ 0</u>	<u>\$ 73,970</u>	<u>\$ 129,082</u>	<u>\$ 800</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS - (continued)  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Inspections and Review	County Parks Operations	Recreation Programs	Solid Waste Management
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (170,906)	\$ (84,325)	\$ (343,117)	\$ 493,569
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	16,536	69,897	335,337	619,559
Increase (decrease) in compensation-related liabilities included in long-term debt	0	0	0	0
(Increase) decrease in other receivables	77,989	(37)	(7,407)	215,563
(Increase) decrease in inventories	0	(8,578)	0	0
(Increase) decrease in other current assets	0	0	(1,983)	0
(Increase) decrease in restricted assets	0	0	0	(5,094)
Increase (decrease) in accounts payable	169,137	5,888	(35,280)	474,870
Increase (decrease) in accrued expenses	(1,104)	(2,007)	(693)	(5,828)
Increase (decrease) in other liabilities	0	0	0	5,843
Increase (decrease) in Net Pension Obligation	10,328	3,943	6,789	13,772
Increase (decrease) in Net OPEB Obligation	122,269	43,574	34,859	231,378
Increase (decrease) in deferred revenue	4,107	0	(9,394)	0
Net cash provided by operating activities	<u>\$ 228,356</u>	<u>\$ 28,355</u>	<u>\$ (20,889)</u>	<u>\$ 2,043,632</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Inspections and Review	County Parks Operations	Recreation Programs	Solid Waste Management
Borrowing under capital lease	0	0	0	0

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS - (continued)  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Environmental Services	Vending Machines	Total
Cash flows from operating activities:			
Cash received from customers	\$ 3,209,176	\$ 120,935	\$ 14,412,796
Cash paid to suppliers	(2,129,647)	(118,637)	(5,955,579)
Cash paid to employees	(951,779)	0	(6,047,715)
Net cash provided by (used in) operating activities	<u>127,750</u>	<u>2,298</u>	<u>2,409,502</u>
Cash flows from investing activities:			
Interest received	11,312	0	406,465
Net cash provided by investing activities	<u>11,312</u>	<u>0</u>	<u>406,465</u>
Cash flows from noncapital financing activities:			
Intergovernmental	0	0	26,102
Transfers in (out)	0	0	(549,129)
Receipts from interfund loans	672,243	7,900	4,356,465
Repayment of interfund loans	0	0	(221,119)
Net cash provided by (used in) noncapital financing activities	<u>672,243</u>	<u>7,900</u>	<u>3,612,319</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of bonds	400,000	0	400,000
Proceeds from new loans	26,369	0	26,369
Principal payments on bonds payable	(73,237)	0	(256,038)
Principal payments on capital lease obligations	(53,195)	0	(550,779)
Principal payments on loans	0	0	0
Interest paid	(60,043)	0	(404,261)
Proceeds from disposal of assets	1,520	0	1,520
Cash paid for capital expenses	(1,052,719)	0	(5,540,504)
Net cash used in capital and related financing activities	<u>(811,305)</u>	<u>0</u>	<u>(6,323,693)</u>
Net increase in cash and cash equivalents	0	10,198	104,593
Cash and cash equivalents - beginning of year	0	39,251	148,708
Cash and cash equivalents - end of year	<u>\$ 0</u>	<u>\$ 49,449</u>	<u>\$ 253,301</u>

THE COUNTY COMMISSIONERS OF CHARLES COUNTY, MARYLAND  
 COMBINING STATEMENT OF CASH FLOWS - (continued)  
 OTHER PROPRIETARY FUNDS  
 YEAR ENDED JUNE 30, 2008

	Environmental Services	Vending Machines	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 165,131	\$ 2,298	\$ 62,650
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	334,830	0	1,376,159
Increase (decrease) in compensation-related liabilities included in long-term debt	9,504	0	9,504
(Increase) decrease in other receivables	(4,705)	0	281,403
Increase in inventories	0	0	(8,578)
Increase in other current assets	0	0	(1,983)
Increase in restricted assets	0	0	(5,094)
Increase (decrease) in accounts payable	(478,008)	0	136,607
Increase in accrued expenses	3,245	0	(6,387)
Increase in other liabilities	0	0	5,843
Increase (decrease) in Net Pension Obligation	6,248	0	41,080
Increase (decrease) in Net OPEB Obligation	91,505	0	523,585
Decrease in deferred revenue	0	0	(5,287)
Net cash provided by (used in) operating activities	<u>\$ 127,750</u>	<u>\$ 2,298</u>	<u>\$ 2,409,502</u>

SCHEDULE OF NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

	Environmental Services	Vending Machines	Total
Borrowing under capital lease	26,369	0	26,369